

Kids Alive International, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014



Kids Alive International, Inc.
December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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
June 24, 2016

Kids Alive International, Inc.

Statements of Financial Position December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 2,051,522	\$ 1,008,226
Pledge receivable	-	218,202
Prepaid expenses and other assets	63,857	43,812
Investments	229,429	257,044
Beneficial interest in Community Foundation	87,535	95,541
Property and equipment, net	<u>9,766,295</u>	<u>9,453,696</u>
Total assets	<u>\$ 12,198,638</u>	<u>\$ 11,076,521</u>
Liabilities		
Accounts payable and accrued expenses	\$ 117,311	\$ 111,013
Annuities payable	41,207	43,925
Debt	<u>284,889</u>	<u>319,551</u>
Total liabilities	<u>443,407</u>	<u>474,489</u>
Net Assets		
Unrestricted	9,536,028	8,545,829
Temporarily restricted	2,169,371	2,006,371
Permanently restricted	<u>49,832</u>	<u>49,832</u>
Total net assets	<u>11,755,231</u>	<u>10,602,032</u>
Total liabilities and net assets	<u>\$ 12,198,638</u>	<u>\$ 11,076,521</u>

Kids Alive International, Inc.
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains (Losses) and Other Support								
Contributions								
Field ministry	\$ 2,094,111	\$ 206,516	\$ -	\$ 2,300,627	\$ 1,290,575	\$ 962,657	\$ -	\$ 2,253,232
Missionary support	-	2,362,014	-	2,362,014	-	2,352,354	-	2,352,354
Child sponsorship	-	2,394,683	-	2,394,683	-	2,218,760	-	2,218,760
Volunteer service teams	-	880,451	-	880,451	-	789,579	-	789,579
Buildings and equipment	-	430,303	-	430,303	-	633,088	-	633,088
Special projects and other	-	2,012,901	-	2,012,901	-	1,197,216	-	1,197,216
Gifts-in-kind	-	1,051,204	-	1,051,204	-	1,244,417	-	1,244,417
Dividend and interest income	3,674	-	-	3,674	10,096	-	-	10,096
Net realized and unrealized gains (losses) on investment	(13,198)	-	-	(13,198)	7,764	-	-	7,764
Change in value of split-interest agreements	(4,839)	-	-	(4,839)	(3,568)	-	-	(3,568)
Gain (loss) on disposal of property and equipment	(36,110)	-	-	(36,110)	3,856	-	-	3,856
Other	119,990	-	-	119,990	105,900	-	-	105,900
	<u>2,163,628</u>	<u>9,338,072</u>	<u>-</u>	<u>11,501,700</u>	<u>1,414,623</u>	<u>9,398,071</u>	<u>-</u>	<u>10,812,694</u>
Net assets released from restrictions for mission fields program services	<u>9,175,072</u>	<u>(9,175,072)</u>	<u>-</u>	<u>-</u>	<u>9,245,330</u>	<u>(9,245,330)</u>	<u>-</u>	<u>-</u>
Total revenue, gains (losses) and other support	<u>11,338,700</u>	<u>163,000</u>	<u>-</u>	<u>11,501,700</u>	<u>10,659,953</u>	<u>152,741</u>	<u>-</u>	<u>10,812,694</u>
Expenses								
Mission fields program services	8,757,794	-	-	8,757,794	8,228,388	-	-	8,228,388
Management and general	808,888	-	-	808,888	734,941	-	-	734,941
Fund raising	781,819	-	-	781,819	674,700	-	-	674,700
Total expenses	<u>10,348,501</u>	<u>-</u>	<u>-</u>	<u>10,348,501</u>	<u>9,638,029</u>	<u>-</u>	<u>-</u>	<u>9,638,029</u>
Change in Net Assets	990,199	163,000	-	1,153,199	1,021,924	152,741	-	1,174,665
Net Assets, Beginning of Year	<u>8,545,829</u>	<u>2,006,371</u>	<u>49,832</u>	<u>10,602,032</u>	<u>7,523,905</u>	<u>1,853,630</u>	<u>49,832</u>	<u>9,427,367</u>
Net Assets, End of Year	<u>\$ 9,536,028</u>	<u>\$ 2,169,371</u>	<u>\$ 49,832</u>	<u>\$ 11,755,231</u>	<u>\$ 8,545,829</u>	<u>\$ 2,006,371</u>	<u>\$ 49,832</u>	<u>\$ 10,602,032</u>

