

Kids Alive International, Inc.

Accountants' Report and Financial Statements

December 31, 2009 and 2008



Kids Alive International, Inc.

December 31, 2009 and 2008

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Independent Accountants' Report

Board of Directors
Kids Alive International, Inc.
Valparaiso, Indiana

We have audited the accompanying statements of financial position of Kids Alive International, Inc. (Organization) as of December 31, 2009 and 2008, 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 Kids Alive International, Inc. as of December 31, 2009 and 2008, 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.

BKD
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July 12, 2010

Kids Alive International, Inc.

Statements of Financial Position December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 280,152	\$ 1,003,067
Accounts receivable	7,195	-
Contributions receivable	-	975
Prepaid expenses and other	51,799	49,658
Investments	181,816	153,823
Beneficial interest in Community Foundation	66,663	57,317
Property and equipment	6,867,792	6,316,102
Total assets	<u>\$ 7,455,417</u>	<u>\$ 7,580,942</u>
Liabilities		
Accounts payable and accrued expenses	\$ 83,362	\$ 57,652
Annuities payable	119,214	120,425
Debt	436,164	448,342
Total liabilities	<u>638,740</u>	<u>626,419</u>
Net Assets		
Unrestricted	6,018,388	5,752,998
Temporarily restricted	748,457	1,151,693
Permanently restricted	49,832	49,832
Total net assets	<u>6,816,677</u>	<u>6,954,523</u>
Total liabilities and net assets	<u>\$ 7,455,417</u>	<u>\$ 7,580,942</u>

Kids Alive International, Inc.
Statements of Activities
Years Ended December 31, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains (Losses) and Other Support								
Contributions								
In-kind	\$ -	\$ 279,416	\$ -	\$ 279,416	\$ 130,600	\$ -	\$ -	\$ 130,600
MAP	5,745	745	-	6,490	32,311	6,995	-	39,306
Missionary support	450	1,387,682	-	1,388,132	-	1,513,921	-	1,513,921
Child support	-	1,082,288	-	1,082,288	-	1,014,723	-	1,014,723
Volunteer service teams/special projects	-	438,714	-	438,714	-	466,049	-	466,049
Building	-	369,878	-	369,878	-	291,199	-	291,199
Field and other	801,172	872,176	-	1,673,348	788,881	1,288,357	-	2,077,238
Dividend income	5,010	-	-	5,010	5,294	-	-	5,294
Interest income	1,093	-	-	1,093	3,812	-	-	3,812
Net realized and unrealized gains (losses) on investments	40,198	-	-	40,198	(96,780)	-	-	(96,780)
Change in value of split-interest agreements	(19,213)	-	-	(19,213)	(15,956)	-	-	(15,956)
Gain (loss) on disposal of property and equipment	(3,496)	-	-	(3,496)	4,597	-	-	4,597
	830,959	4,430,899	-	5,261,858	852,759	4,581,244	-	5,434,003
Net assets released from restrictions for mission fields program services	4,834,135	(4,834,135)	-	-	4,495,109	(4,495,109)	-	-
	5,665,094	(403,236)	-	5,261,858	5,347,868	86,135	-	5,434,003
Total revenue, gains (losses) and other support	5,665,094	(403,236)	-	5,261,858	5,347,868	86,135	-	5,434,003
Expenses								
Mission fields program services	4,544,092	-	-	4,544,092	4,052,134	-	-	4,052,134
Management and general	427,806	-	-	427,806	366,847	-	-	366,847
Fund raising	427,806	-	-	427,806	342,390	-	-	342,390
	5,399,704	-	-	5,399,704	4,761,371	-	-	4,761,371
Total expenses	5,399,704	-	-	5,399,704	4,761,371	-	-	4,761,371
Change in Net Assets	265,390	(403,236)	-	(137,846)	586,497	86,135	-	672,632
Net Assets, Beginning of Year	5,752,998	1,151,693	49,832	6,954,523	5,166,501	1,065,558	49,832	6,281,891
Net Assets, End of Year	\$ 6,018,388	\$ 748,457	\$ 49,832	\$ 6,816,677	\$ 5,752,998	\$ 1,151,693	\$ 49,832	\$ 6,954,523

Kids Alive International, Inc.
Statements of Functional Expenses
Years Ended December 31, 2009 and 2008

