

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2012 AND 2011**

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
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YEARS ENDED JUNE 30, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Global Fund for Children
Washington, DC

We have audited the accompanying consolidated statements of financial position of The Global Fund for Children and affiliate as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The Global Fund for Children UK Trust, a wholly owned affiliate, which statements reflect total assets of \$145,168 and \$105,587 as of June 30, 2012 and 2011, respectively, and total revenues of \$769,237 and \$1,144,606, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Global Fund for Children UK Trust, is based solely on the report of the other auditors.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Global Fund for Children and affiliate as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles in the United States of America.



CliftonLarsonAllen LLP

Arlington, Virginia
December 31, 2012

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,919,787	\$ 1,958,375
Accounts Receivable:		
Promises to Give	1,749,856	4,788,040
Other	4,104	37,975
Total Accounts Receivable	1,753,960	4,826,015
Inventory	-	18,455
Prepaid Expenses	21,533	67,505
Total Current Assets	4,695,280	6,870,350
PROMISES TO GIVE, NET OF CURRENT PORTION	620,493	1,056,988
INVESTMENTS	1,132,769	1,159,251
PROPERTY AND EQUIPMENT		
Office Equipment	204,978	190,267
Leasehold Improvements	376,030	376,030
Computer Software	77,161	77,161
Total Property and Equipment	658,169	643,458
Less: Accumulated Depreciation and Amortization	(403,413)	(332,464)
Net Property and Equipment	254,756	310,994
DEPOSITS	13,373	17,590
Total Assets	\$ 6,716,671	\$ 9,415,173
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 470,122	\$ 327,901
Accrued Vacation/Payroll	71,455	85,311
Deferred Revenue	7,000	3,470
Capital Lease Obligation	3,120	3,120
Total Current Liabilities	551,697	419,802
NON CURRENT LIABILITIES		
Deferred Lease Obligation	248,730	279,812
Capital Lease Obligation	275	2,850
Total Non Current Liabilities	249,005	282,662
Total Liabilities	800,702	702,464
NET ASSETS		
Unrestricted	1,231,511	1,238,215
Temporarily Restricted	3,597,941	6,390,789
Permanently Restricted (Endowment)	1,086,517	1,083,705
Total Net Assets	5,915,969	8,712,709
Total Liabilities and Net Assets	\$ 6,716,671	\$ 9,415,173

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Gifts and Grants	\$ 3,545,024	\$ 2,524,936	\$ 2,812	\$ 6,072,772	\$ 2,836,070	\$ 6,886,061	\$ -	\$ 9,722,131
Book Revenues and Royalties	34,338	-	-	34,338	48,911	-	-	48,911
Investment Income (Loss)	(25,759)	-	-	(25,759)	202,639	-	-	202,639
Rental Income	9,550	-	-	9,550	17,591	-	-	17,591
Other	-	-	-	-	6,307	-	-	6,307
Net Assets Released from Restrictions	5,317,784	(5,317,784)	-	-	4,742,609	(4,742,609)	-	-
Total Revenue	<u>8,880,937</u>	<u>(2,792,848)</u>	<u>2,812</u>	<u>6,090,901</u>	<u>7,854,127</u>	<u>2,143,452</u>	<u>-</u>	<u>9,997,579</u>
EXPENSES								
Program Services:								
Communications	384,390	-	-	384,390	313,099	-	-	313,099
Programs	6,842,096	-	-	6,842,096	6,282,427	-	-	6,282,427
Total Program Services	<u>7,226,486</u>	<u>-</u>	<u>-</u>	<u>7,226,486</u>	<u>6,595,526</u>	<u>-</u>	<u>-</u>	<u>6,595,526</u>
Supporting Services:								
Management and General	550,001	-	-	550,001	653,732	-	-	653,732
Fundraising	1,111,154	-	-	1,111,154	895,445	-	-	895,445
Total Supporting Services	<u>1,661,155</u>	<u>-</u>	<u>-</u>	<u>1,661,155</u>	<u>1,549,177</u>	<u>-</u>	<u>-</u>	<u>1,549,177</u>
Total Expenses	<u>8,887,641</u>	<u>-</u>	<u>-</u>	<u>8,887,641</u>	<u>8,144,703</u>	<u>-</u>	<u>-</u>	<u>8,144,703</u>
CHANGE IN NET ASSETS	(6,704)	(2,792,848)	2,812	(2,796,740)	(290,576)	2,143,452	-	1,852,876
Net Assets - Beginning of Year	<u>1,238,215</u>	<u>6,390,789</u>	<u>1,083,705</u>	<u>8,712,709</u>	<u>1,528,791</u>	<u>4,247,337</u>	<u>1,083,705</u>	<u>6,859,833</u>
NET ASSETS - END OF YEAR	<u>\$ 1,231,511</u>	<u>\$ 3,597,941</u>	<u>\$ 1,086,517</u>	<u>\$ 5,915,969</u>	<u>\$ 1,238,215</u>	<u>\$ 6,390,789</u>	<u>\$ 1,083,705</u>	<u>\$ 8,712,709</u>

See accompanying Notes to Consolidated Financial Statements.

