



KIDS ALIVE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020





REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying financial statements of Kids Alive International, Inc. ("the Organization"), which consist of the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 Organization'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 Organization'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, 2020, the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I, during 2020, the Organization identified and made certain corrections to its financial statements related to transactions and activities that occurred in prior years. The corrections decreased net assets by \$1,500,789 as of January 1, 2020. Our opinion is not modified with respect to this matter.

Batt's Morrison Wales & Lee, P.A.

BATT'S MORRISON WALES & LEE, P.A.

Orlando, Florida
July 29, 2021

BATT'S MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

KIDS ALIVE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS**ASSETS**

Cash and cash equivalents	\$ 3,537,630
Cash restricted for long-term purposes	274,074
Investments	333,640
Other assets	187,924
Property and equipment, net	<u>9,298,768</u>

Total assets \$ 13,632,036

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable and accrued expenses	\$ 80,473
Other liabilities	82,579
Notes payable	<u>84,743</u>

Total liabilities 247,795

NET ASSETS

Without donor restrictions	10,955,876
With donor restrictions	<u>2,428,365</u>

Total net assets 13,384,241

Total liabilities and net assets \$ 13,632,036

The Accompanying Notes are an Integral
Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	\$ 2,821,030	\$ 10,601,625	\$ 13,422,655
Grant revenue - Paycheck Protection Program	476,225	—	476,225
Other revenue	276,884	5,599	282,483
Net assets released from restrictions	<u>10,139,808</u>	<u>(10,139,808)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>13,713,947</u>	<u>467,416</u>	<u>14,181,363</u>
EXPENSES			
Program activities	<u>9,525,156</u>	<u>—</u>	<u>9,525,156</u>
Supporting activities			
Management and general	1,566,323	—	1,566,323
Fundraising	<u>1,546,944</u>	<u>—</u>	<u>1,546,944</u>
Total supporting activities	<u>3,113,267</u>	<u>—</u>	<u>3,113,267</u>
Total expenses	<u>12,638,423</u>	<u>—</u>	<u>12,638,423</u>
CHANGE IN NET ASSETS	<u>1,075,524</u>	<u>467,416</u>	<u>1,542,940</u>
NET ASSETS - Beginning of year, as originally reported	11,381,141	1,960,949	13,342,090
PRIOR PERIOD ADJUSTMENT (See Note I)	<u>(1,500,789)</u>	<u>—</u>	<u>(1,500,789)</u>
NET ASSETS - Beginning of year, as restated	<u>9,880,352</u>	<u>1,960,949</u>	<u>11,841,301</u>
NET ASSETS - End of year	<u>\$ 10,955,876</u>	<u>\$ 2,428,365</u>	<u>\$ 13,384,241</u>

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Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020**OPERATING CASH FLOWS**

Change in net assets	\$ 1,542,940
Adjustments to reconcile change in net assets to net operating cash flows	
Contributions restricted for investment in property and equipment	(324,695)
Depreciation	555,230
Net investment gain	(23,840)
Conversion of note payable to grant revenue (see Note F)	(476,225)
Change in other assets and liabilities	86,216
Change in accounts payable and accrued expenses	<u>(200,085)</u>

Net operating cash flows **1,159,541**

INVESTING CASH FLOWS

Net proceeds from sales of investments	7,921
Net purchases of and improvements to property and equipment	<u>(318,128)</u>

Net investing cash flows **(310,207)**

FINANCING CASH FLOWS

Proceeds from contributions restricted for investment in property and equipment	324,695
Borrowings	476,225
Principal repayments	<u>(45,605)</u>

Net financing cash flows **755,315**

NET CHANGE IN CASH AND CASH EQUIVALENTS **1,604,649**

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -

Beginning of year **2,207,055**

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -

End of year **\$ 3,811,704**

REPORTED IN THE STATEMENT OF FINANCIAL POSITION**AS FOLLOWS**

Cash and cash equivalents	\$ 3,537,630
Cash restricted for long-term purposes	<u>274,074</u>

Total cash, cash equivalents, and restricted cash **\$ 3,811,704**

SUPPLEMENTAL DISCLOSURE

During 2020, \$476,225 of principal reductions of a certain note payable are included in "grant revenue - Paycheck Protection Program" in the accompanying statement of activities. See Note F.

KIDS ALIVE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2020

	Program activities	Supporting activities		Total expenses
		Management and general	Fundraising	
Country ministry and mission support	\$ 6,893,351	\$ 4,165	\$ —	\$ 6,897,516
Salaries and benefits	1,835,791	911,580	1,043,152	3,790,523
Fees and professional services	145,887	435,047	197,320	778,254
Depreciation	515,957	18,179	21,094	555,230
Information technology	24,178	73,756	58,608	156,542
Travel	74,242	22,469	51,424	148,135
Advertising and promotion	1,582	34,549	103,319	139,450
Office expenses	16,016	33,526	34,380	83,922
Occupancy	10,250	18,172	20,381	48,803
Other	7,902	14,880	17,266	40,048
Total	\$ 9,525,156	\$ 1,566,323	\$ 1,546,944	\$ 12,638,423

The Accompanying Notes are an Integral
Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ACTIVITIES

Kids Alive International, Inc. (“the Organization”) is an Indiana not-for-profit corporation headquartered in Valparaiso, Indiana. The Organization reflects 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 currently reaches children in 12 countries around the world.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions when the contributions are received by the Organization. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a 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 statement of activities as “net assets released from restrictions.”

Cash and cash equivalents

Investment instruments purchased or donated with original maturities of three months or less are considered to be cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consisted of amounts held which are restricted for capital projects and vehicle purchases.

