

Kids Alive International, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016



Kids Alive International, Inc.

December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
November 14, 2018

Kids Alive International, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 3,082,999	\$ 2,631,813
Prepaid expenses and other assets	125,687	106,484
Investments	308,472	371,287
Beneficial interest in Community Foundation	110,356	96,210
Property and equipment, net	<u>10,849,608</u>	<u>10,442,745</u>
Total assets	<u>\$ 14,477,122</u>	<u>\$ 13,648,539</u>
Liabilities		
Accounts payable and accrued expenses	\$ 348,604	\$ 220,923
Annuities payable	79,498	84,238
Debt	<u>209,879</u>	<u>249,164</u>
Total liabilities	<u>637,981</u>	<u>554,325</u>
Net Assets		
Unrestricted	11,252,808	10,737,606
Temporarily restricted	2,536,501	2,306,776
Permanently restricted	<u>49,832</u>	<u>49,832</u>
Total net assets	<u>13,839,141</u>	<u>13,094,214</u>
Total liabilities and net assets	<u>\$ 14,477,122</u>	<u>\$ 13,648,539</u>

Kids Alive International, Inc.
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains (Losses) and Other Support								
Contributions								
Field ministry	\$ 6,576	\$ 2,748,323	\$ -	\$ 2,754,899	\$ 1,700,651	\$ 1,085,484	\$ -	\$ 2,786,135
Missionary support	-	2,777,606	-	2,777,606	-	2,740,649	-	2,740,649
Child sponsorship	-	2,858,144	-	2,858,144	-	2,669,316	-	2,669,316
Volunteer service teams	-	1,017,182	-	1,017,182	-	1,024,500	-	1,024,500
Buildings and equipment	-	686,431	-	686,431	-	561,925	-	561,925
General contributions and other	1,940,908	-	-	1,940,908	-	1,583,348	-	1,583,348
Gifts-in-kind	-	1,171,083	-	1,171,083	-	1,406,244	-	1,406,244
Dividend and interest income	6,446	-	-	6,446	5,503	-	-	5,503
Net realized and unrealized gains on investment	46,002	-	-	46,002	29,195	-	-	29,195
Change in value of split-interest agreements	(5,535)	-	-	(5,535)	(6,550)	-	-	(6,550)
Gain on disposal of property and equipment	6,790	-	-	6,790	8,075	-	-	8,075
Other	154,150	-	-	154,150	112,150	-	-	112,150
	<u>2,155,337</u>	<u>11,258,769</u>	<u>-</u>	<u>13,414,106</u>	<u>1,849,024</u>	<u>11,071,466</u>	<u>-</u>	<u>12,920,490</u>
Net assets released from restrictions for mission fields program services	<u>11,029,044</u>	<u>(11,029,044)</u>	<u>-</u>	<u>-</u>	<u>10,934,061</u>	<u>(10,934,061)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>13,184,381</u>	<u>229,725</u>	<u>-</u>	<u>13,414,106</u>	<u>12,783,085</u>	<u>137,405</u>	<u>-</u>	<u>12,920,490</u>
Expenses and Loss								
Mission fields program services	10,726,153	-	-	10,726,153	9,785,964	-	-	9,785,964
Management and general	882,760	-	-	882,760	891,043	-	-	891,043
Fund raising	885,266	-	-	885,266	804,500	-	-	804,500
Contingency loss	175,000	-	-	175,000	100,000	-	-	100,000
Total expenses and loss	<u>12,669,179</u>	<u>-</u>	<u>-</u>	<u>12,669,179</u>	<u>11,581,507</u>	<u>-</u>	<u>-</u>	<u>11,581,507</u>
Change in Net Assets	515,202	229,725	-	744,927	1,201,578	137,405	-	1,338,983
Net Assets, Beginning of Year	<u>10,737,606</u>	<u>2,306,776</u>	<u>49,832</u>	<u>13,094,214</u>	<u>9,536,028</u>	<u>2,169,371</u>	<u>49,832</u>	<u>11,755,231</u>
Net Assets, End of Year	<u>\$ 11,252,808</u>	<u>\$ 2,536,501</u>	<u>\$ 49,832</u>	<u>\$ 13,839,141</u>	<u>\$ 10,737,606</u>	<u>\$ 2,306,776</u>	<u>\$ 49,832</u>	<u>\$ 13,094,214</u>

