

April 14th, 2014

Dear Friends,

On behalf of myself, Free The Children's Board of Directors and Free The Children's International Finance Committee, I thank you for your interest in better understanding the operational and financial structure of the organization. This letter is meant to provide additional information with respect to the Audited Financial Statement of 2013.

Free The Children is unique among American charities in that it operates programs both domestically and internationally, in a manner that is intended to be interrelated and mutually reinforcing. Our overarching mandate is to help children and youth fulfill their potential to be agents of change. Typically, most organizations in America would serve primarily a domestic or international mandate. We serve both.

In fulfilling its dual mission, Free The Children received distinct funding for both our domestic youth empowerment programming and our international development programming, and invested those funds in the respective programs as designated by our supporters.

Free The Children has a strong Board of Directors which oversees the organization. The role of the Board is, in part, to provide legal and financial oversight of the organization. This role includes, but is not limited to, the approval and review of the annual budget, overseeing and approving independent audits, the ongoing review of Free The Children's financial wellbeing, and providing independent review and guidance of Free The Children's domestic and international projects.

In the following document you will find the Audited Financial Statements for Free The Children USA's most current fiscal year. Free The Children is committed to posting full financial information to reflect our organization's commitment to transparency and accountability.

We are proud that we again have received an unqualified audit report, which means following a comprehensive audit of our financial and accounting systems and operations, our auditors have given their full approval of what is represented in the Audited Financial Statements.

2013 was a hallmark year for Free The Children with the expansion of our programming across the United States. Our Audited Financial Statements reflect the impact and support needed for the expansion of our programming across the country.



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I would like to thank our Board of Directors and the International Finance Committee for their continued guidance and leadership in ensuring Free The Children remains a trusted and accountable organization.

Sincerely

A handwritten signature in blue ink that reads "Scott Baker".

Scott Baker
Executive Director
Free The Children

FREE THE CHILDREN

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2013 AND 2012

ROY A. PASIEKA

Certified Public Accountant

ROY A. PASIEKA*Certified Public Accountant*

MEMBER: AICPA AND NYSS CPA

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EMAIL rapcpa@rbooss.net**INDEPENDENT AUDITOR'S REPORT**The Board of Directors
Free The Children
Toronto, Ontario Canada

I have audited the accompanying financial statements of Free The Children (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

The financial statements referred to above present fairly, in all material respects, the financial position of Free The Children as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CERTIFIED PUBLIC ACCOUNTANT

Kenmore, New York
March 19, 2014

ROY A. PASIEKA

Certified Public Accountant

FREE THE CHILDREN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash	\$ 5,342,638	\$4,003,979
Accounts receivable	21,408	3,346
Annuities receivable - current	6,094	6,831
Unconditional promises to give	1,260,855	230,940
Prepaid expense	400,817	108,202
Marketable securities - available for sale	645,735	-
TOTAL CURRENT ASSETS	7,677,547	4,353,298
 LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	 985,243	 919,795
 OTHER ASSETS:		
Annuities receivable - long term	19,619	25,712
Promises to give-long term - for We Days	2,749,500	-
	2,769,119	25,712
	 \$11,431,909	 \$5,298,805

ROY A. PASIEKA

Certified Public Accountant

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 116,444	\$ 69,259
Accrued payroll	<u>23,388</u>	<u>7,771</u>
TOTAL CURRENT LIABILITIES	<u>139,832</u>	<u>77,030</u>
NET ASSETS:		
Unrestricted	3,673,694	2,122,806
Temporarily restricted	<u>7,618,383</u>	<u>3,098,969</u>
TOTAL NET ASSETS	<u>11,292,077</u>	<u>5,221,775</u>
	<u>\$11,431,909</u>	<u>\$5,298,805</u>

The accompanying notes are an integral part
of these financial statements.

ROY A. PASIEKA

Certified Public Accountant

FREE THE CHILDREN

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>
PUBLIC SUPPORT AND REVENUE:		
PUBLIC SUPPORT:		
Contributions and bequests	\$ 8,361,287	\$ 5,794,983
Grants	<u>3,362,858</u>	<u>1,489,855</u>
TOTAL PUBLIC SUPPORT	<u>11,724,145</u>	<u>7,284,838</u>
REVENUE:		
Interest	4,583	-
Miscellaneous	-	-
Travel and meals reimbursement	4,167	-
Unrealized gain on securities	<u>99,027</u>	<u>-</u>
TOTAL REVENUE	<u>107,777</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,765,424</u>	<u>(2,765,424)</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>14,597,346</u>	<u>4,519,414</u>
EXPENSES:		
PROGRAM SERVICES:		
International Projects	8,110,183	-
Leadership	232,008	-
Domestic Projects	<u>3,967,827</u>	<u>-</u>
TOTAL PROGRAM SERVICES	<u>12,310,018</u>	<u>-</u>
SUPPORTING SERVICES:		
Fundraising	-	-
Management and general	<u>736,440</u>	<u>-</u>
TOTAL SUPPORTING SERVICES	<u>736,440</u>	<u>-</u>
TOTAL EXPENSES	<u>13,046,458</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	1,550,888	4,519,414
NET ASSETS, BEGINNING	<u>2,122,806</u>	<u>3,098,969</u>
NET ASSETS, ENDING	<u>\$ 3,673,694</u>	<u>\$ 7,618,383</u>