	2009				2008			
	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses
Salaries, wages and related taxes	\$ 832,048	\$ 180,111	\$ 180,111	\$ 1,192,270	\$ 814,239	\$ 176,450	\$ 164,686	\$ 1,155,375
Employee benefits	303,382	50,402	50,402	404,186	275,216	48,245	45,029	368,490
Total salaries, wages and related expenses	1,135,430	230,513	230,513	1,596,456	1,089,455	224,695	209,715	1,523,865
Programs and activities								
Field ministry	2,625,685	12,025	12,025	2,649,735	2,179,904	5,798	5,412	2,191,114
Service teams	121,054	-	-	121,054	118,253	4	4	118,261
Total programs and activities	2,746,739	12,025	12,025	2,770,789	2,298,157	5,802	5,416	2,309,375
Supplies and expendables	6,776	5,082	5,082	16,940	6,209	3,374	3,149	12,732
Travel and entertainment	136,988	6,167	6,167	149,322	190,594	2,396	2,236	195,226
Utilities	8,486	6,364	6,364	21,214	9,034	6,344	5,921	21,299
Professional services and fees	137,503	102,940	102,940	343,383	107,052	69,424	64,796	241,272
Printing and publications	45,547	26,973	26,973	99,493	51,138	22,053	20,583	93,774
Postage and shipping	19,586	14,086	14,086	47,758	14,577	10,201	9,521	34,299
Depreciation	283,139	6,072	6,072	295,283	262,182	6,421	5,992	274,595
Other expenses	23,898	17,584	17,584	59,066	23,736	16,137	15,061	54,934
	661,923	185,268	185,268	1,032,459	664,522	136,350	127,259	928,131
Totals	\$ 4,544,092	\$ 427,806	\$ 427,806	\$ 5,399,704	\$ 4,052,134	\$ 366,847	\$ 342,390	\$ 4,761,371

See Notes to Financial Statements

Kids Alive International, Inc.
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Operating Activities		
Change in net assets	\$ (137,846)	\$ 672,632
Items not requiring (providing) cash		
Depreciation	295,283	274,595
(Gain) loss on disposal of property and equipment	3,496	(4,597)
Net realized and unrealized (gains) losses on investments	(40,198)	96,780
Changes in		
Accounts and contributions receivable	(6,220)	16,218
Prepaid expenses and other	(2,141)	9,025
Accounts payable and accrued expenses	25,710	26,558
Annuities payable	(1,211)	(5,922)
	<u>136,873</u>	<u>1,085,289</u>
Investing Activities		
Purchase of property and equipment	(850,469)	(788,507)
Proceeds from sale of property and equipment	-	23,054
Purchase of investments	(204,947)	(31,960)
Proceeds from sales and maturities of investments	207,806	51,039
	<u>(847,610)</u>	<u>(746,374)</u>
Financing Activity, principal payments on debt		
	<u>(12,178)</u>	<u>(11,242)</u>
Net Increase (Decrease) in Cash	(722,915)	327,673
Cash, Beginning of Year	<u>1,003,067</u>	<u>675,394</u>
Cash, End of Year	<u>\$ 280,152</u>	<u>\$ 1,003,067</u>
Supplemental Cash Flows Information		
Interest paid	\$ 31,935	\$ 33,748
Noncash contributions of property and equipment	77,290	130,600

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kids Alive International, Inc. (Organization) is a nondenominational evangelical faith mission founded in 1916 as Home of Onesiphorus, Inc. The name was changed to Kids Alive International, Inc. in 1982 when the headquarters were moved from Chicago, Illinois to Valparaiso, Indiana. Home of Onesiphorus, Inc. is no longer a registered entity as of July 2003.

Kids Alive International, Inc. is a ministry dedicated to the care of orphaned, abandoned and needy children and youth. The Organization serves these children through five distinct programs, each dedicated to fulfilling their spiritual, educational, physical, emotional and social needs:

Residential Homes: Needy and orphaned children are cared for in “family units” with Christian house parents and “brothers and sisters.”

Care Centers: Children who are still able to live with their immediate families receive assistance from Kids Alive International’s Care Center program where they are given healthy meals, basic medical care, spiritual guidance and education.

Schools: Education is provided to the children in the care of Kids Alive International, Inc. in order to provide the children with opportunity and hope for the future.

Medical Clinics: Kids Alive International, Inc. provides basic medical care, such as immunizations to children in their care, in addition to the local communities in which they are located.