THE GLOBAL FUND FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 4,327,559	\$ 4,327,559	\$ -	\$ -	\$ -	\$ 4,327,559
Salaries and Benefits	239,164	1,470,849	1,710,013	353,350	631,695	985,045	2,695,058
Intern Program	-	12,629	12,629	-	6,026	6,026	18,655
Staff Development	81	2,692	2,773	13,652	577	14,229	17,002
Knowledge Exchanges	-	160,025	160,025	-	-	-	160,025
Conferences and Meetings	-	5,145	5,145	2,943	-	2,943	8,088
Donor Supported Activities	3,050	54,243	57,293	-	-	-	57,293
Photos	-	12,349	12,349	-	-	-	12,349
Books and Publications	-	4,683	4,683	-	-	-	4,683
Books for Kids	-	1,200	1,200	-	-	-	1,200
Events	-	-	-	-	171,500	171,500	171,500
Travel	5,421	140,467	145,888	40,340	50,036	90,376	236,264
Annual Report	-	-	-	52,938	-	52,938	52,938
Communications and Materials	18,567	18,961	37,528	2,429	16,665	19,094	56,622
Consultants and Professional Services	26,893	57,887	84,780	81,222	19,143	100,365	185,145
Accounting and Auditing	-	-	-	51,408	-	51,408	51,408
Legal - Donated Services	-	14,736	14,736	8,379	-	8,379	23,115
Computers, Software and Technology	3,829	3,744	7,573	115,051	-	115,051	122,624
Website Development and Media	2,756	4,041	6,797	59,782	99	59,881	66,678
Office Supplies and Stationary	-	356	356	25,787	568	26,355	26,711
Printing and Photocopying	421	3,612	4,033	7,010	103	7,113	11,146
Postage and Shipping	858	1,013	1,871	9,773	17,267	27,040	28,911
Equipment Leases and Maintenance	-	-	-	8,091	-	8,091	8,091
Dues and Subscriptions	1,067	1,571	2,638	1,773	3,067	4,840	7,478
Bank and Payroll Processing Fees	-	6,332	6,332	14,148	3,029	17,177	23,509
State Registration Fees	-	-	-	-	5,476	5,476	5,476
Telephone	-	918	918	23,993	-	23,993	24,911
Insurance	-	3,771	3,771	24,216	-	24,216	27,987
Depreciation	-	-	-	70,949	-	70,949	70,949
Foreign Exchange Loss	-	-	-	15,034	-	15,034	15,034
Rent	33,790	215,418	249,208	44,865	75,159	120,024	369,232
Direct Expenses	335,897	6,524,201	6,860,098	1,027,133	1,000,410	2,027,543	8,887,641
Indirect Expenses	48,493	317,895	366,388	(477,132)	110,744	(366,388)	-
Total Expenses	<u>\$ 384,390</u>	<u>\$ 6,842,096</u>	<u>\$ 7,226,486</u>	<u>\$ 550,001</u>	<u>\$ 1,111,154</u>	<u>\$ 1,661,155</u>	<u>\$ 8,887,641</u>

See accompanying Notes to Consolidated Financial Statements.

