

Kids Alive International, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017



Kids Alive International, Inc.

December 31, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Kids Alive International, Inc. (Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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.

Auditor's Responsibility

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 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 Kids Alive International, Inc. as of December 31, 2018 and 2017, 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.

BKD, LLP

Fort Wayne, Indiana
July 17, 2019

Kids Alive International, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 3,291,737	\$ 3,082,999
Prepaid expenses and other assets	109,115	125,687
Investments	285,242	308,472
Beneficial interest in Community Foundation	100,643	110,356
Property and equipment, net	10,973,109	10,849,608
Total assets	\$ 14,759,846	\$ 14,477,122
Liabilities		
Accounts payable and accrued expenses	\$ 272,015	\$ 348,604
Annuities payable	70,322	79,498
Debt	169,299	209,879
Total liabilities	511,636	637,981
Net Assets		
Without donor restrictions		
Undesignated	11,845,771	11,252,808
With donor restrictions	2,402,439	2,586,333
Total net assets	14,248,210	13,839,141
Total liabilities and net assets	\$ 14,759,846	\$ 14,477,122

Kids Alive International, Inc.
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions						
Field ministry	\$ 5,353	\$ 3,059,107	\$ 3,064,460	\$ 6,576	\$ 2,748,323	\$ 2,754,899
Missionary support	-	2,750,675	2,750,675	-	2,777,606	2,777,606
Child sponsorship	-	3,119,074	3,119,074	-	2,858,144	2,858,144
Volunteer service teams	-	980,730	980,730	-	1,017,182	1,017,182
Buildings and equipment	-	610,784	610,784	-	686,431	686,431
General contributions and other	2,032,492	-	2,032,492	1,940,908	-	1,940,908
Gifts-in-kind	-	963,013	963,013	-	1,171,083	1,171,083
Dividend and interest income	7,285	-	7,285	6,446	-	6,446
Net realized and unrealized gains/(losses) on investments	(24,922)	-	(24,922)	46,002	-	46,002
Change in value of split-interest agreements	(1,485)	-	(1,485)	(5,535)	-	(5,535)
Gain on disposal of property and equipment	28,813	-	28,813	6,790	-	6,790
Other income	178,880	-	178,880	154,150	-	154,150
	<u>2,226,416</u>	<u>11,483,383</u>	<u>13,709,799</u>	<u>2,155,337</u>	<u>11,258,769</u>	<u>13,414,106</u>
Net assets released from restrictions for mission fields program services	11,667,277	(11,667,277)	-	11,029,044	(11,029,044)	-
Total revenues, gains and other support	<u>13,893,693</u>	<u>(183,894)</u>	<u>13,709,799</u>	<u>13,184,381</u>	<u>229,725</u>	<u>13,414,106</u>
Expenses and Losses						
Mission fields program services	11,430,418	-	11,430,418	10,726,153	-	10,726,153
Management and general	966,991	-	966,991	882,760	-	882,760
Fundraising	903,321	-	903,321	885,266	-	885,266
Contingency loss	-	-	-	175,000	-	175,000
Total expenses and losses	<u>13,300,730</u>	<u>-</u>	<u>13,300,730</u>	<u>12,669,179</u>	<u>-</u>	<u>12,669,179</u>
Change in Net Assets	592,963	(183,894)	409,069	515,202	229,725	744,927
Net Assets, Beginning of Year	<u>11,252,808</u>	<u>2,586,333</u>	<u>13,839,141</u>	<u>10,737,606</u>	<u>2,356,608</u>	<u>13,094,214</u>
Net Assets, End of Year	<u>\$ 11,845,771</u>	<u>\$ 2,402,439</u>	<u>\$ 14,248,210</u>	<u>\$ 11,252,808</u>	<u>\$ 2,586,333</u>	<u>\$ 13,839,141</u>

