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

Financial Statements
June 30, 2011 and 2010

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FINANCIAL STATEMENTS
June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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
February 4, 2012

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS:		
Cash and equivalents	$ 566,088	$ 1,467,975
Accrued interest receivable	5,806	-
Total Current Assets	571,894	1,467,975
INVESTMENTS:	474,879	-
Total Assets	$ 1,046,773	$ 1,467,975

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES:		
Accounts payable	$ 17,574	$ 24,578
Accrued payroll taxes	4,099	3,152
Total Liabilities	21,673	27,730
NET ASSETS:		
Unrestricted	222,312	547,099
Unrestricted - board designated	500,000	500,000
Temporarily restricted	302,788	393,146
Total Net Assets	1,025,100	1,440,245
Total Liabilities and Net Assets	$ 1,046,773	$ 1,467,975

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, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 1,742,209	$ 373,598	$ 2,115,807	$ 2,691,457	$ 241,134	$ 2,932,591
Donation - non cash	177,776	-	177,776	118,151	-	118,151
Fundraising	27,682	-	27,682	67,980	-	67,980
Investment income	31,312	-	31,312	4,578	-	4,578
Other revenue	1,373	-	1,373	2,032	-	2,032
TOTAL SUPPORT AND REVENUE	1,980,352	373,598	2,353,950	2,884,198	241,134	3,125,332
EXPENSES:						
Program services	2,551,505	-	2,551,505	2,022,064	-	2,022,064
General and administrative	178,854	-	178,854	154,593	-	154,593
Fundraising	18,206	-	18,206	11,980	-	11,980
TOTAL EXPENSES	2,748,565	-	2,748,565	2,188,637	-	2,188,637
CHANGE IN NET ASSETS FROM OPERATIONS	(768,213)	373,598	(394,615)	695,561	241,134	936,695
NON-OPERATING ACTIVITIES:						
Net assets released from restrictions	463,956	(463,956)	-	65,075	(65,075)	-
Reclassification of net assets	-	-	-	(152,012)	152,012	-
Unrealized gain/(loss) on investments	(20,530)	-	(20,530)	-	-	-
TOTAL NON-OPERATING ACTIVITIES	443,426	(463,956)	(20,530)	(86,937)	86,937	-
CHANGE IN NET ASSETS	(324,787)	(90,358)	(415,145)	608,624	328,071	936,695
NET ASSETS, Beginning of Year	1,047,099	393,146	1,440,245	438,475	65,075	503,550
NET ASSETS, End of Year	$ 722,312	$ 302,788	$ 1,025,100	$ 1,047,099	$ 393,146	$ 1,440,245

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, 2011 and 2010

	2011				2010			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Donations to Pwoje Espwa:								
Orphanage operations	$ 2,305,488	$ -	$ -	$ 2,305,488	$ 1,880,760	$ -	$ -	$ 1,880,760
Assistance to individuals	1,034	-	-	1,034	6,603	-	-	6,603
Salary	57,818	57,817	-	115,635	56,737	28,369	-	85,106
Payroll taxes	3,303	3,303	-	6,606	4,342	2,170	-	6,512
Insurance	-	7,952	-	7,952	-	1,795	-	1,795
Website	7,637	-	-	7,637	22,331	-	-	22,331
Professional fees	-	20,625	-	20,625	-	10,184	-	10,184
Contract services	101,631	37,337	-	138,968	18,358	28,074	-	46,432
Office expenses	25,247	25,248	-	50,495	25,135	25,134	-	50,269
Advertising and publications	-	-	-	-	-	-	1,210	1,210
Travel	49,347	16,494	-	65,841	7,798	50,035	3,250	61,083
Fundraising fees	-	-	18,206	18,206	-	-	7,520	7,520
Printing	-	4,741	-	4,741	-	3,392	-	3,392
Other	-	5,337	-	5,337	-	5,440	-	5,440
Total	$ 2,551,505	$ 178,854	$ 18,206	$ 2,748,565	$ 2,022,064	$ 154,593	$ 11,980	$ 2,188,637

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (415,145)	$ 936,695
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Unrealized loss on investments	20,530	-
Accrued interest receivable	(5,806)	-
Accounts payable	(7,004)	6,676
Accrued payroll taxes	947	1,247
Due to Pwoje Espwa	-	(14,000)
Net Cash Provided by (Used in) Operating Activities	(406,478)	930,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Bonds purchased	(495,409)	-
CASH AND EQUIVALENTS, Beginning of Year	1,467,975	537,357
CASH AND EQUIVALENTS, End of Year	$ 566,088	$ 1,467,975

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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 2,000 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 3,500 meals per day to children living at the orphanage, other children attending school, teachers, and employees. In addition to the children living at the orphanage, there are 1,500 other 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.

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.

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

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.

Functional Expenses

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

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

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.

Reclassification

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

NOTE 3 - INVESTMENTS:

Investment income for June 30, 2011 and 2010 consisted of dividend and interest income of $31,312 and $4,578, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes as of June 30, 2011 and 2010:

	2011	2010
Girl's housing	$ 9,482	$ 109,094
Kitchen	1,631	54,000
Clinic	124,794	230,052
Administration center	150,000	-
Education	16,881	-
Total Temporarily Restricted Net Assets	$ 302,788	$ 393,146

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the years ended June 30, 2011 and 2010 as follows:

	2011	2010
Girl's housing	$ 101,716	$ -
Kitchen	165,240	-
Clinic	120,000	31,075
Preschool	-	20,000
Education	77,000	14,000
Total Program Restrictions	$ 463,956	$ 65,075

NOTE 6 - BOARD DESIGNATED ENDOWMENT FUND:

As of June 30, 2011, the Board of Directors has designated $500,000 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Appropriation and distribution of the board designated endowment is at the discretion of the Board of Directors.

Composition of and changes in endowment net assets for the year ended June 30, 2011 were as follows:

Board designated endowment net assets, beginning of year	$ 500,000
Net investment gains	-
Fundraising and other	-
Board designated endowment net assets, end of year	$ 500,000

NOTE 7 - DONATED MATERIALS:

During the fiscal year ended June 30, 2011, FTK received donations including orphanage supplies, medical equipment, and dental equipment. The estimated retail value of donations was $177,776. FTK showed the $177,776 as a non-cash donation and included $177,776 in program services as a donation to the orphanage operations.

NOTE 8 - CONCENTRATION OF CONTRIBUTIONS:

Unrestricted contributions in the amounts of $2,792,378 were received during the fiscal year ended June 30, 2011. Of the amount received, the largest donor contributed approximately $430,283, or approximately 15.4%, while various churches, community organizations and individuals contributed the balance.

NOTE 9 - 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 10 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 4, 2012, 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.