THE GLOBAL FUND FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 3,862,366	\$ 3,862,366	\$ -	\$ -	\$ -	\$ 3,862,366
Salaries and Benefits	226,054	1,437,260	1,663,314	176,938	638,262	815,200	2,478,514
Intern Program	-	38,015	38,015	-	-	-	38,015
Honorarium/Fellowships	4,738	20,583	25,321	-	-	-	25,321
Staff Development	-	10,892	10,892	16,017	2,644	18,661	29,553
Knowledge Exchanges	-	194,021	194,021	-	-	-	194,021
Conferences and Meetings	514	19,406	19,920	3,353	1,820	5,173	25,093
Photos	3,770	10,893	14,663	-	-	-	14,663
Books and Publications	-	7,840	7,840	-	862	862	8,702
Books for Kids	-	17,332	17,332	-	-	-	17,332
Events	93	-	93	-	7,973	7,973	8,066
Travel	5,235	119,617	124,852	18,302	38,584	56,886	181,738
Annual Report	4,933	39,989	44,922	3,200	3,196	6,396	51,318
Communications and Materials	1,630	7,710	9,340	6,857	787	7,644	16,984
Consultants and Professional Services	11,060	113,599	124,659	144,599	24,068	168,667	293,326
Accounting and Auditing	-	-	-	44,303	-	44,303	44,303
Legal	-	-	-	1,180	1,927	3,107	3,107
Legal - Donated Services	-	15,860	15,860	73,765	-	73,765	89,625
Computers, Software and Technology	190	50	240	91,776	1,699	93,475	93,715
Website Development and Media	1,146	3,721	4,867	1,046	-	1,046	5,913
Office Supplies and Stationary	-	516	516	28,684	2,141	30,825	31,341
Printing and Photocopying	322	4,345	4,667	5,440	7,860	13,300	17,967
Postage and Shipping	4,298	10,617	14,915	9,504	24,903	34,407	49,322
Equipment Leases and Maintenance	604	-	604	7,530	-	7,530	8,134
Dues and Subscriptions	300	758	1,058	2,047	2,359	4,406	5,464
Bank and Payroll Processing Fees	-	343	343	16,104	1,599	17,703	18,046
State Registration Fees	-	-	-	-	3,102	3,102	3,102
Telephone	-	984	984	32,794	1,657	34,451	35,435
Insurance	-	-	-	22,145	-	22,145	22,145
Depreciation	-	-	-	76,074	-	76,074	76,074
Foreign Exchange Loss	-	-	-	30,352	-	30,352	30,352
Rent	31,104	224,289	255,393	26,451	83,802	110,253	365,646
	295,991	6,161,006	6,456,997	838,461	849,245	1,687,706	8,144,703
Indirect Expenses	17,108	121,421	138,529	(184,729)	46,200	(138,529)	-
Total Expenses	\$ 313,099	\$ 6,282,427	\$ 6,595,526	\$ 653,732	\$ 895,445	\$ 1,549,177	\$ 8,144,703

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,796,740)	\$ 1,852,876
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	70,949	76,074
Unrealized (Gain) Loss on Investments	52,628	(180,253)
Permanently Restricted Contributions	(2,812)	-
Changes in Assets and Liabilities:		
Accounts Receivable/Promises to Give	3,508,550	(4,463,407)
Inventory	18,455	-
Prepaid Expenses	45,972	1,936
Deposits	4,217	(3,874)
Accounts Payable and Accrued Expenses	142,221	169,152
Accrued Vacation/Payroll	(13,856)	11,750
Deferred Revenue	3,530	2,035
Deferred Leasehold Allowance	(31,082)	(20,444)
Net Cash Provided (Used) by Operating Activities	1,002,032	(2,554,155)
CASH FROM INVESTING ACTIVITIES		
Purchases of Investments	(26,147)	(39,107)
Purchases of Property and Equipment	(14,710)	(9,837)
Net Cash Used by Investing Activities	(40,857)	(48,944)
CASH FROM FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	2,812	-
Principal Payments on Capital Lease	(2,575)	(2,301)
Net Cash Provided (Used) by Financing Activities	237	(2,301)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	961,412	(2,605,400)
Cash and Cash Equivalents - Beginning of Year	1,958,375	4,563,775
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,919,787	\$ 1,958,375
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 545	\$ 819

See accompanying Notes to Consolidated Financial Statements.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Global Fund for Children (“GFC”) is an international non-profit organization that advances the education and dignity of young people around the world. GFC pursues its mission by strengthening innovative community-based educational organizations that serve some of the world’s most vulnerable children; developing books that teach children to value global diversity through its publishing venture, Global Fund for Children Books (formerly Shakti for Children™); and inspiring global citizenship and philanthropy through vibrant community education and outreach efforts.

The Global Fund for Children UK Trust is a charity organization that exists to improve the lives of vulnerable children and youth in our world, primarily in Asia, Africa, Latin America, and to a lesser extent, in the London community where the office is based. The Global Fund for Children UK Trust was officially incorporated as a private limited company in December 2006 and received charity registration in the UK in June 2007. The Global Fund for Children UK Trust is controlled by the board of GFC; therefore the Organizations are consolidated.

Principles of Consolidation

The consolidated financial statements include the accounts of The Global Fund for Children and The Global Fund for Children UK Trust. Significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of Presentation

GFC 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.