Kids Alive International, Inc.
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	2018				2017			
	Mission Fields Program Service	Management and General	Fundraising	Total	Mission Fields Program Service	Management and General	Fundraising	Total
Salaries, wages and related taxes	\$ 2,062,573	\$ 499,580	\$ 466,686	\$ 3,028,839	\$ 1,848,828	\$ 423,972	\$ 425,175	\$ 2,697,975
Employee benefits	594,185	142,686	133,291	870,162	571,364	122,298	122,646	816,308
Total salaries, wages and related expenses	<u>2,656,758</u>	<u>642,266</u>	<u>599,977</u>	<u>3,899,001</u>	<u>2,420,192</u>	<u>546,270</u>	<u>547,821</u>	<u>3,514,283</u>
Programs and activities								
Field ministry	6,070,913	-	-	6,070,913	5,639,084	-	-	5,639,084
Service teams	1,234,168	-	-	1,234,168	1,191,820	-	-	1,191,820
Total programs and activities	<u>7,305,081</u>	<u>-</u>	<u>-</u>	<u>7,305,081</u>	<u>6,830,904</u>	<u>-</u>	<u>-</u>	<u>6,830,904</u>
Supplies and expendables	14,832	8,741	8,166	31,739	10,420	5,775	5,792	21,987
Travel and entertainment	308,367	23,334	21,797	353,498	284,712	17,414	17,463	319,589
Utilities	10,241	6,414	5,992	22,647	10,595	6,357	6,375	23,327
Professional services and fees	370,888	174,872	163,357	709,117	438,604	207,804	208,394	854,802
Printing and publications	64,611	42,996	40,165	147,772	61,490	39,752	39,864	141,106
Postage and shipping	47,419	31,714	29,626	108,759	38,929	25,202	25,274	89,405
Depreciation	626,188	19,243	17,976	663,407	605,462	18,100	18,152	641,714
Other expenses	26,033	17,411	16,265	59,709	24,845	16,086	16,131	57,062
	<u>1,468,579</u>	<u>324,725</u>	<u>303,344</u>	<u>2,096,648</u>	<u>1,475,057</u>	<u>336,490</u>	<u>337,445</u>	<u>2,148,992</u>
Total	<u>\$ 11,430,418</u>	<u>\$ 966,991</u>	<u>\$ 903,321</u>	<u>\$ 13,300,730</u>	<u>\$ 10,726,153</u>	<u>\$ 882,760</u>	<u>\$ 885,266</u>	<u>\$ 12,494,179</u>
	<u>85.9%</u>	<u>7.3%</u>	<u>6.8%</u>	<u>100.0%</u>	<u>85.8%</u>	<u>7.1%</u>	<u>7.1%</u>	<u>100.0%</u>

Kids Alive International, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 409,069	\$ 744,927
Items not requiring (providing) operating activities cash flows		
Depreciation	663,407	641,714
Gain on disposal of property and equipment	(28,813)	(6,790)
Net realized and unrealized (gains) losses on investments	24,922	(46,002)
Contributions restricted for investment in property	(610,784)	(686,431)
Changes in		
Prepaid expenses and other assets	16,572	(19,203)
Accounts payable and accrued expenses	(76,589)	127,681
Annuities payable	(9,176)	(4,740)
Net cash provided by operating activities	388,608	751,156
Investing Activities		
Purchase of property and equipment	(818,722)	(1,068,288)
Proceeds from disposition of property and equipment	60,627	26,501
Purchase of investments	(67,755)	(1,091)
Proceeds from sales and maturities of investments	75,776	95,762
Net cash used in investing activities	(750,074)	(947,116)
Financing Activities		
Principal payments on debt	(40,580)	(39,285)
Contributions restricted for investment in property	610,784	686,431
Net cash provided by financing activities	570,204	647,146
Increase in Cash and Cash Equivalents	208,738	451,186
Cash and Cash Equivalents, Beginning of Year	3,082,999	2,631,813
Cash and Cash Equivalents, End of Year	\$ 3,291,737	\$ 3,082,999
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 6,787	\$ 7,133

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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

Nature of Operations

Kids Alive International, Inc. (Organization) is a non-denominational 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 was moved from Chicago, Illinois to Valparaiso, Indiana. Home of Onesiphorus, Inc. is no longer a registered entity as of 2003.

Kids Alive International, Inc. is dedicated to the rescue and care of orphans and vulnerable children, meeting their physical, educational, emotional and spiritual needs. The Organization's stated mission is to "reflect the love of Christ by rescuing orphans and vulnerable children, nurturing them with quality holistic care and sharing with them the transforming power of Jesus Christ so they are enabled to give hope to others." The Organization accomplishes this through the following six types of program:

Family-Style Homes: For orphans and other severely at-risk children, Kids Alive International, Inc. provides care in family-like settings. Loving Christian house parents care for these children, meeting their physical, emotional and spiritual needs.

Schools: A quality education equips children in Kids Alive International, Inc. schools to break the cycle of poverty and build successful lives, with the goal of changing communities from the inside out and developing tomorrow's leaders.

Care Centers: Kids Alive International, Inc. provides for the essential needs of children who have families but need support in order to remain in their own homes. Loving caregivers provide nutritious food, medical treatment and a consistent Christian witness.

Keeping Families Together: Some families love their children but don't have the resources to feed and care for them. Whenever possible, Kids Alive International, Inc. provides support to allow the family to stay together by caring for the needs of the child and the family.

