
FINANCIAL STATEMENTS

KIDS CAN FREE THE CHILDREN

FOR THE YEAR ENDED MARCH 31, 2011

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Contents

Page

AUDITORS' REPORT

FINANCIAL STATEMENTS

Statement of financial position	1
Statement of changes in net assets	2
Statement of revenue and expenditures	3
Statement of cash flows	4

NOTES TO FINANCIAL STATEMENTS	5 - 10
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AUDITORS' REPORT

To the Members of Kids Can Free The Children
Toronto, Ontario

We have audited the statements of financial position of Kids Can Free The Children as at March 31, 2011 and 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except as explained in the following paragraph, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess or deficiency of revenue over expenditures, assets and net assets.

Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
May 6, 2011

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KIDS CAN FREE THE CHILDREN

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

	2011 \$	2010 \$
ASSETS		
CURRENT		
Cash and cash equivalents (note 9)	3,553,260	3,837,789
Marketable securities	522,005	250,708
Inventory	80,585	289,784
Prepaid expenses and sundry	380,433	192,902
	4,536,283	4,571,183
PROPERTY AND EQUIPMENT (note 3)	6,741,156	5,994,288
	11,277,439	10,565,471
LIABILITIES		
CURRENT		
Bank demand loan (note 4)	700,000	-
Accounts payable and accruals	140,752	105,789
Deferred contributions (note 5)	1,489,250	100,000
	2,330,002	205,789
NET ASSETS		
Net investment in capital assets	6,741,156	5,994,288
Unrestricted	2,206,281	4,365,394
	8,947,437	10,359,682
	11,277,439	10,565,471

ON BEHALF OF THE BOARD:

Member



Member

See accompanying notes.

KIDS CAN FREE THE CHILDREN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31

	Unre- stricted \$	Net invest- ment in capital assets \$	2011 \$	2010 \$
		(Note 6)		
NET ASSETS , beginning of year	4,365,394	5,994,288	10,359,682	8,796,748
Excess of revenue over expenditures (expenditures over revenue)	(1,156,526)	(255,719)	(1,412,245)	1,562,934
Investment in capital assets, net	(1,002,587)	1,002,587	-	-
NET ASSETS , end of year	2,206,281	6,741,156	8,947,437	10,359,682



See accompanying notes.

KIDS CAN FREE THE CHILDREN

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED MARCH 31

	2011 \$	2010 \$
REVENUE		
Donations from the public		
- Donations	15,639,514	14,542,591
- Donated goods	5,101,070	7,368,556
Grants		
- Government	750,000	250,000
- Private	628,226	207,780
Investment and other income, net	129,606	120,998
	22,248,416	22,489,925
EXPENDITURES		
Programs		
- International projects	11,018,380	11,806,744
- Domestic projects	9,372,253	6,825,542
- Leadership education and public Awareness	860,516	539,695
	21,251,149	19,171,981
Support		
- Fundraising	516,347	370,460
- Administration	1,893,165	1,384,550
	2,409,512	1,755,010
	23,660,661	20,926,991
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	(1,412,245)	1,562,934



See accompanying notes.

KIDS CAN FREE THE CHILDREN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31

	2011 \$	2010 \$
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue)	(1,412,245)	1,562,934
Adjustment for non-cash items		
- Unrealized gain on marketable securities	(9,391)	(21,266)
- Realized gain on disposal of marketable securities	(609)	-
- Gain on disposal of real property	(70,954)	-
- Amortization	326,673	305,256
	(1,166,526)	1,846,924
Changes in non-cash working capital		
- Marketable securities	(261,296)	(202,614)
- Inventory	209,199	90,432
- Prepaid expenses and sundry	(187,531)	16,160
- Other assets	-	4,961,678
- Deferred contributions	1,389,250	(4,773,278)
- Accounts payable	34,962	(103,819)
	18,058	1,835,483
INVESTING ACTIVITIES		
Property and equipment additions, net	(1,002,587)	(171,405)
FINANCING ACTIVITIES		
Bank demand loan	700,000	(700,067)
Mortgages payable	-	(126,050)
	700,000	(826,117)
INCREASE (DECREASE) IN CASH	(284,529)	837,961
CASH, BEGINNING OF YEAR	3,837,789	2,999,828
CASH, END OF YEAR (note 9)	3,553,260	3,837,789

See accompanying notes.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

1/ PURPOSE OF ORGANIZATION

Kids Can Free The Children is an organization which 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 around the world.

The organization was incorporated under the provision of Part II of the Canada Corporations Act as a non-profit corporation, without share capital. As a result, the organization is exempt from income tax under Section 149 of the Income Tax Act, Canada.

2/ ACCOUNTING POLICIES

Revenue recognition

The organization follows the deferral method of accounting for contributions, which are mainly comprised of cash donations, donations-in-kind, and public and private grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations-in-kind

Contributions of materials are recognized when a fair value can be reasonably estimated and when the materials are used in the normal course of the organization's operation and would otherwise have been purchased. While the organization also benefits from volunteer time, the value of this volunteer time has not been reflected in these statements.