Income Tax Status

GFC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Internal Revenue Service has classified GFC as a publicly supported foundation under section 509(a)(1) and 170(b)(1)(A)(VI) of the IRC. The Global Fund for Children UK Trust is exempt from tax in the UK under Section 505 of the Taxes Act of 1988.

GFC has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation of this guidance had no impact on GFC’s financial statements. GFC believes it has appropriate support for unrelated trade or business positions and, as a result, does not have uncertain income tax positions that have a material impact on the financial statements. GFC files as a tax-exempt organization. GFC’s 2009, 2010 and 2011 tax years are open for examination by the IRS.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For financial statement purposes, GFC considers its money market funds to be cash equivalents. Restricted cash is maintained in a separate bank account as a depository for donor-restricted contributions and grants. These funds are released after satisfying the purposes and conditions of the restrictions.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectability and when all collection efforts have been exhausted, the account is written off to bad debts.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give at June 30, 2012 and 2011.

Inventory

Inventory, consisting primarily of framed photographs, is stated at the lower of cost or market using the average cost method of valuation.

Investments

Investments consist of equity securities, equity mutual funds and fixed income mutual funds. These investments are recorded in the accompanying financial statements at fair market value. Interest, dividends and realized gains or losses are recorded when earned. Fluctuations in the fair value of the portfolio are recorded as unrealized gains or losses.

Fair Value of Financial Instruments

Fair Value Measurements

GFC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. GFC accounts for certain financial assets and liabilities at fair value under various accounting literature. GFC also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

GFC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the Consolidated Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that GFC has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Property and Equipment

Furniture and equipment are recorded at cost and are depreciated on the straight-line basis over the estimated useful lives of the assets of five years. Leasehold improvements are amortized over the life of the lease. GFC capitalizes all purchases of long-lived assets in excess of \$1,000, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Grants Payable

Grants payable, included in accounts payable and accrued expenses, is recorded when committed by the Board of Directors. Grants payable totaled \$378,365 and \$120,696 for the years ended June 30, 2012 and 2011, respectively.

Net Assets

Net assets are classified for accounting and reporting purposes according to their nature and purpose and based upon the existence or absence of any restrictions thereon. A description of each net asset group is as follows:

Unrestricted Net Assets – represents funds presently available for use by GFC at its discretion.

Temporarily Restricted Net Assets – represents unspent contributions and grants that are restricted for use in certain GFC programs or by time.

Permanently Restricted Net Assets – represents contributions that are to be held by GFC in perpetuity.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

As of June 30, 2012, GFC owned the intellectual property for 33 titles that are printed as 20 hardcover books, 15 paperback books, 5 board books and 5 resource guides. These books and curricula, which are authored and published under the brand “Global Fund for Children Books” (formerly Shakti for Children™), represent intellectual property which belongs to GFC, and upon which it earns copyright royalties. The value of the intangible assets has not been determined or recorded on the Statements of Financial Position of the Organization.

Contributions and Grants

Contributions and grants are recorded as revenue in the year notification is received from the donor. Support that is donor-restricted, either by program or by time, is reported as an increase in temporarily restricted net assets. When the restriction expires, that is, when a time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Contributed Services

Contributed services are recorded at their fair market value.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, salary and other overhead costs have been allocated among the programs and supporting services benefited based on time expended and space utilized.

Foreign Exchange Transactions

Assets, liabilities and transactions related to the Global Fund for Children UK Trust which are included in the consolidated financial statements are converted to US dollars. Assets and liabilities are converted at year-end using the spot exchange rate. Operations throughout the year are converted using the average exchange rate.

Uniform Prudent Management of Institutional Funds Act

During 2008, Washington DC enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Reclassifications

Certain reclassifications have been made to the June 30, 2011 financial statements in order to present them in conformity with the June 30, 2012 financial statements. These reclassifications had no net effect on net assets as previously reported.

Subsequent Events

In preparing these financial statements, GFC has evaluated events and transactions for potential recognition or disclosure through December 31, 2012, the date the financial statements were available to be issued.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 2 PROMISES TO GIVE

Promises to give as of June 30, 2012 and 2011 are unconditional. Amounts due after one year are discounted at the rates of 1% and 5%. Promises to give are considered fully collectible and are due as follows at June 30:

	<u>2012</u>	<u>2011</u>
Promises to Give Due in Less Than One Year	\$ 1,749,856	\$ 4,788,040
Promises to Give Due in One to Five Years	<u>631,736</u>	<u>1,075,040</u>
	2,381,592	5,863,080
Less Present Value Discount	<u>(11,243)</u>	<u>(18,052)</u>
Net Promises to Give	<u><u>\$ 2,370,349</u></u>	<u><u>\$ 5,845,028</u></u>