Specialized Community Outreach: In some areas, Kids Alive International, Inc. runs programs designed for the community at-large, such as street children in larger cities, or supporting single mothers or grandmothers with help and resources to care for their own children and grandchildren.

The overarching goal of the Organization is to reach every child with the saving knowledge of Jesus Christ and to experience a Christian life in the service of God. This is accomplished by caring for them as is called for in James 1:27.

Kids Alive International, Inc. currently serves 17 different countries around the globe in its ministry outreach through its affiliated partner ministries. The Organization’s revenue and other support are derived principally from contributions. The Organization participates by making grants to fund activities and has representation on the Board of each affiliate. Through these affiliates and its missionary team, the Organization provides care, training and discipleship to children and youth through children’s homes, schools, day programs and whatever other means are appropriate for the specific location.

The Organization partners with nationals, training them to serve the children and youth in their own cultures, thus expanding the ministry beyond what missionaries can do numerically and in the years ahead.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Use of 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 the revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

The financial institution holding the Organization's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities. Investment income that is originally restricted by the donor and for which the restriction is met in the same time period is recorded as temporarily restricted and then released from restriction.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization is not considered to be a private foundation.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2006.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	5-10
Buildings	40

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Donated Property and Equipment

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense or an asset in its financial statements, and similarly increase donations by a like amount. For the years ended December 31, 2009 and 2008, in-kind contributions amounted to \$279,416 and \$130,600, respectively.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Functional Allocation of Expenses

Expenses have been classified as program services, management and general, and fund raising based on the actual direct expenditures and cost allocations based upon estimates of time spent by Organization personnel.

Subsequent Events

Subsequent events have been evaluated through July 12, 2010, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

The Organization's investments are detailed as follows:

	2009		2008	
	Cost	Market	Cost	Market
Cash	\$ 12,850	\$ 12,850	\$ 4,797	\$ 4,797
Money market funds	2,147	2,147	5,896	5,896
Common stocks	8,105	7,894	-	-
Mutual funds	158,685	158,925	164,315	143,130
Total	<u>\$ 181,787</u>	<u>\$ 181,816</u>	<u>\$ 175,008</u>	<u>\$ 153,823</u>

The following schedule summarizes the investment return for the years ended December 31, 2009 and 2008:

	2009	2008
Dividends and interest	\$ 6,103	\$ 9,106
Net realized and unrealized gains (losses) on investments	<u>40,198</u>	<u>(96,780)</u>
Total return on investments	<u>\$ 46,301</u>	<u>\$ (87,674)</u>

Investment fees totaled \$2,435 and \$8,046 for 2009 and 2008, respectively.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Note 3: Interest in Assets at Porter County Community Foundation

The Organization has transferred assets to Porter County Community Foundation (Community Foundation) and retained a beneficial interest in those assets. The annual earnings allocable to the fund, net of fees and expenses will be retained within the fund. The Organization has granted variance power to Porter County Community Foundation to retain, invest and commingle the assets of the fund with those of other funds for investment purposes. The cumulative amount of the retained beneficial interest included in the statements of financial position was \$66,663 and \$57,317 at December 31, 2009 and 2008, respectively.

Amounts available for distribution are calculated by Porter County Community Foundation. The formula used is 5% of the three year ending average balance. Porter County Community Foundation determines whether or not any distributions will be made.

Note 4: Disclosures About Fair Value of Assets

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The Organization has no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a nonrecurring basis.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market funds, common stocks and mutual funds. There are no Level 2 or 3 investments.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Interest in Assets of Community Foundation

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2009 and 2008:

		2009			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
Investments					
Money market funds	\$	2,147	\$ 2,147	\$ -	\$ -
Common stocks		7,894	7,894	-	-
Mutual funds		158,925	158,925	-	-
Interest in assets of Community Foundation		66,663	-	-	66,663
2008					
Fair Value Measurements Using					
Quoted Prices					
		in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
Investments					
Money market funds	\$	5,896	\$ 5,896	\$ -	\$ -
Mutual funds		143,130	143,130	-	-
Interest in assets of Community Foundation		57,317	-	-	57,317

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Interest in Assets of Community Foundation
Balance, January 1, 2008	\$ 79,814
Total realized and unrealized losses included in change in net assets	<u>(22,497)</u>
Balance, December 31, 2008	57,317
Total realized and unrealized gains included in change in net assets	<u>9,346</u>
Balance, December 31, 2009	<u><u>\$ 66,663</u></u>

Realized and unrealized gains and losses for items reflected in the table above are included in change in net assets as part of net realized and unrealized gains (losses) on investments in the statements of activities.

