

Kids Alive International, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018

Kids Alive International, Inc.

December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Wayne, Indiana
August 6, 2020

Kids Alive International, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018 (Restated - Note 3)
Assets		
Cash and cash equivalents	\$ 2,207,055	\$ 3,291,737
Prepaid expenses and other assets	140,201	109,115
Investments	317,721	285,242
Beneficial interest in Community Foundation	119,996	100,643
Property and equipment, net	<u>11,036,659</u>	<u>10,973,109</u>
Total assets	<u>\$ 13,821,632</u>	<u>\$ 14,759,846</u>
Liabilities		
Accounts payable and accrued expenses	\$ 280,558	\$ 272,015
Annuities payable	68,636	70,322
Debt	<u>130,348</u>	<u>169,299</u>
Total liabilities	<u>479,542</u>	<u>511,636</u>
Net Assets		
Without donor restrictions		
Undesignated	11,381,141	11,540,730
With donor restrictions	<u>1,960,949</u>	<u>2,707,480</u>
Total net assets	<u>13,342,090</u>	<u>14,248,210</u>
Total liabilities and net assets	<u>\$ 13,821,632</u>	<u>\$ 14,759,846</u>

Kids Alive International, Inc.
Statements of Activities
Year Ended December 31, 2019 and 2018

	2019			2018 (Restated - Note 3)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses) and Other Support						
Contributions						
Country ministry	\$ -	\$ 3,370,219	\$ 3,370,219	\$ 5,353	\$ 3,059,107	\$ 3,064,460
Missionary support	-	2,834,959	2,834,959	-	2,750,675	2,750,675
Child sponsorship	-	2,967,563	2,967,563	-	3,119,074	3,119,074
Volunteer service teams	-	775,470	775,470	-	980,730	980,730
Buildings and equipment	-	405,728	405,728	-	610,784	610,784
General contributions and other	2,398,467	-	2,398,467	2,027,492	5,000	2,032,492
Safe Haven	-	3,523	3,523	-	-	-
Gifts-in-kind	-	822,262	822,262	-	963,013	963,013
Dividend and interest income	8,170	-	8,170	7,285	-	7,285
Net realized and unrealized gains (losses) on investments	33,877	19,353	53,230	(15,208)	(9,714)	(24,922)
Change in value of split-interest agreements	(7,357)	-	(7,357)	(1,485)	-	(1,485)
Gain (loss) on disposal of property and equipment	(83,188)	-	(83,188)	28,813	-	28,813
Other income	197,306	-	197,306	178,880	-	178,880
	<u>2,547,275</u>	<u>11,199,077</u>	<u>13,746,352</u>	<u>2,231,130</u>	<u>11,478,669</u>	<u>13,709,799</u>
Net assets released from restrictions for country program services	11,945,608	(11,945,608)	-	11,571,226	(11,571,226)	-
Total revenues, gains and other support	<u>14,492,883</u>	<u>(746,531)</u>	<u>13,746,352</u>	<u>13,802,356</u>	<u>(92,557)</u>	<u>13,709,799</u>
Expenses and Losses						
Country program services	11,289,217	-	11,289,217	11,430,418	-	11,430,418
Management and general	1,611,793	-	1,611,793	966,991	-	966,991
Fundraising	1,751,462	-	1,751,462	903,321	-	903,321
Total expenses and losses	<u>14,652,472</u>	<u>-</u>	<u>14,652,472</u>	<u>13,300,730</u>	<u>-</u>	<u>13,300,730</u>
Change in Net Assets	<u>(159,589)</u>	<u>(746,531)</u>	<u>(906,120)</u>	<u>501,626</u>	<u>(92,557)</u>	<u>409,069</u>
Net Assets, Beginning of Year, as Previously Reported	11,540,730	2,707,480	14,248,210	11,252,808	2,586,333	13,839,141
Reclassification related to prior period adjustment (Note 3)	-	-	-	(213,704)	213,704	-
Net Assets, Beginning of Year, as Restated	<u>11,540,730</u>	<u>2,707,480</u>	<u>14,248,210</u>	<u>11,039,104</u>	<u>2,800,037</u>	<u>13,839,141</u>
Net Assets, End of Year	<u>\$ 11,381,141</u>	<u>\$ 1,960,949</u>	<u>\$ 13,342,090</u>	<u>\$ 11,540,730</u>	<u>\$ 2,707,480</u>	<u>\$ 14,248,210</u>

Kids Alive International, Inc.
Statements of Functional Expenses
Year Ended December 31, 2019 and 2018