Kids Alive International, Inc.
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017				2016			
	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	\$ 1,848,828	\$ 423,972	\$ 425,175	\$ 2,697,975	\$ 1,693,053	\$ 450,066	\$ 406,354	\$ 2,549,473
Employee benefits	571,364	122,298	122,646	816,308	526,397	117,924	106,470	750,791
Total salaries, wages and related expenses	2,420,192	546,270	547,821	3,514,283	2,219,450	567,990	512,824	3,300,264
Programs and activities								
Field ministry	5,639,084	-	-	5,639,084	5,015,867	-	-	5,015,867
Service teams	1,191,820	-	-	1,191,820	1,196,003	-	-	1,196,003
Total programs and activities	6,830,904	-	-	6,830,904	6,211,870	-	-	6,211,870
Supplies and expendables	10,420	5,775	5,792	21,987	15,637	8,894	8,030	32,561
Travel and entertainment	284,712	17,414	17,463	319,589	372,674	24,182	21,833	418,689
Utilities	10,595	6,357	6,375	23,327	9,435	6,100	5,508	21,043
Professional services and fees	438,604	207,804	208,394	854,802	292,348	187,548	169,332	649,228
Printing and publications	61,490	39,752	39,864	141,106	53,471	34,338	31,003	118,812
Postage and shipping	38,929	25,202	25,274	89,405	38,902	26,257	23,707	88,866
Depreciation	605,462	18,100	18,152	641,714	543,645	17,877	16,141	577,663
Other expenses	24,845	16,086	16,131	57,062	28,532	17,857	16,122	62,511
	1,475,057	336,490	337,445	2,148,992	1,354,644	323,053	291,676	1,969,373
Total	\$ 10,726,153	\$ 882,760	\$ 885,266	\$ 12,494,179	\$ 9,785,964	\$ 891,043	\$ 804,500	\$ 11,481,507
	85.8%	7.1%	7.1%	100.0%	85.2%	7.8%	7.0%	100.0%

Kids Alive International, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 744,927	\$ 1,338,983
Items not requiring (providing) operating activities cash flows		
Depreciation	641,714	577,663
Gain on disposal of property and equipment	(6,790)	(8,075)
Net realized and unrealized gains on investments	(46,002)	(29,195)
Contributions restricted for investment in property	(686,431)	(561,925)
Changes in		
Pledge receivable	-	429
Prepaid expenses and other assets	(19,203)	(42,627)
Accounts payable and accrued expenses	127,681	103,183
Annuities payable	(4,740)	43,031
Net cash provided by operating activities	<u>751,156</u>	<u>1,421,467</u>
Investing Activities		
Purchase of property and equipment	(1,068,288)	(1,273,004)
Proceeds from sale of property and equipment	26,501	26,966
Purchase of investments	(1,091)	(386,093)
Proceeds from sales and maturities of investments	95,762	264,755
Net cash used in investing activities	<u>(947,116)</u>	<u>(1,367,376)</u>
Financing Activities		
Principal payments on debt	(39,285)	(35,725)
Contributions restricted for investment in property	686,431	561,925
Net cash provided by financing activities	<u>647,146</u>	<u>526,200</u>
Net Increase in Cash	451,186	580,291
Cash, Beginning of Year	<u>2,631,813</u>	<u>2,051,522</u>
Cash, End of Year	<u>\$ 3,082,999</u>	<u>\$ 2,631,813</u>
Supplemental Cash Flows Information		
Interest paid	\$ 7,133	\$ 8,329

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

Kids Alive International, Inc. currently serves almost 6,000 children, as well as families and communities, in 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, 2017 and 2016

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, 2017 and 2016, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$2,042,000.

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 2014.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2017 and 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

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, 2017 and 2016.

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.

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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, 2017 and 2016, in-kind contributions amounted to \$1,171,083 and \$1,406,244, 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 November 14, 2018, which is the date the financial statements were available to be issued.

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Investments and Investment Return

The Organization's investments are detailed as follows:

	<u>2017</u>	<u>2016</u>
Cash	\$ 26,217	\$ 14,326
Mutual funds		
Blended	30,916	36,016
Bond	132,756	123,190
Growth	45,612	50,756
International	44,848	14,150
Real estate	16,574	12,704
Value	11,549	40,972
Common stocks		
Technology	-	15,059
Services	-	31,452
Financial	-	32,662
	<u> </u>	<u> </u>
Total	<u>\$ 308,472</u>	<u>\$ 371,287</u>

The following schedule summarizes the investment return for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 6,446	\$ 5,503
Net realized and unrealized gains on investments	<u>46,002</u>	<u>29,195</u>
	<u> </u>	<u> </u>
Total return on investments	<u>\$ 52,448</u>	<u>\$ 34,698</u>

Investment fees totaled \$5,970 and \$5,500 for 2017 and 2016, respectively, and are included in management and general expenses on the statements of activities.

Note 3: Interest in Assets at Porter County Community Foundation

The Organization has transferred assets to Porter County Community Foundation (Community Foundation) and retained a beneficial interest in those assets. The annual earnings allocable to the fund, net of fees and expenses will be retained within the fund. The Organization has granted 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 \$110,356 and \$96,210 at December 31, 2017 and 2016, 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, 2017 and 2016

Note 4: 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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	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, 2017				
Mutual funds				
Blended	\$ 30,916	\$ 30,916	\$ -	\$ -
Bond	132,756	132,756	-	-
Growth	45,612	45,612	-	-
International	44,848	44,848	-	-
Real estate	16,574	16,574	-	-
Value	11,549	11,549	-	-
Interest in assets of Community Foundation	110,356	-	-	110,356

Kids Alive International, Inc.