See Notes to Financial Statements

Kids Alive International, Inc.
Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015				2014			
	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses
Salaries, wages and related taxes	\$ 1,472,350	\$ 403,566	\$ 390,061	\$ 2,265,977	\$ 1,394,658	\$ 354,987	\$ 325,890	\$ 2,075,535
Employee benefits	476,666	116,289	112,398	705,353	538,780	107,143	98,360	744,283
Total salaries, wages and related expenses	<u>1,949,016</u>	<u>519,855</u>	<u>502,459</u>	<u>2,971,330</u>	<u>1,933,438</u>	<u>462,130</u>	<u>424,250</u>	<u>2,819,818</u>
Programs and activities								
Field ministry	4,778,500	-	-	4,778,500	4,258,575	-	-	4,258,575
Service teams	944,304	-	-	944,304	893,945	-	-	893,945
Total programs and activities	<u>5,722,804</u>	<u>-</u>	<u>-</u>	<u>5,722,804</u>	<u>5,152,520</u>	<u>-</u>	<u>-</u>	<u>5,152,520</u>
Supplies and expendables	10,274	7,783	7,523	25,580	12,437	8,704	7,990	29,131
Travel and entertainment	222,654	18,971	18,336	259,961	249,213	17,508	16,073	282,794
Utilities	8,185	6,228	6,020	20,433	8,804	6,471	5,941	21,216
Professional services and fees	257,248	178,137	172,176	607,561	319,880	156,408	143,588	619,876
Printing and publications	37,855	23,898	23,098	84,851	66,525	27,170	24,943	118,638
Postage and shipping	38,947	22,544	21,789	83,280	42,480	22,960	21,078	86,518
Depreciation	490,452	15,981	15,446	521,879	416,029	13,702	12,579	442,310
Other expenses	20,359	15,491	14,972	50,822	27,062	19,888	18,258	65,208
	<u>1,085,974</u>	<u>289,033</u>	<u>279,360</u>	<u>1,654,367</u>	<u>1,142,430</u>	<u>272,811</u>	<u>250,450</u>	<u>1,665,691</u>
Total	<u>\$ 8,757,794</u>	<u>\$ 808,888</u>	<u>\$ 781,819</u>	<u>\$ 10,348,501</u>	<u>\$ 8,228,388</u>	<u>\$ 734,941</u>	<u>\$ 674,700</u>	<u>\$ 9,638,029</u>
	<u>84.6%</u>	<u>7.8%</u>	<u>7.6%</u>	<u>100.0%</u>	<u>85.4%</u>	<u>7.6%</u>	<u>7.0%</u>	<u>100.0%</u>

Kids Alive International, Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 1,153,199	\$ 1,174,665
Items not requiring (providing) operating activities cash flows		
Depreciation	521,879	453,716
(Gain) loss on disposal of property and equipment	36,110	(3,856)
Net realized and unrealized (gains) losses on investments	13,198	(7,764)
Noncash contribution expense of property and equipment	-	25,845
Contributions restricted for investment in property	(430,303)	(633,088)
Changes in		
Pledge receivable	218,202	141,474
Prepaid expenses and other assets	(20,045)	(6,569)
Accounts payable and accrued expenses	(3,002)	6,060
Annuities payable	(2,718)	(4,003)
Net cash provided by operating activities	<u>1,486,520</u>	<u>1,146,480</u>
Investing Activities		
Purchase of property and equipment	(897,417)	(1,349,982)
Proceeds from sale of property and equipment	36,129	-
Purchase of investments	(246,412)	(12,305)
Proceeds from sales and maturities of investments	268,835	15,216
Net cash used in investing activities	<u>(838,865)</u>	<u>(1,347,071)</u>
Financing Activities		
Principal payments on debt	(34,662)	(33,608)
Contributions restricted for investment in property	430,303	633,088
Net cash provided by financing activities	<u>395,641</u>	<u>599,480</u>
Net Increase in Cash	1,043,296	398,889
Cash, Beginning of Year	<u>1,008,226</u>	<u>609,337</u>
Cash, End of Year	<u>\$ 2,051,522</u>	<u>\$ 1,008,226</u>
Supplemental Cash Flows Information		
Interest paid	\$ 9,537	\$ 16,475
Noncash contribution expense of property and equipment	-	25,845