Investments

Investments consist primarily of mutual funds and money market funds which are carried at estimated fair value. For fair value measurement purposes, such amounts are valued using “Level 1” inputs (i.e., carrying values are based on unadjusted quoted market prices in active markets for identical items).

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organization is further classified as a public charity and not as a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the useful lives of property and equipment and the estimated fair value of investments. Actual results could differ from the estimates.

KIDS ALIVE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the functional areas based primarily on employee time and space utilization.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law and reducing the overall scope and cost of operations, as needed. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for 2021.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statement of financial position are as follows:

Cash and cash equivalents	\$ 3,537,630
Cash restricted for long-term purposes	274,074
Investments	<u>333,640</u>
Total financial assets available within one year	4,145,344
Less amounts unavailable to for general expenditure within one year due to:	
Donor-imposed restrictions	(274,074)
Amounts held pursuant to charitable gift annuity obligations	<u>(333,640)</u>
Net financial assets available within one year	<u>\$ 3,537,630</u>

The Organization is primarily supported by contributions. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Certain of the Organization’s donor-restricted net assets are available for general expenditure within one year of December 31, 2020, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Organization’s programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Certain other donor-restricted net assets are limited to use for long-term purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets are not available to meet general expenditures within one year.

Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need. The Organization also has a line of credit in an amount up to \$1,000,000 as an available source of liquidity, which is further described in Note F.

KIDS ALIVE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and the Organization believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	
Land	\$ 1,079,008
Buildings and building improvements	10,805,408
Furniture and equipment	1,595,395
Vehicles	843,304
Construction in progress	<u>209,983</u>
Total property and equipment	14,533,098
Less: Accumulated depreciation	<u>(5,234,330)</u>
Net property and equipment	<u>\$ 9,298,768</u>

Depreciation expense amounted to \$555,230 during 2020.

In connection with its activities, the Organization maintains certain property and equipment in foreign countries. During 2020, management identified and made certain corrections to its financial statements related to certain property and equipment located in foreign countries which were lacking sufficient documentation to support either the Organization's ownership of or irrevocable and indefinite right to use such property and equipment (see Note I). The Organization may have interests in other assets, particularly real estate, in foreign jurisdictions that are not reflected in the accompanying statement of financial position due to political instability in the foreign jurisdictions and/or lack of documentation clearly indicating the Organization's rights in the property and equipment, if any. Upon receipt of further documentation supporting the existence, ownership, and valuation of such property and equipment, the Organization may recognize an asset related to its rights in these properties and equipment in future years.

NOTE F – NOTES PAYABLE

Notes payable consisted of the following:

Note payable to a bank; fixed payments of approximately \$2,000 payable monthly including principal and interest at the one-month LIBOR rate plus 1.61% per annum; secured by certain property and equipment; matures July 2022; paid in full subsequent to December 31, 2020 (see Note J)	\$ 84,743
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KIDS ALIVE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F - NOTES PAYABLE (Continued)

Line of credit facility of up to \$1,000,000 payable to a bank; outstanding amount must be zero for at least thirty consecutive days each year; interest payable at the one-month LIBOR rate plus 3.30% per annum; secured by substantially all of the Organization's assets; matures January 2022

\$ —

Total notes payable

\$ 84,743

Interest expense was approximately \$3,000 during 2020.

Paycheck Protection Program note payable

During 2020, the Organization obtained a Paycheck Protection Program Loan ("PPP loan") in the amount of \$476,225. The PPP loan was forgiven by the Small Business Administration during 2020, based on the nature of the Organization's expenditures during an applicable period. Accordingly, this amount has been recognized as a reduction to "notes payable" in the accompanying statement of financial position (reducing the balance of the PPP loan to zero as of December 31, 2020) and as "grant revenue - Paycheck Protection Program" in the accompanying statement of activities.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted for the following purposes:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u> <u>and other</u> <u>changes</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Missionary support	\$ 724,812	\$ 2,657,504	\$ (2,265,752)	\$ 1,116,564
Country program services and other	871,273	7,451,413	(7,464,817)	857,869
Building and vehicle funds	158,623	324,695	(209,244)	274,074
Beneficial interest in endowment held by third-party	119,996	5,599	—	125,595
Service team funds	<u>86,245</u>	<u>168,013</u>	<u>(199,995)</u>	<u>54,263</u>
Total	<u>\$ 1,960,949</u>	<u>\$ 10,607,224</u>	<u>\$ (10,139,808)</u>	<u>\$ 2,428,365</u>

NOTE H - RETIREMENT PLAN

The Organization has adopted a defined contribution retirement plan ("the Plan") for the benefit of eligible employees. Employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. The Organization provides contributions of 5% of participant compensation annually. The Organization contributed approximately \$90,000 to the Plan during 2020.

NOTE I - PRIOR PERIOD ADJUSTMENT

During 2020, the Organization identified and made certain corrections to its financial statements related to certain property and equipment as described in Note E. Specifically, the Organization determined that the net book value of property and equipment in foreign countries was overstated by \$1,500,789 as of January 1, 2020 due to the lack of sufficient documentation supporting either the Organization's ownership of or irrevocable and indefinite right to use such assets.

KIDS ALIVE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – PRIOR PERIOD ADJUSTMENT (Continued)

The correction has no effect on the results of the current year's activities. Management did not determine the impact of the restatement on the change in net assets for the immediately preceding period.

NOTE J – SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Organization sold its U.S. headquarters property located in Valparaiso, Indiana for \$620,000 and satisfied the note payable described in Note F as part of the transaction. The Organization will recognize this transaction in its 2021 financial statements.

The Organization has evaluated for possible financial reporting and disclosure subsequent events through July 29, 2021, the date as of which the financial statements were available to be issued.