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TOTAL YEAR ENDED DECEMBER 31, 2013	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL YEAR ENDED DECEMBER 31, 2012
\$14,156,270	\$ 5,509,725	\$ 1,336,056	\$ 6,845,781
<u>4,852,713</u>	<u>2,098,958</u>	<u>1,730,370</u>	<u>3,829,328</u>
<u>19,008,983</u>	<u>7,608,683</u>	<u>3,066,426</u>	<u>10,675,109</u>
4,583	1,119	-	1,119
-	1,074	-	1,074
4,167	3,266	-	3,266
<u>99,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>107,777</u>	<u>5,459</u>	<u>-</u>	<u>5,459</u>
-	176,682	(176,682)	-
<u>19,116,760</u>	<u>7,790,824</u>	<u>2,889,744</u>	<u>10,680,568</u>
8,110,183	5,445,739	-	5,445,739
232,008	117,650	-	117,650
<u>3,967,827</u>	<u>881,582</u>	<u>-</u>	<u>881,582</u>
<u>12,310,018</u>	<u>6,444,971</u>	<u>-</u>	<u>6,444,971</u>
-	134,196	-	134,196
<u>736,440</u>	<u>669,066</u>	<u>-</u>	<u>669,066</u>
<u>736,440</u>	<u>803,262</u>	<u>-</u>	<u>803,262</u>
<u>13,046,458</u>	<u>7,248,233</u>	<u>-</u>	<u>7,248,233</u>
6,070,302	542,591	2,889,744	3,432,335
<u>5,221,775</u>	<u>1,580,215</u>	<u>209,225</u>	<u>1,789,440</u>
<u>\$11,292,077</u>	<u>\$ 2,122,806</u>	<u>\$ 3,098,969</u>	<u>\$ 5,221,775</u>

The accompanying notes are an integral part
of these financial statements.

ROY A. PASIEKA

Certified Public Accountant

FREE THE CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012

	PROGRAM		SERVICES	
	INTERNATIONAL PROJECTS	LEADER- SHIP	DOMESTIC PROJECTS	TOTAL PROGRAM SERVICES
Salaries	\$ 299,789	\$ 29,979	\$ 209,852	\$ 539,620
Payroll taxes	28,651	2,865	20,056	51,572
Employee benefits	11,869	1,187	8,308	21,364
Administrative fee	-	-	-	-
Advertising/promotion	-	-	137,333	137,333
Auto	-	-	609	609
Bank charges and fees	-	-	5,664	5,664
Bad debts	-	-	3,266	3,266
Consultants	74,227	1,541	243,387	319,155
Domestic projects	97,241	83,571	3,061,308	3,242,120
International projects	1,403,462	-	-	1,403,462
Payments to affiliated organizations	6,186,000	68,075	236,880	6,490,955
Depreciation	-	25,599	3,590	29,189
Dues and subscriptions	-	-	1,600	1,600
Insurance	-	4,829	1,347	6,176
Legal and accounting	-	-	-	-
Office	-	-	3,724	3,724
Postage and delivery	-	-	1,730	1,730
Rent	-	-	-	-
Repairs and maintenance	-	6,060	-	6,060
Shipping and handling	8,944	-	-	8,944
Travel and meals	-	-	29,073	29,073
Utilities	-	8,302	100	8,402
TOTAL FUNCTIONAL EXPENSES - 2013	<u>\$8,110,183</u>	<u>\$ 232,008</u>	<u>\$3,967,827</u>	<u>\$12,310,018</u>
- 2012	<u>\$5,445,739</u>	<u>\$ 117,650</u>	<u>\$ 881,582</u>	<u>\$ 6,444,971</u>