Note 5: Property and Equipment

The Organization's property and equipment is detailed as follows:

	2009	2008
Buildings and improvements	\$ 6,167,230	\$ 5,688,714
Furnishings and equipment	<u>1,242,190</u>	<u>1,085,039</u>
	7,409,420	6,773,753
Accumulated depreciation	<u>(1,926,055)</u>	<u>(1,647,099)</u>
	5,483,365	5,126,654
Land	1,017,494	1,015,494
Construction in progress	<u>366,933</u>	<u>173,954</u>
	<u><u>\$ 6,867,792</u></u>	<u><u>\$ 6,316,102</u></u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

The Organization's property and equipment is located as follows:

	2009	2008
United States		
Buildings, Indiana	\$ 304,917	\$ 304,917
Furnishings and equipment	121,705	122,901
Land	22,869	22,869
	449,491	450,687
Accumulated depreciation	(179,713)	(166,700)
Total United States	269,778	283,987
Other Countries		
Dominican Republic	3,393,528	3,148,376
Lebanon	925,676	905,350
Guatemala	1,209,858	1,144,887
Peru	663,079	574,104
Taiwan	15,000	15,000
Papua New Guinea	214,203	177,630
Romania	324,807	324,807
Kenya	1,096,740	986,550
Haiti	44,855	44,855
Sudan	74,000	17,000
Zambia	10,000	-
Construction in progress, Sudan	-	29,259
Construction in progress, Peru	168,346	56,397
Construction in progress, Kenya	31,585	29,810
Construction in progress, Zambia	86,507	-
Construction in progress, Haiti	86,172	58,488
	8,344,356	7,512,513
Accumulated depreciation	(1,746,342)	(1,480,398)
Total other countries	6,598,014	6,032,115
	\$ 6,867,792	\$ 6,316,102

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of the Organization. Although such items are recognized as assets of the Organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while the Organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries.

Note 6: Annuities Payable

The Organization has been the recipient of several gift annuities which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Organization has recorded a liability at December 31, 2009 and 2008, of \$119,214 and \$120,425, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6% in 2009 and 2008.

Note 7: Line of Credit

The Organization has a \$250,000 revolving line of credit agreement that is due on demand. At December 31, 2009 and 2008, there was nothing borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate plus .50%, and is payable monthly. The bank's prime rate was 3.75% on December 31, 2009 and 2008.

Note 8: Debt

	<u>2009</u>	<u>2008</u>
Mortgage payable (A)	\$ 436,164	\$ 448,342

(A) Due June 6, 2017; payable \$44,054 annually which includes interest at a variable rate based on the average Treasury securities rate plus 2.36% (6.72% and 7.02% at December 31, 2009 and 2008, respectively); secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2009, are:

2010	\$ 17,377
2011	16,411
2012	17,548
2013	18,765
2014	20,065
Thereafter	<u>345,998</u>
	<u>\$ 436,164</u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Mission fields program services	<u>\$ 748,457</u>	<u>\$ 1,151,693</u>

Note 10: Permanently Restricted Net Assets

The income from permanently restricted net assets is available for the following purposes:

	<u>2009</u>	<u>2008</u>
Any activity of the Organization	<u>\$ 49,832</u>	<u>\$ 49,832</u>

Note 11: Endowment

The Organization's endowment consists of a fund held at the Porter County Community Foundation (Community Foundation). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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, the Organization 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.

Note 12: Pension Plan

The Organization has a defined contribution pension plan. Contributions to the plan are made for all employees who are 21 years of age with at least one year of service. The Organization's contribution consists of a discretionary contribution of 5.0% of eligible compensation. Employee benefit expense under this plan was \$39,526 and \$46,539 for 2009 and 2008, respectively.

Note 13: Funds Held by Others

The Christian Community Foundation, Inc. and Porter County Community Foundation, Inc. (Foundations) are unrelated foundations holding donor advisory funds for the benefit of the

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2009 and 2008

Organization. The Foundations have been granted variance power over these funds, and accordingly, the Organization has not included these funds as an asset in the accompanying statements of financial position. At December 31, 2009 and 2008, the balance of these funds approximated \$49,103 and \$48,427, respectively.

Note 14: Significant Estimates and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and the valuation of fixed assets that could negatively impact the Organization's financial position.