Medical Clinics: Kids Alive International, Inc. provides medical evaluation, monitoring and treatment for the boys and girls in its programs, allowing them to grow strong, attend and excel in school and share the benefits of health with their families and communities.

Community Outreach: Communities face challenges: war, famine, natural disasters and refugees. Kids Alive International, Inc.'s Community Outreach programs are addressing needs that cannot be met by its primary ministries of Family-Style Homes, Schools and Care Centers.

Kids Alive International, Inc. currently serves almost 6,000 children, as well as families and communities, in 12 countries around the world through affiliated partner ministries. The Organization has representation on the local board of each affiliate and makes grants to fund activities as well as provide management oversight, expertise and training to national staff and missionaries. Through these affiliates, the Organization's mission of providing care, training and discipleship to orphans and vulnerable children is accomplished.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$2,557,000.

Investments

Investments are carried at fair value. Investment return includes dividend and interest income and realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return that is originally restricted by the donor and for which the restriction is met in the same time period is recorded as with donor restriction and then released from restriction.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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.

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 2015.

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

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

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, net assets with donor restriction are reclassified to net assets without donor restriction 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 net assets with donor restrictions and then released from restriction.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Donated Property and Equipment

The Organization reports gifts of land, buildings and equipment as without donor restriction 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 support with donor restriction. 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 net assets with donor restriction to net assets without donor restriction at that time.

Field Advances

The Organization receives contributions that they then send overseas to the Organization's international locations to be used for various ministries. The majority of funds are sent for ministry operations and are expensed at the time the funds are sent overseas. However, funds that are sent for acquisition of fixed asset items (such as buildings and vehicles), but then are not used until the following year, are recorded as Field Advances (as of December 31) and subsequently recorded as assets once the funds have been used at the overseas locations.

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, 2018 and 2017, in-kind contributions amounted to \$963,013 and \$1,171,083, respectively.

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 17, 2019, which is the date the financial statements were available to be issued.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2: Change in Accounting Principle

In 2018, the Organization adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets. The organization had no underwater endowments to reclassify upon adoption.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 3: Investments and Investment Return

The Organization's investments are detailed as follows:

	<u>2018</u>	<u>2017</u>
Cash	\$ 19,931	\$ 26,217
Mutual funds		
Blended	6,987	30,916
Bond	139,099	132,756
Growth	39,376	45,612
International	21,888	44,848
Real estate	14,969	16,574
Value	<u>42,992</u>	<u>11,549</u>
Total	<u>\$ 285,242</u>	<u>\$ 308,472</u>

The following schedule summarizes the investment return for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 7,285	\$ 6,446
Net realized and unrealized gains (losses) on investments	<u>(24,922)</u>	<u>46,002</u>
Total return on investments	<u>\$ (17,637)</u>	<u>\$ 52,448</u>

Note 4: 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 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 \$100,643 and \$110,356 at December 31, 2018 and 2017, respectively.

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

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 5: Liquidity and Availability

The following reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position:

	2018
Financial assets at year-end	\$ 3,677,622
Less those unavailable for general expenditures within one year, due to	
Contractual or donor-imposed restrictions	
Restricted by donors in perpetuity	(49,832)
Restricted by donors with time or purpose restrictions	(1,120,820)
Annuity assets	(285,242)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,221,728

The Organization is substantially supported by contributions some of which are restricted. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has \$2,352,607 in net assets with donor restrictions for projects and missionary support, of which \$1,231,787 is considered available to meet needs for general expenditures within one year. To help manage unanticipated liquidity needs, the Organization maintains a revolving line of credit in the amount of \$1,000,000.

Note 6: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Recurring Measurements

The following tables present 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, 2018 and 2017:

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Mutual funds				
Blended	\$ 6,987	\$ 6,987	\$ -	\$ -
Bond	139,099	139,099	-	-
Growth	39,376	39,376	-	-
International	21,888	21,888	-	-
Real estate	14,969	14,969	-	-
Value	42,992	42,992	-	-
Interest in assets of Community Foundation	100,643	-	-	100,643

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Mutual funds				
Blended	\$ 30,916	\$ 30,916	\$ -	\$ -
Bond	132,756	132,756	-	-
Growth	45,612	45,612	-	-
International	44,848	44,848	-	-
Real estate	16,574	16,574	-	-
Value	11,549	11,549	-	-
Interest in assets of Community Foundation	110,356	-	-	110,356

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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. There have been no significant changes in the valuation techniques during the year ended December 31, 2018. For assets classified within Level 3 of the fair value hierarchy, the process to develop the reported fair value is described below.

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.