SUPPORTING SERVICES			TOTAL YEARS	
FUNDRAISING	GENERAL AND ADMINISTRATIVE	TOTAL SUPPORTING SERVICES	ENDED 2013	DECEMBER 31 2012
\$ -	\$ 59,958	\$ 59,958	\$ 599,578	\$ 357,900
-	5,730	5,730	57,302	30,457
-	2,373	2,373	23,737	16,585
-	24,000	24,000	24,000	24,000
-	175,935	175,935	313,268	10,227
-	761	761	1,370	-
-	16,008	16,008	21,672	19,967
-	-	-	3,266	-
-	82,333	82,333	401,488	496,310
-	311	311	3,242,431	307,527
-	-	-	1,403,462	2,164,580
-	-	-	6,490,955	3,362,876
-	66,114	66,114	95,303	56,994
-	25,875	25,875	27,475	31,962
-	1,236	1,236	7,412	4,599
-	69,597	69,397	69,597	51,793
-	14,815	14,815	18,539	42,615
-	454	454	2,184	1,823
-	163,006	163,006	163,006	160,230
-	4,174	4,174	10,234	18,715
-	-	-	8,944	22,600
-	13,156	13,156	42,229	55,853
-	10,604	10,604	19,006	10,620
<u>\$ -</u>	<u>\$736,440</u>	<u>\$736,440</u>	<u>\$13,046,458</u>	
<u>\$134,196</u>	<u>\$669,066</u>	<u>\$803,262</u>		<u>\$7,248,233</u>

The accompanying notes are an integral part of these financial statements.

FREE THE CHILDRENSTATEMENT OF CASH FLOWSYEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 6,070,302	\$ 3,432,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,303	56,994
Donated securities	(544,486)	-
Unrealized gain on securities	(99,027)	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,062)	(3,346)
(Increase) decrease in annuities receivable	6,830	4,734
(Increase) decrease in unconditional promises to give	(3,779,415)	(223,639)
(Increase) decrease in prepaid expense	(292,615)	(83,879)
Increase (decrease) in accounts payable	47,185	56,950
Increase (decrease) in accrued payroll	15,617	(3,238)
	<u>(4,568,670)</u>	<u>(195,424)</u>
TOTAL ADJUSTMENTS		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,501,632	3,236,911
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Capital expenditures	(160,751)	(59,518)
Purchase of marketable securities - Available for sale	(2,222)	-
Payments received on loan receivable	<u>-</u>	<u>40,000</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>(162,973)</u>	<u>(19,518)</u>
NET INCREASE (DECREASE) IN CASH	1,338,659	3,217,393
CASH - beginning	<u>4,003,979</u>	<u>786,586</u>
CASH - ending	<u>\$ 5,342,638</u>	<u>\$ 4,003,979</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Non cash in-kind donations received during the year were for:		
Medical supplies	\$ 1,401,600	\$ 2,018,000
Other	5,943	950

The accompanying notes are an integral part of these financial statements.

ROY A. PASIEKACertified Public Accountant

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2013 AND 2012Note 1 - Summary of Significant Accounting Policies:

(A) Nature of Activities:

The Organization was incorporated 12/20/96 in New York State and is committed to creating a network of children helping children through representation, leadership and action, and dedicated to reducing poverty and the exploitation of children.

(B) Accounting Principles:

The financial statements and records are maintained on the accrual basis of accounting. Salaries, payroll taxes and benefits are allocated to cost centers based upon percentages as determined by management. Certain expenses are spread on an actual basis. The financial statements have been prepared in accordance with The American Institute of Certified Public Accountants Industry Audit Guide for Certain Nonprofit Organizations and Voluntary Health and Welfare organizations. The organization follows the provisions of FASB ASC 958 not-for-profit entities.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time.

Permanently restricted assets - Net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 1 - Summary of Significant Accounting Policies (continued):

(C) Tax Status:

The Organization is exempt from income tax as a not-for-profit corporation under IRC section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from income tax, are subject to examination by the IRS, for the years ending December 31, 2012, 2011 and 2010 (open years). The Organization is registered and files returns in New York, Minnesota, California and Washington State and in those states is also subject to examination for open years. The Organization is in the process of registration on Arizona and Illinois. Management does not believe they have met nexus criteria requiring other state registrations at this time and the Organization has no uncertain tax positions requiring disclosure.

(D) Promises to Give:

Contributions are recognized when the donor makes a promise to give the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

(E) Marketable Securities - Available for Sale:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 1 - Summary of Significant Accounting Policies (continued):

(F) Land, Buildings, Equipment and Depreciation:

Land, buildings, equipment are recorded at cost. Equipment is depreciated over periods of five to seven years using the straight-line method. Buildings and improvements are depreciated using the straight-line method over periods between fifteen and thirty-nine years. Repair and maintenance costs are expensed as incurred, while renewals and betterments which extend the asset's useful lives are capitalized.