	2019				2018			
	Country Program Services	Management and General	Fundraising	Total	Country Program Services	Management and General	Fundraising	Total
Salaries, wages and related taxes	\$ 1,741,545	\$ 688,062	\$ 881,491	\$ 3,311,098	\$ 2,062,573	\$ 499,580	\$ 466,686	\$ 3,028,839
Employee benefits	463,499	221,304	232,709	917,512	594,185	142,686	133,291	870,162
Total salaries, wages and expenses	<u>2,205,044</u>	<u>909,366</u>	<u>1,114,200</u>	<u>4,228,610</u>	<u>2,656,758</u>	<u>642,266</u>	<u>599,977</u>	<u>3,899,001</u>
Programs and activities								
Country ministry	7,075,000	15,374	6	7,090,380	6,070,913	-	-	6,070,913
Service teams	1,011,748	11,147	9,063	1,031,958	1,234,168	-	-	1,234,168
Total programs and activities	<u>8,086,748</u>	<u>26,521</u>	<u>9,069</u>	<u>8,122,338</u>	<u>7,305,081</u>	<u>-</u>	<u>-</u>	<u>7,305,081</u>
Supplies and expendables	11,073	16,685	18,569	46,327	14,832	8,741	8,166	31,739
Travel and entertainment	203,274	90,740	107,610	401,624	308,367	23,334	21,797	353,498
Utilities	6,465	10,142	13,947	30,554	10,241	6,414	5,992	22,647
Professional services and fees	132,509	433,726	277,974	844,209	370,888	174,872	163,357	709,117
Printing and publications	5,596	44,619	98,621	148,836	64,611	42,996	40,165	147,772
Postage and shipping	8,420	27,492	59,210	95,122	47,419	31,714	29,626	108,759
Depreciation	617,793	19,787	25,020	662,600	626,188	19,243	17,976	663,407
Other expenses	12,295	32,715	27,242	72,252	26,033	17,411	16,265	59,709
	<u>997,425</u>	<u>675,906</u>	<u>628,193</u>	<u>2,301,524</u>	<u>1,468,579</u>	<u>324,725</u>	<u>303,344</u>	<u>2,096,648</u>
Total	<u>\$ 11,289,217</u>	<u>\$ 1,611,793</u>	<u>\$ 1,751,462</u>	<u>\$ 14,652,472</u>	<u>\$ 11,430,418</u>	<u>\$ 966,991</u>	<u>\$ 903,321</u>	<u>\$ 13,300,730</u>
	<u>77.0%</u>	<u>11.0%</u>	<u>12.0%</u>	<u>100.0%</u>	<u>85.9%</u>	<u>7.3%</u>	<u>6.8%</u>	<u>100.0%</u>

Kids Alive International, Inc.
Statements of Cash Flows
Year Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (906,120)	\$ 409,069
Items not requiring (providing) operating activities cash flows		
Depreciation	662,600	663,407
Loss on disposal of property and equipment	83,188	(28,813)
Net realized and unrealized gains on investments	(53,230)	24,922
Contributions restricted for investment in property	(405,728)	(610,784)
Changes in		
Prepaid expenses and other assets	(31,086)	16,572
Accounts payable and accrued expenses	8,543	(76,589)
Annuities payable	(1,686)	(9,176)
Net cash provided by (used in) operating activities	<u>(643,519)</u>	<u>388,608</u>
Investing Activities		
Purchase of property and equipment	(817,338)	(818,722)
Proceeds from disposition of property and equipment	8,000	60,627
Purchase of investments	(69,143)	(67,755)
Proceeds from sales and maturities of investments	70,541	75,776
Net cash used in investing activities	<u>(807,940)</u>	<u>(750,074)</u>
Financing Activities		
Principal payments on debt	(38,951)	(40,580)
Contributions restricted for investment in property	405,728	610,784
Net cash provided by financing activities	<u>366,777</u>	<u>570,204</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,084,682)	208,738
Cash and Cash Equivalents, Beginning of Year	<u>3,291,737</u>	<u>3,082,999</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,207,055</u>	<u>\$ 3,291,737</u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 6,039	\$ 7,133

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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 5,000 children, as well as families and communities, in 12 countries around the world through affiliated partner ministries. The Organization 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, 2019 and 2018

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.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Kids Alive International, Inc.
Notes to Financial Statements
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In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Unconditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

At December 31, 2019, the Organization's cash accounts exceeded federally insured limits by approximately \$1,397,000.

Investments and Investment Return

Investments are carried at fair value; realized and unrealized gains and losses are reflected in the statement of activities.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Kids Alive International, Inc.

Notes to Financial Statements

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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 2016.

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

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 year ended December 31, 2019 and 2018.

