

**October 1<sup>st</sup>, 2015**

Dear Friends,

On behalf of myself, Free The Children's US Board of Directors and 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 2014.

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.

I am pleased to say that we maintained our administration rate under 10% while increasing our overall budget, investing over 16.2 million dollars directly into projects and programming impacting the lives of youth locally and globally.



233 Carlton Street, Toronto, Ontario, Canada M5A 2L2

T: 1.416.925.5894

E: [info@freethechildren.com](mailto:info@freethechildren.com)

W: [freethechildren.com](http://freethechildren.com)

2014 was a good year for Free The Children with the expansion of our programming across America. Our Audited Financial Statements reflect the impact and support needed for the expansion of our programming across the country.

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

Sincerely

A handwritten signature in black ink that reads "Scott Baker". The signature is written in a cursive, flowing style.

Scott Baker  
Executive Director  
Free The Children

FREE THE CHILDREN  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL FINANCIAL INFORMATION  
YEARS ENDED DECEMBER 31, 2014 AND 2013



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Free The Children  
Toronto, Ontario      Canada

We have audited the accompanying financial statements of Free The Children (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free The Children as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of Free the Children as of and for the year ended December 31, 2013, were audited by other auditors whose report dated March 19, 2014, expressed an unmodified opinion on those statements.

*Swiantek, Kling & Pasieka*

CERTIFIED PUBLIC ACCOUNTANTS

Kenmore, New York  
March 26, 2015

FREE THE CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,906,246	\$ 5,342,638
Accounts receivable	32,035	21,408
Annuities receivable - current	11,390	6,094
Unconditional promises to give	3,414,422	1,260,855
Prepaid expense	248,602	400,817
Marketable securities - available for sale	<u>1,290,631</u>	<u>645,735</u>
TOTAL CURRENT ASSETS	<u>8,903,326</u>	<u>7,677,547</u>
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	<u>962,001</u>	<u>985,243</u>
<b>OTHER ASSETS:</b>		
Annuities receivable - long term	13,307	19,619
Promises to give-long term - for We Days	<u>1,335,000</u>	<u>2,749,500</u>
	<u>1,348,307</u>	<u>2,769,119</u>
	<u>\$11,213,634</u>	<u>\$11,431,909</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 59,720	\$ 116,444
Accrued payroll	<u>-</u>	<u>23,388</u>
TOTAL CURRENT LIABILITIES	<u>59,720</u>	<u>139,832</u>
NET ASSETS:		
Unrestricted	3,922,856	3,673,694
Temporarily restricted	<u>7,231,058</u>	<u>7,618,383</u>
TOTAL NET ASSETS	<u>11,153,914</u>	<u>11,292,077</u>
	 <u>\$11,213,634</u>	 <u>\$11,431,909</u>

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

FREE THE CHILDREN

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>
PUBLIC SUPPORT AND REVENUE:		
PUBLIC SUPPORT:		
Contributions and bequests	\$ 8,081,825	\$ 1,201,860
Grants	<u>4,397,960</u>	<u>3,255,000</u>
TOTAL PUBLIC SUPPORT	<u>12,479,785</u>	<u>4,456,860</u>
REVENUE:		
Interest and dividends	10,473	-
Expense reimbursements	9,376	-
Realized gain on securities	718	-
Unrealized gain on securities	<u>6,507</u>	<u>-</u>
TOTAL REVENUE	<u>27,074</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>4,844,185</u>	<u>(4,844,185)</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>17,351,044</u>	<u>( 387,325)</u>
EXPENSES:		
PROGRAM SERVICES:		
International Projects	10,725,119	-
Leadership	212,998	-
Domestic Projects	<u>5,325,071</u>	<u>-</u>
TOTAL PROGRAM SERVICES	<u>16,263,188</u>	<u>-</u>
SUPPORTING SERVICES:		
Fundraising	-	-
Management and general	<u>838,694</u>	<u>-</u>
TOTAL SUPPORTING SERVICES	<u>838,694</u>	<u>-</u>
TOTAL EXPENSES	<u>17,101,882</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	249,162	( 387,325)
NET ASSETS, BEGINNING	<u>3,673,694</u>	<u>7,618,383</u>
NET ASSETS, ENDING	<u>\$ 3,922,856</u>	<u>\$ 7,231,058</u>