(G) Contributions and Grants:

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization received contributions from one major donor representing 25% in 2013 and two major donors representing 11% and 19% in 2012 of total public support.

(H) In-Kind Contributions:

Donated supplies, equipment, marketable securities and other are recorded at their fair market value when received and recorded as contribution revenue.

(I) Contributed Services:

No amounts have been reflected in these statements for donated services, inasmuch as these amounts are indeterminable. The Organization generally pays for services requiring specific expertise.

(J) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 1 - Summary of Significant Accounting Policies (continued):

(K) Events Occurring After Reporting Date:

The Organization has evaluated events and transactions that occurred between January 1, 2014 and March 19, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements and there were none noted.

(L) Name Change:

In October 2012, the Organization filed and was approved for a Certificate of Amendment to change its name from Kids Can Free The Children to Free The Children.

Note 2 - Cash:

Cash consists of the following at December 31.

	<u>2013</u>	<u>2012</u>
Bank of America - checking	\$5,041,180	\$3,034,107
- savings, interest at .13% and .04%.	212,164	10,804
- checking	9,468	8,418
- checking	2,327	1,165
- checking	7,558	-
- checking	9,835	-
Bremer Bank - checking	45,970	-
TD Canada Trust - checking	<u>14,136</u>	<u>949,485</u>
	<u>\$5,342,638</u>	<u>\$4,003,979</u>

As of December 31, 2013, the Organization had concentrations of cash in one source totaling \$5,032,532 above FDIC insured limits. There were no concentration or credit risk on cash deposits as of December 31, 2012.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 3 - Annuities Receivable:

Annuities receivable consist of the following at December 31.

	<u>2013</u>	<u>2012</u>
Donated annuity contracts	\$ 25,713	\$ 32,543
Less current portion	<u>6,094</u>	<u>6,831</u>
Long term annuities receivable	<u>\$ 19,619</u>	<u>\$ 25,712</u>

Annuity contracts are recognized as a donation at the time the policy is issued at an amount equal to the policy premium. Subsequent receipts are allocated between principal and interest when received.

Scheduled annuity receipts for each of the next five years is as follows:

December 31, 2014	\$ 6,094
2015	6,312
2016	6,537
2017	6,770
Thereafter	-
	<u>\$ 25,713</u>

Note 4 - Promises to Give:

Unconditional promises to give consist of the following at December 31.

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$1,260,855	\$ 230,940
Receivable in one to five years	3,000,000	-
Total	<u>4,260,855</u>	<u>230,940</u>
Less unamortized discount	(250,500)	-
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	<u>4,010,355</u>	<u>230,940</u>
Less current portion	<u>1,260,855</u>	<u>230,940</u>
Long term promises to give	<u>\$2,749,500</u>	<u>\$ -</u>

Unconditional promises to give due in one or more than one year are recognized at fair value, using present value techniques and a discount rate of 6%, when the donor makes an unconditional promise to give to the Organization. Unconditional promises at December 31, 2013 primarily represent funding for future We Day and We Act events.

The Organization has a concentration of credit risk with outstanding unconditional promises to give from one major donor representing 88% (2013) and three major donors representing 11%, 40% and 49% (2012).

ROY A. PASIEKACertified Public Accountant

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 5 - Prepaid Expense:

Prepaid expense consists of the following at December 31.

	<u>2013</u>	<u>2012</u>
Insurance	\$ 877	\$ 402
Administrative fees	-	4,000
Rent and security	16,565	23,800
Event fees	380,625	80,000
Other	<u>2,750</u>	<u>-</u>
	<u>\$ 400,817</u>	<u>\$ 108,202</u>

Note 6 - Land, Buildings and Equipment:

Land, buildings and equipment consist of the following at December 31.

	<u>2013</u>	<u>2012</u>
Land	\$ 172,539	\$ 172,539
Buildings	726,912	726,912
Equipment	262,798	142,023
Horses	4,800	4,800
Vehicles	<u>70,981</u>	<u>31,005</u>
Total	<u>1,238,030</u>	<u>1,077,279</u>
Less accumulated depreciation	<u>(252,787)</u>	<u>(157,484)</u>
Land, buildings and equipment - net	<u>\$ 985,243</u>	<u>\$ 919,795</u>

Depreciation expense for the year ended December 31, was \$95,303 (2013) and \$56,994 (2012).