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, 2019 and 2018

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, 2019 and 2018, in-kind contributions amounted to \$822,262 and \$963,013, 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 August 6, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 2: Change in Accounting Principle

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that replaces existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers (members) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted this standard on January 1, 2019, using a modified retrospective approach. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous revenue recognition guidance in ASC Topic 605 — *Revenue Recognition*. The Organization has applied the new standard to all contracts not complete at the date of adoption. The Organization's adoption of Topic 606 did not result in a change to the timing of revenue recognition.

The majority of the Organization's revenues come from contributions, grants, rental income and investment earnings, which are outside the scope of Topic 606. Revenue from providing these services is recognized when the Organization satisfies its obligation to the customer.

Contributions Received and Contributions Made

As of January 1, 2019, the Organization adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08) using a modified prospective method of adoption to all agreements that were not completed as of January 1, 2019.

The intent of ASU 2018-08 is to assist an organization in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions, or if the transactions are considered reciprocal and should be accounted for as exchange transactions. Additionally, the revised guidance helps entities evaluate whether a contribution is conditional or unconditional.

The adoption has no impact on overall change in net assets or net cash provided by operating activities.

Kids Alive International, Inc.

Notes to Financial Statements

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Note 3: Restatement

The Organization recorded certain contributions and investment return on endowment assets and other restricted activity as revenues and net assets without donor restrictions, which should have previously been recorded as net assets with donor restrictions. Net asset classifications relating to these items have been restated as of January 1, 2018 (which represents the December 31, 2017 reclassification), however the correction had no impact on total net assets of the Organization.

The following financial statement line items were affected by the restatements:

	As Previously Reported January 1, 2018	Restated January 1, 2018	Restatement
Net Assets			
Without donor restrictions	\$ 11,252,808	\$ 11,039,104	\$ (213,704)
With donor restrictions	2,586,333	2,800,037	213,704
	As Previously Reported Year Ended December 31, 2018	Restated Year Ended December 31, 2018	Restatement
Statement of Financial Position			
Net Assets			
Without donor restrictions	\$ 11,845,771	\$ 11,540,730	\$ (305,041)
With donor restrictions	2,402,439	2,707,480	305,041

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Statement of Activities	As Previously Reported December 31, 2018	Restated December 31, 2018	Restatement
General contributions and other without donor restrictions	\$ 2,032,492	\$ 2,027,492	\$ (5,000)
General contributions and other with donor restrictions	—	5,000	5,000
Net realized and unrealized losses on investments without donor restrictions	(24,922)	(15,208)	9,714
Net realized and unrealized losses on investments with donor restrictions	—	(9,714)	(9,714)
Net assets release from restrictions – without donor restrictions	11,667,277	11,571,226	(96,051)
Net assets release from restrictions – with donor restrictions	(11,667,277)	(11,571,226)	96,051
Total revenues, gains and other support without donor restrictions	13,893,693	13,802,356	(91,337)
Total revenues, gains and other support with donor restrictions	(183,894)	(92,557)	91,337
Change in net assets without donor restrictions	592,963	501,626	(91,337)
Change in net assets with donor restrictions	(183,594)	(92,557)	91,337

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 4: Investments and Investment Return

The Organization's investments are detailed as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 19,994	\$ 19,931
Mutual funds		
Blended	9,768	6,987
Bond	143,733	139,099
Growth	39,600	39,376
International	23,027	21,888
Real estate	16,039	14,969
Value	<u>65,560</u>	<u>42,992</u>
Total	<u>\$ 317,721</u>	<u>\$ 285,242</u>

The following schedule summarizes the investment return for the year ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 8,170	\$ 7,285
Net realized and unrealized gains (losses) on investments	<u>53,230</u>	<u>(24,922)</u>
Total return on investments	<u>\$ 61,400</u>	<u>\$ (17,637)</u>

Note 5: 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 \$119,996 and \$100,643 at December 31, 2019 and 2018, 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, 2019 and 2018

Note 6: Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position:

	<u>2019</u>	<u>2018 (Restated)</u>
Financial assets at year-end	\$ 2,644,772	\$ 3,677,622
Less those unavailable for general expenditures within one year, due to		
Contractual or donor-imposed restrictions		
Restricted by donors in perpetuity	(56,310)	(56,310)
Restricted by donors with time or purpose restrictions	(1,876,069)	(1,419,383)
Annuity assets	<u>(317,721)</u>	<u>(285,242)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 394,672</u>	<u>\$ 1,916,687</u>

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. To help manage unanticipated liquidity needs, the Organization maintains a revolving line of credit (Note 10) in the amount of \$1,000,000.