NOTE 3 INVESTMENTS

Investments are recorded at fair value and are comprised of the following at June 30:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed Income Mutual Funds	\$ 384,364	\$ 405,331	\$ 371,664	\$ 381,629
Equity Mutual Funds	<u>683,245</u>	<u>727,438</u>	<u>669,798</u>	<u>777,622</u>
	<u><u>\$ 1,067,609</u></u>	<u><u>\$ 1,132,769</u></u>	<u><u>\$ 1,041,462</u></u>	<u><u>\$ 1,159,251</u></u>

Investment income for the years ended June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest and Dividends	\$ 26,869	\$ 22,386
Unrealized Gain (Loss)	<u>(52,628)</u>	<u>180,253</u>
Total Investment Income (Loss)	<u><u>\$ (25,759)</u></u>	<u><u>\$ 202,639</u></u>

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statement of activities.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 4 FAIR VALUE MEASUREMENTS

The following table presents GFC's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

	2012			Total
	Level 1	Level 2	Level 3	
Fixed Income Mutual Funds	\$ 405,331	\$ -	\$ -	\$ 405,331
Equity Mutual Funds	727,438	-	-	727,438
	\$ 1,132,769	\$ -	\$ -	\$ 1,132,769
	2011			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 381,629	\$ -	\$ -	\$ 381,629
Equity Mutual Funds	777,622	-	-	777,622
	\$ 1,159,251	\$ -	\$ -	\$ 1,159,251

NOTE 5 CAPITAL LEASE COMMITMENT

In September 2008, GFC entered into a five-year capital lease obligation for a color copier. The liability under this capital lease at June 30, 2012 is \$3,395.

The capitalized equipment has a cost of \$11,872 and accumulated amortization of \$9,102 as of June 30, 2012. Amortization expense of \$2,374 was recognized on the capitalized equipment for the year ended June 30, 2012.

Future minimum payments for the capital lease obligation are as follows:

	2013	\$ 3,120
	2014	520
	Total	3,640
Less: Amount Representing Interest		245
Total		\$ 3,395

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012 and 2011, net assets were temporarily restricted as follows:

	2012	2011
Programs	\$ 3,387,737	\$ 6,084,506
Communication	11,194	11,194
Capacity Building	199,010	295,089
	\$ 3,597,941	\$ 6,390,789

The following is a summary of net assets released from donor restrictions that satisfied the restricted purposes specified by the donors and net assets released due to the passage of time for the years ended June 30:

	2012	2011
Programs	\$ 5,221,705	\$ 4,579,905
Communication	-	36,916
Capacity Building	96,079	125,788
	\$ 5,317,784	\$ 4,742,609

NOTE 7 PROGRAM SERVICES

Program services are segregated by type of activity within the Statements of Activities. The following indicates the specific activities that are included in each program area:

Programs

Grantmaking

The Global Fund for Children identifies and invests in community-based organizations around the world that use education as a vehicle to protect and expand the rights of vulnerable or marginalized children. GFC's grants are allocated into four major portfolios – Learning, Enterprise, Safety, and Health – and two smaller ones, Responding to Crises and Creative Opportunities.

In addition to these program grants, grantee partners are also able to access other value-added services, such as assistance in organizational development, and access to various knowledge initiatives like the knowledge exchange workshops. For the year ended June 30, 2012, GFC awarded 528 grants to 333 community-based organizations.

Books

Since 1994, GFC has developed an award-winning collection of books to teach children to value diversity and to grow into caring, productive citizens of the world. These books can help children develop the knowledge and skills that are necessary to work and live comfortably in a global society.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 7 PROGRAM SERVICES (CONTINUED)

Programs (Continued)

Books (Continued)

With 33 children's books, and 2 million copies in circulation, GFC's books have been read by more than 2 million readers.

Films

The Global Fund for Children invests in films that bring the stories of vulnerable children and youth to wider audiences, focusing on the triumphs and vitality of young people and raising awareness of the issues confronting them.

Communications

Through its communications efforts, GFC uses digital media, photography and workshops to advance the dignity of children and youth all over the world. GFC launched a media hub on its website that serves as a clearinghouse of grassroots knowledge, where it shares the stories and strategies of grantee partners through blogs, photographs, podcasts, and videos.

NOTE 8 CONTRIBUTED SERVICES

During June 30, 2012 and 2011, GFC received services with an estimated fair value of \$23,115 and \$89,625, respectively, in the form of pro-bono legal services. These services were dedicated to administrative legal advice.