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

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

Nature of Operations

Kids Alive International, Inc. (the “Organization”) is a non-demoninational 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, refugees. Kids Alive International, Inc.’s Community Outreach programs are addressing needs that can’t 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 15 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, 2015 and 2014

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

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

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

At December 31, 2015, the Organization's cash accounts exceeded federally insured limits by approximately \$1,512,000.

Investments

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

Promises to Give

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

Income Taxes

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

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 2012.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014.

Support and Revenue

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

Donated Property and Equipment

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

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense or an asset in its financial statements, and similarly increase donations by a like amount. For the years ended December 31, 2015 and 2014, in-kind contributions amounted to \$1,051,204 and \$1,244,417, respectively.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

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 the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return

The Organization's investments are detailed as follows:

	2015	2014
Cash	\$ 12,590	\$ 2,360
Money market funds	-	12,023
Mutual funds		
Blended	20,600	48,101
Bond	82,088	71,341
Growth	32,436	35,147
International	9,769	19,144
Real estate	9,061	40,362
Value	25,424	28,566
Common stocks		
Technology	4,954	-
Services	20,188	-
Financial	12,319	-
Total	<u>\$ 229,429</u>	<u>\$ 257,044</u>

The following schedule summarizes the investment return for the years ended December 31, 2015 and 2014:

	2015	2014
Dividends and interest	\$ 3,674	\$ 10,096
Net realized and unrealized gains (losses) on investments	<u>(13,198)</u>	<u>7,764</u>
Total return on investments	<u>\$ (9,524)</u>	<u>\$ 17,860</u>

Investment fees totaled \$4,627 and \$4,673 for 2015 and 2014, respectively, and are included in management and general expenses on the statements of activities.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2015 and 2014

Note 3: Pledge Receivable

	<u>2015</u>	<u>2014</u>
Due within one year	\$ -	\$ 180,000
Due within one to five years	-	45,294
	<u>-</u>	<u>225,294</u>
Less unamortized discount (3.25% for 2014)	-	(7,092)
	<u>\$ -</u>	<u>\$ 218,202</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 \$87,535 and \$95,541 at December 31, 2015 and 2014, respectively.

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

Note 5: 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. There is a hierarchy of 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, 2015 and 2014

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, 2015 and 2014:

	Fair Value Measurements Using			
	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, 2015				
Mutual funds				
Blended	\$ 20,600	\$ 20,600	\$ -	\$ -
Bond	82,088	82,088	-	-
Growth	32,436	32,436	-	-
International	9,769	9,769	-	-
Real estate	9,061	9,061	-	-
Value	25,424	25,424	-	-
Common stocks				
Technology	4,954	4,954	-	-
Services	20,188	20,188	-	-
Financial	12,319	12,319	-	-
Interest in assets of Community Foundation	87,535	-	-	87,535

	Fair Value Measurements Using			
	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, 2014				
Money market funds	\$ 12,023	\$ 12,023	\$ -	\$ -
Mutual funds				
Blended	48,101	48,101	-	-
Bond	71,341	71,341	-	-
Growth	35,147	35,147	-	-
International	19,144	19,144	-	-
Real estate	40,362	40,362	-	-
Value	28,566	28,566	-	-
Interest in assets of Community Foundation	95,541	-	-	95,541

