FREE THE KIDS, INC.
D/B/A THEO'S WORK, INC.

Financial Statements
June 30, 2010 and 2009

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
Certified Public Accountants

FREE THE KIDS, INC. D/B/A THEO'S WORK, INC.

FINANCIAL STATEMENTS
June 30, 2010 and 2009

INDEX

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of

Free the Kids, Inc. D/B/A Theo's Work, Inc.

We have audited the accompanying statements of financial position of Free the Kids, Inc. D/B/A Theo's Work, Inc. (a Not-for-Profit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free the Kids, Inc. D/B/A Theo's Work, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Malesardi, Quackenbush, Swift & Company, LLC

Englewood, New Jersey
January 6, 2011

MEMBER AICPA DIVISION OF FIRMS

FREE THE KIDS, INC. D/B/A THEO'S WORK, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS:		
Cash and equivalents	$ 1,467,975	$ 537,357

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES:		
Accounts payable	$ 24,578	$ 17,902
Accrued payroll taxes	3,152	1,905
Due to Pwoje Espwa	-	14,000
Total Liabilities	27,730	33,807
NET ASSETS:		
Unrestricted	699,111	438,475
Unrestricted - board designated	500,000	-
Temporarily restricted	241,134	65,075
Total Net Assets	1,440,245	503,550
Total Liabilities and Net Assets	$ 1,467,975	$ 537,357

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

FREE THE KIDS. INC. D/B/A THEO'S WORK, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 2,691,457	$ 241,134	$ 2,932,591	$ 1,807,092	$ 14,000	$ 1,821,092
Donation - non cash	118,151	-	118,151	47,000	-	47,000
Fundraising	67,980	-	67,980	24,386	-	24,386
Investment income	4,578	-	4,578	5,660	-	5,660
Other revenue	2,032	-	2,032	-	-	-
TOTAL SUPPORT AND REVENUE	2,884,198	241,134	3,125,332	1,884,138	14,000	1,898,138
EXPENSES:						
Program services	2,022,064	-	2,022,064	1,839,537	-	1,839,537
General and administrative	154,593	-	154,593	69,003	-	69,003
Fundraising	11,980	-	11,980	46,949	-	46,949
TOTAL EXPENSES	2,188,637	-	2,188,637	1,955,489	-	1,955,489
CHANGE IN NET ASSETS FROM OPERATIONS	695,561	241,134	936,695	(71,351)	14,000	(57,351)
NON-OPERATING ACTIVITIES:						
Net assets released from restrictions	65,075	(65,075)	-	14,000	(14,000)	-
Reclassification of net assets	-	-	-	(51,075)	51,075	
TOTAL NON-OPERATING ACTIVITIES	65,075	(65,075)	-	(37,075)	37,075	-
CHANGE IN NET ASSETS	760,636	176,059	936,695	(108,426)	51,075	(57,351)
NET ASSETS, Beginning of Year	438,475	65,075	503,550	546,901	14,000	560,901
NET ASSETS, End of Year	$ 1,199,111	$ 241,134	$ 1,440,245	$ 438,475	$ 65,075	$ 503,550

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

FREE THE KIDS, INC. D/B/A THEO'S WORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2010 and 2009

	2010				2009			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Donations to Pwoje Espwa:								
Orphanage operations	$ 1,880,760	$ -	$ -	$ 1,880,760	$ 1,791,833	$ -	$ -	$ 1,791,833
Assistance to individuals	6,603	-	-	6,603	7,000	-	-	7,000
Salary	56,737	28,369	-	85,106	15,333	7,667	-	23,000
Payroll taxes	4,342	2,170	-	6,512	1,858	929	-	2,787
Insurance	-	1,795	-	1,795	-	1,795	-	1,795
Website	22,331	-	-	22,331	-	-	-	-
Professional fees	-	10,184	-	10,184	-	19,952	-	19,952
Contract services	18,358	28,074	-	46,432	-	10,874	-	10,874
Office expenses	25,135	25,134	-	50,269	23,513	21,794	5,882	51,189
Advertising and publications	-	-	1,210	1,210	-	-	18,574	18,574
Travel	7,798	50,035	3,250	61,083	-	5,992	5,991	11,983
Fundraising fees	-	-	7,520	7,520	-	-	12,735	12,735
Printing	-	3,392	0	3,392	-	-	3,767	3,767
Other	-	5,440	-	5,440	-	-	-	-
Total	$ 2,022,064	$ 154,593	$ 11,980	$ 2,188,637	$ 1,839,537	$ 69,003	$ 46,949	$ 1,955,489

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

FREE THE KIDS, INC. D/B/A THEO'S WORK, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 936,695	$ (57,351)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Accounts payable	6,676	16,578
Accrued payroll taxes	1,247	1,905
Due to Rotary International	-	(56,000)
Due to Pwoje Espwa	(14,000)	14,000
Net Cash Provided by (Used in) Operating Activities	930,618	(80,868)
CASH AND EQUIVALENTS, Beginning of Year	537,357	618,225
CASH AND EQUIVALENTS, End of Year	$ 1,467,975	$ 537,357