NOTE 9 OFFICE LEASE

GFC rents office space for its headquarters under a non-cancelable operating lease. GFC entered into a 123-month non-cancelable operating lease to expand the headquarters office space effective in April 2008. Rent expense amounted to \$369,232 and \$365,646 for the years ended June 30, 2012 and 2011, respectively. A portion of this space is subleased to a tenant and GFC recognized income of \$9,550 and \$17,591 for the years ended June 30, 2012 and 2011, respectively.

Rent for the operating lease is recognized on a straight line basis over the term of the lease. Tenant allowances have been recorded as leasehold improvements and a liability for deferred lease obligation. The leasehold improvements and related liability have been amortized over the term of the lease. The liability related to the straight line rent and unamortized portion of the tenant allowances are recorded in the accompanying consolidated statements of financial position as deferred lease obligation.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 9 OFFICE LEASE (CONTINUED)

Future minimum payments on the office lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payment</u>
2013	\$ 411,501
2014	432,521
2015	443,355
2016	454,427
2017	465,778
Thereafter	495,006
Total	<u>\$ 2,702,588</u>

NOTE 10 TAX SHELTERED ANNUITY PLAN

GFC maintains a contributory defined contribution plan under Section 403(b) of the Internal Revenue Code for the benefit of its employees. All employees, except for part-time employees who normally work less than 20 hours per week, may participate in the Plan. The Fund may choose to make a discretionary contribution to the Plan. In order to be eligible to receive a discretionary contribution, an eligible employee must complete two eligibility years of service. Pension expense for the Plan totaled \$69,457 and \$75,023 for the years ended June 30, 2012 and 2011, respectively.

NOTE 11 CONTINGENCIES

GFC receives a portion of its revenue from grants and contracts. The ultimate determinations of amounts received under these programs often are based upon allowable costs, reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor. Such settlements, if any, will be recognized as revenue or expense in the period the amount is determined.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 12 ENDOWMENT

GFC has donor-restricted endowment funds. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. GFC has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GFC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GFC in a manner consistent with the standard of prudence prescribed by UPMIFA. GFC considered all amounts earned on the endowment fund to be appropriated for current use.

Investment Objectives and Strategies

To insure preservation of its long-term endowment investments, GFC established an investment policy which reflects a "total return policy." Total return is defined as a combination of realized and unrealized capital appreciation. The investment objective is focused on preservation of capital and diversification of investments across various asset classes and numerous industries and sectors to minimize volatility and risk.

Spending Policy

UPMIFA's spending provisions apply to endowment funds. Unless specifically directed to the contrary by the donor, under UPMIFA GFC may expend so much of the endowment fund as an ordinary prudent person in a like position would spend for the uses, benefits, purposes, and duration for which the endowment fund was established. GFC has adopted an expenditure policy to comply with the provisions of UPMIFA in its spending from endowment funds.

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 12 ENDOWMENT (CONTINUED)

The following is a summary of endowment funds subject to UPMIFA for the year ended June 30:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2011	\$ -	\$ 127,208	\$ 1,083,705	\$ 1,210,913
Contributions	-	-	2,812	2,812
Investment Loss	-	(27,329)	-	(27,329)
Endowment net assets, June 30, 2012	<u>\$ -</u>	<u>\$ 99,879</u>	<u>\$ 1,086,517</u>	<u>\$ 1,186,396</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2010	\$ (60,734)	\$ -	\$ 1,083,705	\$ 1,022,971
Contributions	-	-	-	-
Investment Income	-	187,942	-	187,942
Endowment Funds with Deficiencies	60,734	(60,734)	-	-
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 127,208</u>	<u>\$ 1,083,705</u>	<u>\$ 1,210,913</u>

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
The Global Fund for Children
Washington, DC

We have audited the consolidated financial statements of The Global Fund for Children and affiliate as of and for the years ended June 30, 2012 and 2011, and our report thereon dated December 31, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information on pages 19 through 22 is presented for purposes of additional analysis and is not a required part of the consolidated 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 not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP
CliftonLarsonAllen LLP