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2015 and 2014

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, 2015. 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:

	<u>Interest in Assets of Community Foundation</u>
Balance, January 1, 2014	\$ 92,922
Total realized and unrealized gains included in change in net assets	<u>2,619</u>
Balance, December 31, 2014	95,541
Total realized and unrealized losses included in change in net assets	(3,926)
Distributions	<u>(4,080)</u>
Balance, December 31, 2015	<u><u>\$ 87,535</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, 2015 and 2014

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, 2015	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 87,535	Discounted cash flows	Discount rates and growth rates	N/A*
	Fair Value at December 31, 2014	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 95,541	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 6: Property and Equipment

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

	2015	2014
Buildings and improvements	\$ 9,554,290	\$ 8,880,049
Furnishings and equipment	2,522,359	2,444,719
	<u>12,076,649</u>	<u>11,324,768</u>
Accumulated depreciation	(3,617,375)	(3,294,088)
	<u>8,459,274</u>	<u>8,030,680</u>
Land	1,146,181	1,146,181
Construction in progress	160,840	276,835
	<u>1,307,021</u>	<u>1,423,016</u>
	<u>\$ 9,766,295</u>	<u>\$ 9,453,696</u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
United States		
Buildings, Indiana	\$ 459,014	\$ 460,947
Furnishings and equipment	333,135	292,657
Land	22,869	22,869
	<u>815,018</u>	<u>776,473</u>
Accumulated depreciation	(291,674)	(248,441)
Total United States	<u>523,344</u>	<u>528,032</u>
Other Countries		
Dominican Republic	5,016,608	4,846,000
Guatemala	1,316,836	1,152,584
Haiti	1,029,427	842,145
Kenya	1,547,271	1,512,453
Lebanon	1,016,105	979,818
Papua New Guinea	246,387	253,203
Peru	1,130,977	1,087,725
Romania	331,626	333,626
South Sudan	119,110	78,850
Taiwan	15,000	15,000
Zambia	638,466	593,072
Construction in progress, Dominican Republic	131,315	181,831
Construction in progress, Guatemala	-	41,000
Construction in progress, Haiti	29,525	54,004
	<u>12,568,653</u>	<u>11,971,311</u>
Accumulated depreciation	(3,325,702)	(3,045,647)
Total other countries	<u>9,242,951</u>	<u>8,925,664</u>
	<u>\$ 9,766,295</u>	<u>\$ 9,453,696</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 7: 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, 2015 and 2014, of \$41,207 and \$43,925, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of six percent in 2015 and 2014.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2015 and 2014

Note 8: Line of Credit

The Organization has an \$800,000 revolving line of credit agreement that is due on demand. At December 31, 2015 and 2014, 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 3.25 percent on December 31, 2015 and 2014.

Note 9: Debt

	2015	2014
Mortgage payable (A)	\$ 284,889	\$ 319,551

(A) Due June 6, 2017; payable \$44,054 annually with a final balloon payment in 2017, which includes interest at a variable rate based on the average Treasury securities rate plus 2.36 percent (3.05 percent at December 31, 2015 and 2014); secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2015, are:

2016	\$ 35,892	
2017	248,997	
	\$ 284,889	

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	2015	2014
Mission fields program services	\$ 2,169,371	\$ 1,788,169
Time restrictions, pledge receivable	-	218,202
Total temporarily restricted net assets	\$ 2,169,371	\$ 2,006,371

Note 11: Permanently Restricted Net Assets

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

	2015	2014
Any activity of the Organization	\$ 49,832	\$ 49,832

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 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 five percent of eligible compensation. Employee benefit expense under this plan was \$66,615 and \$50,573 for 2015 and 2014, 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, 2015 and 2014, the balance of these funds approximated \$72,812 and \$77,632, respectively.

Note 15: Significant Estimates and Concentrations

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

Litigation

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