Note 7: 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

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Recurring Measurements

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, 2019 and 2018:

	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, 2019				
Mutual funds				
Blended	\$ 9,768	\$ 9,768	\$ -	\$ -
Bond	143,733	143,733	-	-
Growth	39,600	39,600	-	-
International	23,027	23,027	-	-
Real estate	16,039	16,039	-	-
Value	65,560	65,560	-	-
Interest in assets of Community Foundation	119,996	-	-	119,996

	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

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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, 2019. 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, 2018	\$ 110,356
Total realized and unrealized gains included in change in net assets Distributions	(9,713) -
Balance, December 31, 2018	100,643
Total realized and unrealized losses included in change in net assets Distributions	19,353 -
Balance, December 31, 2019	<u>\$ 119,996</u>

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

Unobservable (Level 3) Inputs

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

	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 119,996	Discounted cash flows	Discount rates and growth rates	N/A*

	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*

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

Note 8: Property and Equipment

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

	2019	2018
Buildings and improvements	\$ 11,969,509	\$ 11,726,413
Furnishings and equipment	3,238,248	3,150,484
	<u>15,207,757</u>	<u>14,876,897</u>
Accumulated depreciation	(5,799,571)	(5,335,562)
	9,408,186	9,541,335
Land	1,146,181	1,146,181
Construction in progress	482,292	285,593
	<u>\$ 11,036,659</u>	<u>\$ 10,973,109</u>

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

	<u>2019</u>	<u>2018</u>
United States		
Buildings, Indiana	\$ 467,712	\$ 459,014
Furnishings and equipment	375,628	371,730
Land	22,869	22,869
	<u>866,209</u>	<u>853,613</u>
Accumulated depreciation	(529,222)	(473,043)
Total United States	<u>336,987</u>	<u>380,570</u>
Other Countries		
Dominican Republic	6,511,530	6,261,590
Guatemala	1,673,605	1,604,373
Haiti	1,456,951	1,414,545
Kenya	1,814,593	1,794,013
Lebanon	1,056,605	1,056,605
Papua New Guinea	-	256,341
Peru	1,505,945	1,383,545
Romania	331,626	331,626
South Sudan	123,945	123,945
Taiwan	15,000	15,000
Zambia	997,930	927,881
Construction in progress, Dominican Republic	227,721	96,139
Construction in progress, Lebanon	36,000	-
Construction in progress, Peru	31,968	55,978
Construction in progress, Haiti	125,104	50,954
Construction in progress, Kenya	25,000	35,123
Construction in progress, Guatemala	7,110	2,400
Construction in progress, Zambia	29,388	45,000
	<u>15,970,021</u>	<u>15,455,058</u>
Accumulated depreciation	(5,270,349)	(4,862,519)
Total other countries	<u>10,699,672</u>	<u>10,592,539</u>
	<u>\$ 11,036,659</u>	<u>\$ 10,973,109</u>

Management is in the process of reviewing documentation related to ownership of each property held in foreign countries. 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.

Note 9: 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, 2019 and 2018, of \$68,636 and \$70,322, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6 percent in 2019 and 2018.

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Note 10: Line of Credit

The Organization has an \$1,000,000 revolving line of credit agreement that is due on demand. At December 31, 2019 and 2018, 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 4.75 percent and 5.50 percent on December 31, 2019 and 2018, respectively.

Note 11: Debt

	2019	2018
Mortgage payable (A)	\$ 130,348	\$ 169,299

(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 (3.309 and 4.132 percent at December 31, 2019 and 2018), secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2019, are:

2020	\$ 22,019
2021	22,570
2022	85,759
	\$ 130,348

Note 12: Net Assets With Donor Restrictions

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

	2019	2018 (Restated)
Subject to expenditure for specified purpose		
Country program services	\$ 1,840,953	\$ 2,606,837
Endowments		
Subject to appropriation and expenditure when a specified event occurs	63,686	44,333
Subject to appropriation and spending policy	56,310	56,310
Total endowments	119,996	100,643
Total net assets with donor restrictions	\$ 1,960,949	\$ 2,707,480

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Note 13: 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 14: 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 \$87,434 and \$85,260 for 2019 and 2018, respectively.

Note 15: Funds Held by Others

The Waterstone Foundation (previously known as 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, 2019 and 2018, the balance of these funds approximated \$102,309 and \$83,293, respectively.

Note 16: Contingencies

During 2017, the Organization determined that an amendment to its retirement plan was not technically approved in 2011. As a result of this discovery, the Organization estimated the amount that would be owed to the plan to be \$175,000. At December 31, 2019, this amount was still accrued and is included in accounts payable and accrued expenses on the statement of financial position.

Subsequent to year end, the IRS agreed with the Organization's corrective plan through its voluntary Compliance Program.