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 7 - Fair Value Measurements:

Fair value for all investments are determined by reference to quoted market prices. Fair value of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2013</u>		
Equity Securities	\$ 643,513	\$ 643,513
Money Market	<u>2,222</u>	<u>2,222</u>
	<u>\$ 645,735</u>	<u>\$ 645,735</u>
 <u>December 31, 2012</u>		
Equity Securities	\$ -	\$ -
Money Market	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 8 - Program Services:

Program services consist of three comprehensive cost centers. (1) International Projects has the goal to eliminate the obstacles preventing children from accessing education and break the cycle of poverty. The primary method to accomplish this goal is the Organization's Adopt a Village development model which is based on the five pillars of education, clean water and sanitation, health, alternative income and livelihood, and agriculture and food security. These projects are provided in Ecuador, Ghana, Haiti, India, Kenya, Nicaragua, rural China and Sierra Leone. (2) Leadership provides young people with training and networking opportunities where they learn how to take action on the issues that matter most to them. (3) Domestic Projects is designed to empower young people to care about local and global issues. This goal is primarily accomplished through the Organization's We Day and We Act initiatives in which students are given the opportunity to participate in student-led campaigns, explore and develop their capacity for leadership, and to engage with the world in new ways resulting in tangible benefits for local communities and around the world. Leadership and Domestic Projects activities are primarily provided domestically.

Note 9 - Grants for Projects:

Grants for projects include the following at December 31.

	<u>2013</u>	<u>2012</u>
Satellite Communication	\$ 1,862	\$ 1,271
Medical Relief	1,401,600	2,036,565
Haiti project	-	117,494
Ecuador project	-	9,250
	<u>\$1,403,462</u>	<u>\$2,164,580</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 10 - Related Party Transactions:

Payments to affiliated organizations include the following at December 31.

	<u>2013</u>	<u>2012</u>
Free The Children - Canada	\$6,490,955	\$2,961,000
Free the Children - UK	<u>-</u>	<u>401,876</u>
Total payments to affiliated Organizations	<u>\$6,490,955</u>	<u>\$3,362,876</u>

Note 11 - Administrative Fees:

Included in functional expenses and allocated to program and supporting services are administrative fees paid to Free The Children (its related Canadian not-for-profit organization). A summary of administrative fees and other costs for the years ended December 31, are as follows.

	<u>2013</u>	<u>2012</u>
General (payroll and other administrative)	\$ 24,000	\$ 24,000
Other costs:		
Internal accounting cost allocation	18,000	18,000
Rent	<u>96,000</u>	<u>96,000</u>
Total fees and rent	<u>\$ 138,000</u>	<u>\$ 138,000</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2013 AND 2012Note 12 - Rent:

The Organization leases office space in California, Minnesota and Washington State in addition to rent paid to Free the Children Canada. These leases consist of both noncancelable operating leases and leases on a month to month basis. Rent expenses at December 31, 2013 was \$163,006 (2013) and \$160,230 (2012) including rent of \$96,000 as further discussed in Note 11. The following is a schedule of future minimum lease payments as of December 31.

December 31, 2014	\$ 98,114
2015	98,802
2016	99,993
2017	37,591
2018	23,427
Thereafter	-
	<u>\$ 357,927</u>

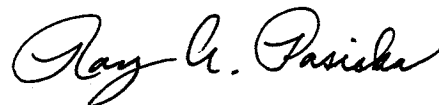
MEMBER: AICPA AND NYSS CPA

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Free The Children
Toronto, Ontario Canada

I have audited the financial statements of Free The Children as of and for the years ended December 31, 2013 and 2012, and have issued my report thereon dated March 19, 2014, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of securities - available for sale and changes in land, building and equipment are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANT

Kenmore, New York
March 19, 2014

FREE THE CHILDRENSCHEDULE OF CHANGES IN LAND,
BUILDINGS AND EQUIPMENTYEAR ENDED DECEMBER 31, 2013

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
LAND, BUILDINGS AND EQUIPMENT (AT COST)				
Land	\$ 172,539	\$ -	\$ -	\$ 172,539
Buildings	726,912	-	-	726,912
Equipment	142,023	120,775	-	262,798
Horses	4,800	-	-	4,800
Vehicles	31,005	39,976	-	70,981
TOTAL	<u>1,077,279</u>	<u>\$ 160,751</u>	<u>\$ -</u>	<u>1,238,030</u>
ACCUMULATED DEPRECIATION				
Buildings	74,868	\$ 21,182	\$ -	96,050
Equipment	59,541	63,644	-	123,185
Horses	1,372	686	-	2,058
Vehicles	21,703	9,791	-	31,494
TOTAL	<u>157,484</u>	<u>\$ 95,303</u>	<u>\$ -</u>	<u>252,787</u>
LAND, BUILDINGS AND EQUIPMENT - NET	<u>\$ 919,795</u>			<u>\$ 985,243</u>