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.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Organization. The Organization contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Organization challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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, 2017	\$ 96,210
Total realized and unrealized gains included in change in net assets	14,146
Distributions	-
Balance, December 31, 2017	<u>110,356</u>
Total realized and unrealized losses included in change in net assets	(9,713)
Distributions	-
Balance, December 31, 2018	<u><u>\$ 100,643</u></u>

The realized and unrealized gains (losses) all relate to assets still held at the reporting date and are included in investment return on the statements of activities.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements:

	Fair Value at December 31, 2018	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 100,643	Discounted cash flows	Discount rates and growth rates	N/A*
	Fair Value at December 31, 2017	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 110,356	Discounted cash flows	Discount rates and growth rates	N/A*

* The range is not disclosed because of the varied range of potential values as a result of the type of investment.

Note 7: Property and Equipment

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

	2018	2017
Buildings and improvements	\$ 11,726,413	\$ 10,736,649
Furnishings and equipment	3,150,484	3,147,067
	<u>14,876,897</u>	<u>13,883,716</u>
Accumulated depreciation	(5,335,562)	(4,773,221)
	<u>9,541,335</u>	<u>9,110,495</u>
Land	1,146,181	1,146,181
Construction in progress	285,593	592,932
	<u>\$ 10,973,109</u>	<u>\$ 10,849,608</u>

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>
United States		
Buildings, Indiana	\$ 459,014	\$ 459,014
Furnishings and equipment	371,730	362,789
Land	22,869	22,869
	<u>853,613</u>	<u>844,672</u>
Accumulated depreciation	(473,043)	(407,050)
Total United States	<u>380,570</u>	<u>437,622</u>
Other Countries		
Dominican Republic	6,261,590	6,011,132
Guatemala	1,604,373	1,507,829
Haiti	1,414,545	1,156,124
Kenya	1,794,013	1,634,899
Lebanon	1,056,605	1,036,605
Papua New Guinea	256,341	246,387
Peru	1,383,545	1,280,267
Romania	331,626	331,626
South Sudan	123,945	123,945
Taiwan	15,000	15,000
Zambia	927,881	841,412
Construction in progress, Dominican Republic	96,139	162,355
Construction in progress, Peru	55,978	99,012
Construction in progress, Haiti	50,954	247,704
Construction in progress, Kenya	35,123	50,800
Construction in progress, Guatemala	2,400	9,795
Construction in progress, Zambia	45,000	23,265
	<u>15,455,058</u>	<u>14,778,157</u>
Accumulated depreciation	(4,862,519)	(4,366,171)
Total other countries	<u>10,592,539</u>	<u>10,411,986</u>
	<u>\$ 10,973,109</u>	<u>\$ 10,849,608</u>

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 8: 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, 2018 and 2017, of \$70,322 and \$79,498, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6 percent in 2018 and 2017.

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Note 9: Line of Credit

The Organization has an \$1,000,000 revolving line of credit agreement that is due on demand. At December 31, 2018 and 2017, there were no borrowings 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 percent and is payable monthly. The bank's prime rate was 5.50 percent and 3.75 percent on December 31, 2018 and 2017, respectively.

Note 10: Debt

	2018	2017
Mortgage payable (A)	<u>\$ 169,299</u>	<u>\$ 209,879</u>

(A) Due June 6, 2022; payable \$26,609 annually with a final balloon payment in 2022, which includes interest at a variable rate based on LIBOR (4.132 and 3.182 percent at December 31, 2018 and 2017, respectively), secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2018, are:

2019	\$ 20,496
2020	20,871
2021	21,747
2022	<u>106,185</u>
	<u>\$ 169,299</u>

Note 11: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
Mission fields program services	<u>\$ 2,352,607</u>	<u>\$ 2,536,501</u>
Endowments		
Subject to appropriation and spending policy		
Other restricted endowments	<u>49,832</u>	<u>49,832</u>
Total net assets with donor restrictions	<u>\$ 2,402,439</u>	<u>\$ 2,586,333</u>

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Note 12: 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 are 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 endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions required to be maintained in perpetuity (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 13: 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 percent of eligible compensation. Employee benefit expense under this plan was \$85,260 and \$83,144 for 2018 and 2017, respectively.

Note 14: 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 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, 2018 and 2017, the balance of these funds approximated \$83,293 and \$89,855, respectively.

Note 15: Contingencies

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of business. During 2017, the Organization determined that an amendment to its retirement plan was not technically approved in 2011. This requires additional employer retirement contributions from 2011 to 2017. This obligation is estimated to be approximately \$175,000 and accrued for as a liability at December 31, 2018.