TOTAL YEAR ENDED DECEMBER 31, <u>2014</u>	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL YEAR ENDED DECEMBER 31, <u>2013</u>
\$ 9,283,685	\$ 8,361,287	\$ 5,794,983	\$14,156,270
<u>7,652,960</u>	<u>3,362,858</u>	<u>1,489,855</u>	<u>4,852,713</u>
16,936,645	11,724,145	7,284,838	19,008,983
10,473	4,583	-	4,583
9,376	4,167	-	4,167
718	-	-	-
<u>6,507</u>	<u>99,027</u>	<u>-</u>	<u>99,027</u>
27,074	107,777	-	107,777
-	2,765,424	(2,765,424)	-
<u>16,963,719</u>	<u>14,597,346</u>	<u>4,519,414</u>	<u>19,116,760</u>
10,725,119	8,110,183	-	8,110,183
212,998	232,008	-	232,008
<u>5,325,071</u>	<u>3,967,827</u>	<u>-</u>	<u>3,967,827</u>
16,263,188	12,310,018	-	12,310,018
-	-	-	-
<u>838,694</u>	<u>736,440</u>	<u>-</u>	<u>736,440</u>
838,694	736,440	-	736,440
<u>17,101,882</u>	<u>13,046,458</u>	<u>-</u>	<u>13,046,458</u>
( 138,163)	1,550,888	4,519,414	6,070,302
<u>11,292,077</u>	<u>2,122,806</u>	<u>3,098,969</u>	<u>5,221,775</u>
<u>\$11,153,914</u>	<u>\$ 3,673,694</u>	<u>\$ 7,618,383</u>	<u>\$11,292,077</u>

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

FREE THE CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014

WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013

	<u>PROGRAM</u>		<u>SERVICES</u>	
	<u>INTERNATIONAL</u>	<u>LEADER-</u>	<u>DOMESTIC</u>	<u>TOTAL</u>
	<u>PROJECTS</u>	<u>SHIP</u>	<u>PROJECTS</u>	<u>PROGRAM</u>
				<u>SERVICES</u>
Salaries	\$ 570,514	\$ 57,051	\$ 399,360	\$ 1,026,925
Payroll taxes	43,170	4,317	30,219	77,706
Employee benefits	46,789	4,679	32,753	84,221
Administrative fee	-	-	-	-
Advertising/promotion	-	-	272,094	272,094
Auto	-	4,993	9,261	14,254
Bank charges and fees	-	25	-	25
Bad debts	-	-	-	-
Consultants	59,990	-	586,295	646,285
Domestic projects	-	78,695	3,891,100	3,969,795
International projects	3,598,409	-	-	3,598,409
Payments to affiliated organizations	6,315,500	-	-	6,315,500
Depreciation	-	23,850	7,995	31,845
Dues and subscriptions	-	49	-	49
Insurance	-	5,345	26,052	31,397
Legal and accounting	-	-	-	-
Office	-	3,104	4,125	7,229
Postage and delivery	-	-	8,511	8,511
Rent	-	-	26,911	26,911
Repairs and maintenance	-	22,062	1,787	23,849
Shipping and handling	90,747	-	-	90,747
Travel and meals	-	-	21,314	21,314
Utilities	-	8,828	7,294	16,122
<b>TOTAL FUNCTIONAL EXPENSES - 2014</b>	<u>\$10,725,119</u>	<u>\$ 212,998</u>	<u>\$5,325,071</u>	<u>\$16,263,188</u>
<b>- 2013</b>	<u>\$ 8,110,183</u>	<u>\$ 232,008</u>	<u>\$3,967,827</u>	<u>\$12,310,018</u>