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

NOTE 1 - NATURE OF ACTIVITIES AND ORGANIZATION:

Free the Kids, Inc. D/B/A Theo's Work, Inc. ("FTK") is a humanitarian, Not-for-Profit corporation that was founded in 1997 by Father Marc Boisvert, OMI ("Father Marc"), a former U.S. Navy chaplain who had been assigned to work with Haitian refugees being held in Cuba. FTK's overall mission is to support the humanitarian efforts of Pwoje Espwa in southern Haiti. Pwoje Espwa is a multi-faceted program serving the needs of over 1,000 children in Haiti through (1) basic shelter, food, medical care and treatment through the operation of an orphanage, (2) educational and religious instruction, (3) construction of additional orphanage facilities, (4) transportation, energy, and administrative services, and (5) staff and employee salaries. Father Marc, who resides in Haiti, is responsible for managing the orphanage and providing the above services to the children.

FTK is primarily supported by contributions, gifts, and grants. The majority of these contributions, gifts, and grants are donated by FTK to Pwoje Espwa. In addition, all assets donated by FTK to Pwoje Espwa are owned by Pwoje Espwa. FTK does not retain ownership of these assets.

Alternate Name

On December 9, 2008, Theo's Work, Inc. registered an alternate name with the State of New Jersey. The alternate name to be used is Free The Kids, Inc.

Beneficiaries of Services

FTK limits its benefits, services, and products to Pwoje Espwa. Recipients or beneficiaries are selected by Pwoje Espwa based upon the child's need for food, shelter, and medical assistance.

Pwoje Espwa's orphanage and village are home to approximately 575 children, providing shelter, food and clothing, at a cost of $45 to $60 per month per child depending on age. Pwoje Espwa houses approximately 30 additional children in separate quarters at the original orphanage in the city. Pwoje Espwa provides approximately 3,000 meals per day, 700-800 of which are provided for children who do not reside in the orphanage. In addition, there are 1,600 students in the Pwoje Espwa school system.

Financial Accountability

Father Marc is a member of a religious order who must obtain permission from the missionary oblates of Mary Immaculate prior to incurring expenses for Pwoje Espwa. The approval process is informal.

Income Taxes

FTK is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect provisions for income taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of FTK have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

All transactions have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets:

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the objectives of FTK and include those expandable resources which have been designated for special use by the Board of Directors.

Temporarily restricted net assets represent those amounts which are donor-restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specifications.

In the absence of donor restriction, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

FTK records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Cash and Equivalents

FTK presents its Statements of Cash Flows using the indirect method. For purposes of cash flows presentation, FTK considers investments with maturities of three months or less to be cash equivalents.

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 of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Functional Expenses

The expenses have been allocated among programs based on an analysis of personnel time and expenses utilized for the related activities.

Reclassification

Certain reclassifications have been made to prior year information in order to conform with current year presentation.

NOTE 3 - ENDOWMENT FUND:

As of June 30, 2010, the Board of Directors has designated $500,000 of unrestricted net assets as a general board-designated endowment fund to support FTK's operations. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

FTK maintains an Endowment Program for the explicit purpose of assuring the continuity and viability of FTK. The funds may be expended at the discretion of the governing board for the benefit of FTK's programs.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes as of June 30, 2010 and 2009:

	2010	2009
Girl's housing	$ 109,094	$ -
Kitchen	100,000	-
Clinic	32,040	31,075
Preschool	-	20,000
Sanitation work	-	14,000
Total Temporarily Restricted Net Assets	$ 241,134	$ 65,075

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the years ended June 30, 2010 and 2009 as follows:

	2010	2009
Clinic	$ 31,075	$ -
Preschool	20,000	-
Sanitation work	14,000	14,000
Total Program Restrictions	$ 65,075	$ 14,000

NOTE 6 - DONATED MATERIALS:

During the fiscal year ended June 30, 2010, FTK received donations including orphanage supplies, medical equipment, and dental equipment. The estimated retail value of donations was $118,151. FTK showed the $118,151 as a non-cash donation and included $118,151 in program services as a donation to the orphanage operations.

NOTE 7 - CONCENTRATION OF CONTRIBUTIONS:

Unrestricted contributions in the amounts of $2,691,457 were received during the fiscal year ended June 30, 2010. Of the amount received, the largest donor contributed approximately $331,000, or approximately 12%, while various churches, community organizations and individuals contributed the balance.

NOTE 8 - CONCENTRATION OF CREDIT RISK:

FTK maintains its cash in bank accounts at high credit quality financial institutions. The balances at times may exceed the federally insured limits.

NOTE 9 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 6, 2011, the date the financial statements were issued. No events have occurred subsequent to the statement of financial position date and through the date of issuance that would require adjustment to or disclosure in the accompanying financial statements.