Investment income

Investment income is recorded on the accrual basis, includes interest income, dividends, net gain (loss) on sale of investments and change in unrealized gains (losses) on investments.

Allocation of expenses

Expenses are recorded and reported by program and support services. Certain officers and employees perform a combination of program, fundraising and administrative activities; as a result, salaries are allocated based on time dedicated to the activity. Other operating and general costs, such as postage, printing and copying costs have been allocated based on the actual utilization of such expenses. Such allocations are reviewed annually, updated and applied on a prospective basis.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

2/ ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and term deposits that mature in a short-term period.

Marketable securities

Marketable securities are classified as held for trading and recorded at fair market value. Unrealized gains or losses are recognized in the income statement of the current period. Dividend income is recognized when received.

Inventory

Inventory consists of publications and donated goods. Publications are stated at lower of cost and net realizable value. Donated goods are recorded at fair market value at the time of receipt.

Amortization

Property and equipment are recorded at cost and amortized on the declining-balance basis using the following annual rates:

Buildings	-	4%
Computer equipment	-	30%
Furniture and fixtures	-	20%
Vehicles	-	30%

Translation of foreign currencies

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Non-monetary assets are translated using historic rates. Revenue and expenses are translated at the average rate during the year. Exchange gains and losses on monetary items are taken into income in the current year.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. These estimates are reviewed yearly and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

2/ ACCOUNTING POLICIES (Continued)

Changes in accounting policy

On April 1, 2010, the organization adopted the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants Handbook.

Section 4470, *Disclosure of Allocated Expenses by Not-For-Profit Organizations*, establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The new disclosures required under Section 4470 are provided in Note 11.

3/ PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2011	2010
			\$	\$
Land	1,900,000	-	1,900,000	1,647,000
Buildings	5,151,240	733,377	4,417,883	3,988,620
Computer equipment	312,678	178,502	134,176	126,106
Furniture and fixtures				
- Office	381,244	177,137	204,107	114,905
- Residential buildings	38,835	25,569	13,266	15,165
Vehicles	180,178	108,433	71,744	102,492
	7,964,175	1,223,018	6,741,156	5,994,288

4/ BANK DEMAND LOAN

The organization has a credit facility that provides a loan to a maximum of \$700,000. The loan, when drawn, bears interest at the bank's prime plus 1% lending rate and is due on demand. The credit facility is collaterally secured by a general security agreement over all assets of the organization.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

5/ DEFERRED CONTRIBUTIONS

Deferred contributions include public donations which remain unspent to March 31, 2011, as set out in the following table:

	2010 \$	Received \$	Recognized as Revenue \$	2011 \$
Cash donations	100,000	17,128,764	15,739,514	1,489,250

Deferred contributions recognized as revenue are included in cash donations from the public on the statement of revenue and expenditures.

6/ NET ASSETS

The segregated balance of investment in property and equipment represents the amortized cost of property and equipment.

7/ COMMITMENTS

The organization leases office space at several locations in Canada. The aggregate minimum rent per annum in the next two years is in the range of \$135,000 to \$172,000.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

8/ RELATED-PARTY TRANSACTIONS

The co-founders of the organization have a controlling interest in Me to We Social Enterprises Inc. and its subsidiaries. The transactions during the year with the group of companies can be summarized as follows:

	\$
Rental revenue	30,240
Donations received	312,334
	342,574
Purchase of promotional goods for domestic projects	174,255
	174,255

The purpose of the Me to We group is to help support the operation of Kids Can Free the Children. The organization purchases books, other educational materials and promotional clothing from Me to We. These items are either charged at cost or profits therefrom are donated back by Me to We. Annually, Me to We donates back 50% of any profits and retains 50% to provide for its own sustainability.

9/ CASH FLOWS INFORMATION

	2011 \$	2010 \$
Cash on hand	2,353,250	3,237,789
Term deposits	500,000	600,000
Money market fund	700,010	-
	3,553,260	3,837,789

Term deposits bear interest at 1.15%. They mature within the next four months and are renewable at the organization's option.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

10/ FINANCIAL INSTRUMENTS

a/ The organization has classified its financial instruments as follows:

Cash and term deposits	-	Held-for-trading
Marketable securities	-	Held-for-trading
Accounts payable and accruals	-	Other financial liabilities

b/ The fair values of cash and term deposits and accounts payable and accruals are approximately equal to their carrying values, due to their short-term maturities.

c/ Exchange risk

Amounts denominated in U.S. currency at the balance sheet date are as follows:

	2011 \$	2010 \$
Cash	(24,187)	38,058
Marketable securities	369,760	131,906

Unless otherwise noted, the organization is not exposed to significant interest or credit risk arising from its financial instruments.

11/ ALLOCATION OF EXPENSES

During the year, total administration expenses of \$497,833 (2010 - \$370,460) relating to fundraising activities were identified and allocated to fundraising expenses.

12/ COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.