REACH THE CHILDREN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

REACH THE CHILDREN, INC.

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what counts

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Reach the Children, Inc.
Fairport, New York

We have audited the accompanying financial statements of Reach the Children, Inc., (a not-for-profit corporation), which comprise the statement of financial position, as of December 31, 2012 and 2011 and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 judgment, 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 Reach the Children, Inc., as of December 31, 2012 and 2011, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program and administrative expenses on page 9 is presented for purposes 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 audit 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.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
October 14, 2013

REACH THE CHILDREN, INC.
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 94,089	$ 98,841
Due from related parties	229	229
Loans receivable	-	2,047
Other current assets	20,105	7,787
Total current assets	114,423	108,904
Property and Equipment		
Equipment	5,209	5,209
Less, accumulated depreciation	(4,973)	(4,692)
Property and equipment - net	236	517
Other Assets		
Note receivable	5,000	-
Total Assets	$ 119,659	$ 109,421
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Credit cards payable	$ 4,793	$ 17,408
Accounts payable	7,329	7,357
Loan payable - Sharing Hands, Inc.	-	2,370
Loan payable - Educational Broadcasting Services, Inc.	6,535	6,535
Loan payable - officer	568,964	653,771
Total current liabilities	587,621	687,441
Net Deficit		
Unrestricted	(527,987)	(625,520)
Temporarily restricted	60,025	47,500
Total net assets	(467,962)	(578,020)
Total Liabilities and Net Deficit	$ 119,659	$ 109,421

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

REACH THE CHILDREN, INC.
Statements of Activities
For the Years Ended December 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Total 2012	Unrestricted	Temporarily Restricted	Total 2011
Support and Revenue						
Contributions	$ 301,455	$ 60,025	$ 361,480	$ 354,310	$ 47,500	$ 401,810
Stock donations	6,581	-	6,581	5,274	-	5,274
Membership contributions	119,621	-	119,621	159,736	-	159,736
In-kind contributions	253,468	-	253,468	257,087	-	257,087
Net assets released from restrictions	47,500	(47,500)	-	-	-	-
Total support and revenue	728,625	12,525	741,150	776,407	47,500	823,907
Expenses						
Program	589,275	-	589,275	598,111	-	598,111
Administrative	41,817	-	41,817	55,100	-	55,100
Total expenses	631,092	-	631,092	653,211	-	653,211
Change in Net Assets	97,533	12,525	110,058	123,196	47,500	170,696
Net Deficit - Beginning	(625,520)	47,500	(578,020)	(748,716)	-	(748,716)
Net Deficit - Ending	$ (527,987)	$ 60,025	$(467,962)	$ (625,520)	$ 47,500	$(578,020)

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

REACH THE CHILDREN, INC.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	$ 110,058	$ 170,696
Adjustments		
Bad debt expense	2,047	-
Depreciation	280	349
Change in assets and liabilities		
Due from related parties	-	122,827
Other current assets	(12,317)	(5,745)
Credit cards payable	(12,615)	(3,219)
Accounts payable	(28)	1,682
Net cash flows from operating activities	87,425	286,590
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(499)
Increase of notes receivable	(5,000)	-
Net cash flows from investing activities	(5,000)	(499)
Cash Flows from Financing Activities		
Payments on loans payable	(87,177)	(223,077)
Net Change in Cash and Cash Equivalents	(4,752)	63,014
Cash and Cash Equivalents - Beginning	98,841	35,827
Cash and Cash Equivalents - Ending	$ 94,089	$ 98,841

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

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Organization - Reach the Children, Inc. (the "Organization") is a not-for-profit humanitarian, development organization founded in May 1998 that helps poverty-stricken children and families in Africa. The Organization supports and promotes community empowerment initiatives in the following areas: AIDS Prevention Education, Health, Education, Micro-Enterprise, Orphan Care, Water and Agriculture and overall Community Development. The Organization's goals focus on giving people the tools, skills and opportunities to become self-sustaining and to overcome the shackles of extreme poverty that hinders their ability to rise to a brighter future. The Organization is primarily funded by contributions from private sector donors. The Organization's initial projects were in Kenya, with expansion to over 15 African countries since 1999.

Method of Accounting - The Organization maintains its books and prepares its financial statements on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Basis of Presentation - The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and are generally available for support of the Organization's activities.

Temporarily Restricted Net Assets - Temporarily restricted represent contributions received from donors for the Joining Hearts and Hands project. At December 31, 2012 and 2011, temporarily restricted net assets consisted of $60,025 and $47,500, respectively.

Cash and Cash Equivalents - For the purposes of statements of financial position and the statements of cash flows, cash and cash equivalents include deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Organization maintains cash and cash equivalents at financial institutions which may periodically exceed federally insured limits.