Arlington, Virginia
December 31, 2012

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	<u>GFC</u>	<u>UK Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,779,252	\$ 140,535	\$ -	\$ 2,919,787
Accounts Receivable:				
Promises to Give	1,749,856	-	-	1,749,856
Other	37,645	3,904	(37,445)	4,104
Total Accounts Receivable	<u>1,787,501</u>	<u>3,904</u>	<u>(37,445)</u>	<u>1,753,960</u>
Inventory	-	-	-	-
Prepaid Expenses	20,804	729	-	21,533
Total Current Assets	<u>4,587,557</u>	<u>145,168</u>	<u>(37,445)</u>	<u>4,695,280</u>
PROMISES TO GIVE, NET OF CURRENT PORTION	620,493	-	-	620,493
INVESTMENTS	1,132,769	-	-	1,132,769
PROPERTY AND EQUIPMENT				
Office Equipment	204,978	-	-	204,978
Leasehold Improvements	376,030	-	-	376,030
Computer Software	77,161	-	-	77,161
Total Property and Equipment	<u>658,169</u>	<u>-</u>	<u>-</u>	<u>658,169</u>
Less: Accumulated Depreciation and Amortization	(403,413)	-	-	(403,413)
Net Property and Equipment	<u>254,756</u>	<u>-</u>	<u>-</u>	<u>254,756</u>
DEPOSITS	13,373	-	-	13,373
Total Assets	<u>\$ 6,608,948</u>	<u>\$ 145,168</u>	<u>\$ (37,445)</u>	<u>\$ 6,716,671</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 459,608	\$ 47,959	\$ (37,445)	\$ 470,122
Accrued Vacation/Payroll	71,455	-	-	71,455
Deferred Revenue	7,000	-	-	7,000
Capital Lease Obligation	3,120	-	-	3,120
Total Current Liabilities	<u>541,183</u>	<u>47,959</u>	<u>(37,445)</u>	<u>551,697</u>
NON CURRENT LIABILITIES				
Deferred Lease Obligation	248,730	-	-	248,730
Capital Lease Obligation	275	-	-	275
Total Non Current Liabilities	<u>249,005</u>	<u>-</u>	<u>-</u>	<u>249,005</u>
Total Liabilities	790,188	47,959	(37,445)	800,702
NET ASSETS				
Unrestricted	1,134,302	97,209	-	1,231,511
Temporarily Restricted	3,597,941	-	-	3,597,941
Permanently Restricted (Endowment)	1,086,517	-	-	1,086,517
Total Net Assets	<u>5,818,760</u>	<u>97,209</u>	<u>-</u>	<u>5,915,969</u>
Total Liabilities and Net Assets	<u>\$ 6,608,948</u>	<u>\$ 145,168</u>	<u>\$ (37,445)</u>	<u>\$ 6,716,671</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	GFC				UK Trust	Elimination	Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE										
Gifts and Grants	\$ 3,329,295	\$ 2,524,936	\$ 2,812	\$ 5,857,043	\$ 768,950	\$ (553,221)	\$ 3,545,024	\$ 2,524,936	\$ 2,812	\$ 6,072,772
Book Revenues and Royalties	34,338	-	-	34,338	-	-	34,338	-	-	34,338
Investment Income	(26,046)	-	-	(26,046)	287	-	(25,759)	-	-	(25,759)
Rental Income	9,550	-	-	9,550	-	-	9,550	-	-	9,550
Net Assets Released from Restrictions	5,317,784	(5,317,784)	-	-	-	-	5,317,784	(5,317,784)	-	-
Total Revenue	8,664,921	(2,792,848)	2,812	5,874,885	769,237	(553,221)	8,880,937	(2,792,848)	2,812	6,090,901
EXPENSES										
Program Services:										
Communications	384,390	-	-	384,390	-	-	384,390	-	-	384,390
Programs	6,842,096	-	-	6,842,096	553,221	(553,221)	6,842,096	-	-	6,842,096
Total Program Services	7,226,486	-	-	7,226,486	553,221	(553,221)	7,226,486	-	-	7,226,486
Supporting Services:										
Management and General	474,368	-	-	474,368	75,633	-	550,001	-	-	550,001
Fundraising	978,067	-	-	978,067	133,087	-	1,111,154	-	-	1,111,154
Total Supporting Services	1,452,435	-	-	1,452,435	208,720	-	1,661,155	-	-	1,661,155
Total Expenses	8,678,921	-	-	8,678,921	761,941	(553,221)	8,887,641	-	-	8,887,641
CHANGE IN NET ASSETS	(14,000)	(2,792,848)	2,812	(2,804,036)	7,296	-	(6,704)	(2,792,848)	2,812	(2,796,740)
Net Assets - Beginning of Year	1,148,302	6,390,789	1,083,705	8,622,796	89,913	-	1,238,215	6,390,789	1,083,705	8,712,709
NET ASSETS - END OF YEAR	<u>\$ 1,134,302</u>	<u>\$ 3,597,941</u>	<u>\$ 1,086,517</u>	<u>\$ 5,818,760</u>	<u>\$ 97,209</u>	<u>\$ -</u>	<u>\$ 1,231,511</u>	<u>\$ 3,597,941</u>	<u>\$ 1,086,517</u>	<u>\$ 5,915,969</u>