<u>SUPPORTING SERVICES</u>			<u>TOTAL YEARS</u>	
<u>FUNDRAISING</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL SUPPORTING SERVICES</u>	<u>ENDED 2014</u>	<u>DECEMBER 31 2013</u>
\$ -	\$114,103	\$114,103	\$ 1,141,028	\$ 599,578
-	8,634	8,634	86,340	57,302
-	9,358	9,358	93,579	23,737
-	24,000	24,000	24,000	24,000
-	24,156	24,156	296,250	313,268
-	1,653	1,653	15,907	1,370
-	18,388	18,388	18,413	21,672
-	-	-	-	3,266
-	120,255	120,255	766,540	401,488
-	-	-	3,969,795	3,242,431
-	-	-	3,598,409	1,403,462
-	-	-	6,315,500	6,490,955
-	114,340	114,340	146,185	95,303
-	26,969	26,969	27,018	27,475
-	2,297	2,297	33,694	7,412
-	95,562	95,562	95,562	69,597
-	11,627	11,627	18,856	18,539
-	6,334	6,334	14,845	2,184
-	201,663	201,663	228,574	163,006
-	4,498	4,498	28,347	10,234
-	-	-	90,747	8,944
-	30,058	30,058	51,372	42,229
-	24,799	24,799	40,921	19,006
<u>\$ -</u>	<u>\$838,694</u>	<u>\$838,694</u>	<u>\$17,101,882</u>	
<u>\$ -</u>	<u>\$736,440</u>	<u>\$736,440</u>		<u>\$13,046,458</u>

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

## FREE THE CHILDREN

## STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$( 138,163)	\$ 6,070,302
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,185	95,303
Donated securities	( 627,735)	( 544,486)
Realized gain on sale of marketable securities	( 718)	-
Unrealized gain on securities	( 6,507)	( 99,027)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 10,627)	( 18,062)
(Increase) decrease in annuities receivable	1,016	6,830
(Increase) decrease in unconditional promises to give	( 739,067)	(3,779,415)
(Increase) decrease in prepaid expense	152,215	( 292,615)
Increase (decrease) in accounts payable	( 56,724)	47,185
Increase (decrease) in accrued payroll	( 23,388)	15,617
	<u>(1,165,350)</u>	<u>(4,568,670)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,303,513)	1,501,632
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Capital expenditures	( 122,943)	( 160,751)
Proceeds from sale of marketable securities	8,067	-
Purchase of marketable securities - Available for sale	( 18,003)	( 2,222)
Payments received on loan receivable	-	-
	<u>( 132,879)</u>	<u>( 162,973)</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	( 132,879)	( 162,973)
NET INCREASE (DECREASE) IN CASH	(1,436,392)	1,338,659
CASH - beginning	<u>5,342,638</u>	<u>4,003,979</u>
CASH - ending	<u>\$ 3,906,246</u>	<u>\$ 5,342,638</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	\$ 2,969,680	\$ 1,401,600
Other	-	5,943

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

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2014 AND 2013Note 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 have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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.

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, 2014 AND 2013Note 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, 2013, 2012 and 2011 (open years). The Organization is registered and files returns in six states and in those states, is also subject to examination for open years. 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, 2014 AND 2013Note 1 - Summary of Significant Accounting Policies (continued):

## (F) Land, Buildings, Equipment and Depreciation:

Land, buildings and 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 two major donors representing 15% and 18% in 2014 and one major donor representing 25% in 2013 of 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 CHILDREN

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2014 AND 2013

Note 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, 2015 and March 26, 2015, 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.

Note 2 - Cash:

Cash consists of the following at December 31.

	<u>2014</u>	<u>2013</u>
Bank of America - checking	\$3,550,278	\$5,041,180
- savings, interest at .10% and .13%.	212,398	212,164
- checking	3,579	9,468
- checking	1,472	2,327
- checking	3,490	7,558
- checking	7,364	9,835
Bremer Bank - checking	88,116	45,970
- checking	17,775	-
TD Canada Trust - checking	<u>21,774</u>	<u>14,136</u>
	<u>\$3,906,246</u>	<u>\$5,342,638</u>

As of December 31, the Organization had concentrations of cash in one source totaling \$3,528,581 (2014) and \$5,032,532 (2013) above FDIC insured limits.



FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2014 AND 2013Note 3 - Annuities Receivable:

Annuities receivable consist of the following at December 31.

	<u>2014</u>	<u>2013</u>
Donated annuity contracts	\$ 24,697	\$ 25,713
Less current portion	<u>11,390</u>	<u>6,094</u>
Long term annuities receivable	<u>\$ 13,307</u>	<u>\$ 19,619</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, 2015	\$ 11,390
2016	6,537
2017	6,770
Thereafter	-
	<u>\$ 24,697</u>

Note 4 - Promises to Give:

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

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$3,336,860	\$1,260,855
Receivable in one to five years	<u>1,500,000</u>	<u>3,000,000</u>
Total	4,836,860	4,260,855
Less unamortized discount	( 87,438)	( 250,500)
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	<u>4,749,422</u>	<u>4,010,355</u>
Less current portion	<u>3,414,422</u>	<u>1,260,855</u>
Long term promises to give	<u>\$1,335,000</u>	<u>\$2,749,500</u>

Unconditional promises to give due in 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, 2014 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 three major donors representing 12%, 12% and 62% (2014) and one major donor representing 88% (2013).

FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2014 AND 2013

Note 5 - Prepaid Expense:

Prepaid expense consists of the following at December 31.

	<u>2014</u>	<u>2013</u>
Insurance	\$ 3,518	\$ 877
Rent and security	14,290	16,565
Event fees	209,857	380,625
Other	<u>20,937</u>	<u>2,750</u>
	<u>\$ 248,602</u>	<u>\$ 400,817</u>

Note 6 - Land, Buildings and Equipment:

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

	<u>2014</u>	<u>2013</u>
Land	\$ 172,539	\$ 172,539
Buildings	737,361	726,912
Equipment	359,312	262,798
Horses	4,800	4,800
Vehicles	<u>70,981</u>	<u>70,981</u>
Total	1,344,993	1,238,030
Less accumulated depreciation	<u>( 382,992)</u>	<u>( 252,787)</u>
Land, buildings and equipment - net	<u>\$ 962,001</u>	<u>\$ 985,243</u>

Depreciation expense for the year ended December 31, was \$146,185 (2014) and \$95,303 (2013).

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2014 AND 2013Note 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, 2014 and 2013 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, 2014</u>		
Equity Securities	\$1,273,997	\$1,273,997
Money Market	<u>16,634</u>	<u>16,634</u>
	<u>\$1,290,631</u>	<u>\$1,290,631</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>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2014 AND 2013Note 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 to 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>2014</u>	<u>2013</u>
Satellite Communication	\$ 2,035	\$ 1,862
Medical Relief	2,969,680	1,401,600
China project	600,000	-
India project	25,200	-
Other	<u>1,494</u>	<u>-</u>
	<u>\$3,598,409</u>	<u>\$1,403,462</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2014 AND 2013Note 10 - Related Party Transactions:

Payments to affiliated organizations include the following at December 31.

	<u>2014</u>	<u>2013</u>
Free The Children - Canada	\$6,315,500	\$6,490,955
Total payments to affiliated Organizations	<u>\$6,315,500</u>	<u>\$6,490,955</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>2014</u>	<u>2013</u>
General (payroll and other administrative)	\$ 24,000	\$ 24,000
Other costs:		
Internal accounting cost allocation	35,000	18,000
Rent	<u>96,000</u>	<u>96,000</u>
Total fees and rent	<u>\$ 155,000</u>	<u>\$ 138,000</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2014 AND 2013Note 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, 2014 was \$228,574 (2014) and \$163,006 (2013) 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, 2015	\$ 98,802
2016	99,511
2017	37,591
2018	23,427
Thereafter	-
	<u>\$ 259,331</u>



INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors  
Free The Children  
Toronto, Ontario Canada

We have audited the financial statements of Free The Children as of and for the year ended December 31, 2014, and have issued our report thereon dated March 26, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in land, building and equipment is presented for the purpose of additional analysis and is 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

Kenmore, New York  
March 26, 2015

FREE THE CHILDRENSCHEDULE OF CHANGES IN LAND,  
BUILDINGS AND EQUIPMENTYEAR ENDED DECEMBER 31, 2014

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	10,449	-	737,361
Equipment	262,798	112,494	15,980	359,312
Horses	4,800	-	-	4,800
Vehicles	70,981	-	-	70,981
TOTAL	<u>1,238,030</u>	<u>\$122,943</u>	<u>\$ 15,980</u>	<u>1,344,993</u>
ACCUMULATED DEPRECIATION				
Buildings	96,050	\$ 21,299	\$ -	117,349
Equipment	123,185	113,105	15,980	220,310
Horses	2,058	685	-	2,743
Vehicles	31,494	11,096	-	42,590
TOTAL	<u>252,787</u>	<u>\$146,185</u>	<u>\$ 15,980</u>	<u>382,992</u>
LAND, BUILDINGS AND EQUIPMENT - NET	<u>\$ 985,243</u>			<u>\$ 962,001</u>