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Mutual funds				
Blended	\$ 36,016	\$ 36,016	\$ -	\$ -
Bond	123,190	123,190	-	-
Growth	50,756	50,756	-	-
International	14,150	14,150	-	-
Real estate	12,704	12,704	-	-
Value	40,972	40,972	-	-
Common stocks				
Technology	15,059	15,059	-	-
Services	31,452	31,452	-	-
Financial	32,662	32,662	-	-
Interest in assets of Community Foundation	96,210	-	-	96,210

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, 2017. 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.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2016	\$ 87,535
Total realized and unrealized gains included in change in net assets	8,675
Distributions	<u>-</u>
Balance, December 31, 2016	96,210
Total realized and unrealized losses included in change in net assets	14,146
Distributions	<u>-</u>
Balance, December 31, 2017	<u><u>\$ 110,356</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.

Unobservable (Level 3) Inputs

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

	Fair Value at December 31, 2017	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 110,356	Discounted cash flows	Discount rates and growth rates	N/A*
	Fair Value at December 31, 2016	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 96,210	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.

Kids Alive International, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 5: Property and Equipment

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

	2017	2016
Buildings and improvements	\$ 10,736,649	\$ 9,784,892
Furnishings and equipment	3,147,067	2,943,088
	<u>13,883,716</u>	<u>12,727,980</u>
Accumulated depreciation	(4,773,221)	(4,172,353)
	<u>9,110,495</u>	<u>8,555,627</u>
Land	1,146,181	1,146,181
Construction in progress	592,932	740,937
	<u>1,739,113</u>	<u>1,887,118</u>
	<u>\$ 10,849,608</u>	<u>\$ 10,442,745</u>

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

	2017	2016
United States		
Buildings, Indiana	\$ 459,014	\$ 459,014
Furnishings and equipment	362,789	362,344
Land	22,869	22,869
	<u>844,672</u>	<u>844,227</u>
Accumulated depreciation	(407,050)	(352,171)
Total United States	<u>437,622</u>	<u>492,056</u>
Other Countries		
Dominican Republic	6,011,132	5,291,201
Guatemala	1,507,829	1,475,374
Haiti	1,156,124	1,053,427
Kenya	1,634,899	1,626,710
Lebanon	1,036,605	1,026,105
Papua New Guinea	246,387	246,387
Peru	1,280,267	1,166,107
Romania	331,626	331,626
South Sudan	123,945	119,110
Taiwan	15,000	15,000
Zambia	841,412	678,887
Construction in progress, Dominican Republic	162,355	514,719
Construction in progress, Peru	99,012	93,876
Construction in progress, Haiti	247,704	132,342
Construction in progress, Kenya	50,800	-
Construction in progress, Guatemala	9,795	-
Construction in progress, Zambia	23,265	-
	<u>14,778,157</u>	<u>13,770,871</u>
Accumulated depreciation	(4,366,171)	(3,820,182)
Total other countries	<u>10,411,986</u>	<u>9,950,689</u>
	<u>\$ 10,849,608</u>	<u>\$ 10,442,745</u>

Kids Alive International, Inc.

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

Note 6: Annuities Payable

The Organization has been the recipient of several gift annuities which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Organization has recorded a liability at December 31, 2017 and 2016, of \$79,498 and \$84,238, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6 percent in 2017 and 2016.

Note 7: Line of Credit

The Organization has an \$800,000 revolving line of credit agreement that is due on demand. At December 31, 2017 and 2016, 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 3.75 percent and 4.50 percent on December 31, 2017 and 2016, respectively.

Note 8: Debt

	<u>2017</u>	<u>2016</u>
Mortgage payable (A)	\$ 209,879	\$ 249,164

(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 (3.182 and 3.050 percent at December 31, 2017 and 2016, respectively); secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2017, are:

2018	\$ 20,533
2019	20,887
2020	21,561
2021	22,258
2022	124,640
Thereafter	-
	<u>\$ 209,879</u>

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Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	2017	2016
Mission fields program services	\$ 2,536,501	\$ 2,306,776
Total temporarily restricted net assets	\$ 2,536,501	\$ 2,306,776

Note 10: Permanently Restricted Net Assets

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

	2017	2016
Any activity of the Organization	\$ 49,832	\$ 49,832

Note 11: Endowment

The Organization's endowment consists of a fund held at the Porter County Community Foundation (Community Foundation). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds 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 12: Pension Plan

The Organization has a defined contribution pension plan. Contributions to the plan are made for all employees who are 21 years of age with at least one year of service. The Organization's contribution consists of a discretionary contribution of 5 percent of eligible compensation. Employee benefit expense under this plan was \$83,144 and \$71,775 for 2017 and 2016, respectively.

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Note 13: Funds Held by Others

The Christian Community Foundation, Inc. and Porter County Community Foundation, Inc. (Foundations) are unrelated foundations holding donor advisory funds for the benefit of the 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, 2017 and 2016, the balance of these funds approximated \$89,855 and \$85,461, respectively.

Note 14: Contingencies

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

In addition, in 2016, the Organization received a \$100,000 estate gift that was disputed. This was accrued in 2016 and was paid in 2017.