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSES – U.S. OPERATIONS
YEAR ENDED JUNE 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Program Services			Supporting Services			Total Expenses
	Communications	Programs	Total	Management and General	Fundraising	Total	
Grants	\$ -	\$ 4,327,559	\$ 4,327,559	\$ -	\$ -	\$ -	\$ 4,327,559
Salaries and Benefits	239,164	1,470,849	1,710,013	332,149	516,084	848,233	2,558,246
Intern Program	-	12,629	12,629	-	6,026	6,026	18,655
Staff Development	81	2,692	2,773	13,652	577	14,229	17,002
Knowledge Exchanges	-	160,025	160,025	-	-	-	160,025
Conferences and Meetings	-	5,145	5,145	-	-	-	5,145
Donor Supported Activities	3,050	54,243	57,293	-	-	-	57,293
Photos	-	12,349	12,349	-	-	-	12,349
Books and Publications	-	4,683	4,683	-	-	-	4,683
Books for Kids	-	1,200	1,200	-	-	-	1,200
Events	-	-	-	-	171,500	171,500	171,500
Travel	5,421	140,467	145,888	40,340	32,560	72,900	218,788
Annual Report	-	-	-	52,938	-	52,938	52,938
Communications and Materials	18,567	18,961	37,528	2,429	16,665	19,094	56,622
Consultants and Professional Services	26,893	57,887	84,780	80,825	19,143	99,968	184,748
Accounting and Auditing	-	-	-	30,020	-	30,020	30,020
Legal - Donated Services	-	14,736	14,736	8,379	-	8,379	23,115
Computers, Software and Technology	3,829	3,744	7,573	115,051	-	115,051	122,624
Website Development and Media	2,756	4,041	6,797	59,782	99	59,881	66,678
Office Supplies and Stationary	-	356	356	16,149	568	16,717	17,073
Printing and Photocopying	421	3,612	4,033	7,010	103	7,113	11,146
Postage and Shipping	858	1,013	1,871	8,609	17,267	25,876	27,747
Equipment Leases and Maintenance	-	-	-	8,091	-	8,091	8,091
Dues and Subscriptions	1,067	1,571	2,638	1,773	3,067	4,840	7,478
Bank and Payroll Processing Fees	-	6,332	6,332	13,658	3,029	16,687	23,019
State Registration Fees	-	-	-	-	5,476	5,476	5,476
Telephone	-	918	918	22,605	-	22,605	23,523
Insurance	-	3,771	3,771	22,226	-	22,226	25,997
Depreciation	-	-	-	70,949	-	70,949	70,949
Rent	33,790	215,418	249,208	44,865	75,159	120,024	369,232
Direct Expenses	335,897	6,524,201	6,860,098	951,500	867,323	1,818,823	8,678,921
Indirect Expenses	48,493	317,895	366,388	(477,132)	110,744	(366,388)	-
Total Expenses	\$ 384,390	\$ 6,842,096	\$ 7,226,486	\$ 474,368	\$ 978,067	\$ 1,452,435	\$ 8,678,921

**THE GLOBAL FUND FOR CHILDREN AND AFFILIATE
STATEMENT OF CASH FLOWS – U.S. OPERATIONS
YEAR ENDED JUNE 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

CASH FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (2,804,036)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	70,949
Unrealized Loss on Investments	52,628
Permanently Restricted Contributions	(2,812)
Changes in Assets and Liabilities:	
Accounts Receivable/Promises to Give	3,466,222
Inventory	18,455
Prepaid Expenses	46,183
Deposits	4,217
Accounts Payable and Accrued Expenses	139,368
Accrued Vacation/Payroll	(13,856)
Deferred Revenue	3,530
Deferred Leasehold Allowance	(31,082)
Net Cash Provided by Operating Activities	<u>949,766</u>
CASH FROM INVESTING ACTIVITIES	
Purchases of Investments	(26,147)
Purchases of Property and Equipment	(14,710)
Net Cash Used by Investing Activities	<u>(40,857)</u>
CASH FROM FINANCING ACTIVITIES	
Proceeds from Permanently Restricted Contributions	2,812
Principal Payments on Capital Lease	(2,575)
Net Cash Provided by Financing Activities	<u>237</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	909,146
Cash and Cash Equivalents - July 1, 2011	<u>1,870,106</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	<u><u>\$ 2,779,252</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest	<u><u>\$ 545</u></u>