Property and Equipment - Property and equipment is stated at the lower of cost or fair market value at the date of donation or the date of purchase, less accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of five years for equipment. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures which extend the useful life of an asset, in excess of $1,000, are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and resulting gain or loss, if any, is included in operations.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with Accounting Standards Codification (ASC) 740-15-50, the Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Organization is currently in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecorded tax benefits has been included on the Organization's financial statements. The exempt Organization's informational returns are subject to audit by various taxing authorities and its open audit periods are 2009 - 2011.

Contributions - The Organization accounts for contributions in accordance with the recommendations of ASC 958-605. In accordance with ASC 958-605, the Organization accounts for contributions received as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses - The cost of conducting the Organization's activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program activities and administrative services.

Subsequent Events - In accordance with ASC 855-10, the Organization evaluated subsequent events through October 14, 2013, the date these financial statements were available to be issued.

Note 2. Loans Receivable

Remaining in loans receivable at December 31, 2011 was an additional loan for a small project for $2,047. During 2012, the Organization felt that there was not a reasonable possibility that this amount would be collected; therefore, the amount was written off.

Loan Receivable consisted of a promissory note extended to a farmer in Liberia for start - up costs for a pig farm. The proceeds will be paid back over five years once the farmer has drawn on the funds.

Note 3. Credit Cards Payable

The Organization has available corporate credit cards. These credit cards have a combined maximum line as of December 31, 2012 and 2011 of $21,500. The amount outstanding on these credit cards as of December 31, 2012 and 2011 was $4,793 and $17,408, respectively.

Note 4. Related Party Transactions

In 2001, the Organization formed a separate not-for-profit corporation called Bountiful Resources Foundation, Inc (the Foundation). The Foundation exists for the purpose of raising contributions and other revenue to support the operating expenses of the Organization. The Foundation is governed by a board that is independent from the Organization. As of December 31, 2012 and 2011, the Foundation had paid administrative expenses on behalf of the Organization of $33,401 and $36,264, respectively which have been recorded by the Organization as a contribution and expense as of December 31, 2012 and 2011. In addition, at various times throughout the year, the Organization transfers funds to the Foundation.

The Organization has loans payable to the President. There were no additional loans made in 2012. The loan is payable on demand, and interest has been accrued at the prime rate, which was 3.25% at December 31, 2012 and 2011. The total interest accrued on the loan was $21,200 and $28,200 for December 31, 2012 and 2011, respectively. Payments of approximately $106,000 and $242,000 were made to the President to pay down this loan in 2012 and 2011, respectively. The outstanding balance of the officer loans, including accrued interest, at December 31, 2012 and 2011 is $568,964 and $653,571, respectively.

The Organization has a loan payable to Educational Broadcasting Services, Inc., a related party owned by the President of the Organization. The outstanding balance on this payable was $6,535 as of December 31, 2012 and 2011. This is a non-interest bearing loan with no set repayment terms.

Note 5. Loans Payable

The Organization has a loan payable with an unrelated party. As of December 31, 2011, the total outstanding balance on the loan was $2,370. This unrelated party went out of business in 2012 and as a result, this is no longer a liability to the Organization.

Note 6. In-Kind Contributions

The Organization records various types of in-kind contributions, including tangible assets and services. The contributions of tangible assets are recognized at the date of the contribution and are recorded at the fair market value. Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills that are provided by individuals possessing those skills that typically would need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are recorded by the gross method with offsetting amounts included in expenses. For the years ended December 31, 2012 and 2011, in-kind contributions of specialized services and contributions of school and medical supplies amounted to $253,468 and $257,087, respectively.

No amounts have been reflected in the accompanying financial statements for donated (volunteer) services. Volunteers have donated significant amounts of time, but such services did not enhance the assets of the organization nor require specialized skills.

Note 7. Partnering Organizations

The Organization partners with various other non-profit organizations throughout the year in order to provide the best avenues for accomplishing their like missions and goals. The Organization works together with these partnering organizations to facilitate projects in Africa and other areas of the world in areas of AIDS prevention, education, health and hygiene, micro-enterprise, orphan care, water and agriculture and community development. For the years ended December 31, 2012 and 2011, approximately $50,800 and $76,000, respectively, of the Organization’s revenues were attributed to these partnership efforts.

REACH THE CHILDREN, INC.
Schedules of Program and Administrative Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011
Program		
Program grants and allocations	$ 491,399	$ 517,892
Volunteer expenses	97,876	80,219
Total program expenses	$ 589,275	$ 598,111
Administrative		
Advertising and marketing	$ 63	$ -
Bad debt expense	2,047	-
Bank service charges	395	172
Credit card fees	4,216	5,311
Depreciation	280	349
Interest expense	21,200	28,404
Legal and accounting fees	5,675	11,361
Licenses expense	245	240
Miscellaneous	1,991	1,306
Office supplies	596	285
Postage	286	567
Professional	2,726	3,845
Utilities	712	2,029
Web hosting service	1,385	1,231
Total administrative expenses	$ 41,817	$ 55,100