



# KIDS ALIVE INTERNATIONAL, INC.

## FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020





## REPORT OF INDEPENDENT AUDITOR

The Board of Directors  
Kids Alive International, Inc.  
Alpharetta, Georgia

### ***Opinion***

We have audited the accompanying financial statements of Kids Alive International, Inc. ("the Organization"), which consist of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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.

*Batts Morrison Wales & Lee, P.A.*

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida  
September 8, 2022

**KIDS ALIVE INTERNATIONAL, INC.**  
STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	December 31,	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,670,263	\$ 3,537,630
Cash restricted for long-term purposes	358,154	274,074
Investments	363,937	333,640
Other assets	220,327	187,924
Property and equipment, net	9,140,143	9,298,768
<b>Total assets</b>	<b>\$ 13,752,824</b>	<b>\$ 13,632,036</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 73,376	\$ 80,473
Other liabilities	67,965	82,579
Notes payable	—	84,743
<b>Total liabilities</b>	<b>141,341</b>	<b>247,795</b>
<b>NET ASSETS</b>		
Without donor restrictions	11,171,234	10,955,876
With donor restrictions	2,440,249	2,428,365
<b>Total net assets</b>	<b>13,611,483</b>	<b>13,384,241</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,752,824</b>	<b>\$ 13,632,036</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**KIDS ALIVE INTERNATIONAL, INC.**  
STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2021			For The Year Ended December 31, 2020
	Without donor restrictions	With donor restrictions	Total	
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Contributions with donor restrictions	\$ —	\$ 10,236,937	\$ 10,236,937	\$ 10,601,625
Contributions without donor restrictions	3,127,931	—	3,127,931	2,821,030
Other revenue without donor restrictions	612,829	—	612,829	276,884
Other revenue with donor restrictions	—	22,976	22,976	5,599
Grant revenue - Paycheck Protection Program	—	—	—	476,225
Net assets released from restrictions	<u>10,248,029</u>	<u>(10,248,029)</u>	<u>—</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<b><u>13,988,789</u></b>	<b><u>11,884</u></b>	<b><u>14,000,673</u></b>	<b><u>14,181,363</u></b>
<b>EXPENSES</b>				
Program activities	<u>10,558,262</u>	<u>—</u>	<u>10,558,262</u>	<u>9,525,156</u>
Supporting activities				
Fundraising	1,665,251	—	1,665,251	1,546,944
Management and general	<u>1,549,918</u>	<u>—</u>	<u>1,549,918</u>	<u>1,566,323</u>
Total supporting activities	<u>3,215,169</u>	<u>—</u>	<u>3,215,169</u>	<u>3,113,267</u>
<b>Total expenses</b>	<b><u>13,773,431</u></b>	<b><u>—</u></b>	<b><u>13,773,431</u></b>	<b><u>12,638,423</u></b>
<b>Change in net assets without donor restrictions</b>	<b>215,358</b>	<b>—</b>	<b>215,358</b>	<b>1,075,524</b>
<b>Change in net assets with donor restrictions</b>	<b><u>—</u></b>	<b><u>11,884</u></b>	<b><u>11,884</u></b>	<b><u>467,416</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>215,358</u></b>	<b><u>11,884</u></b>	<b><u>227,242</u></b>	<b><u>1,542,940</u></b>
<b>NET ASSETS - Beginning of year, as originally reported</b>	<b>10,955,876</b>	<b>2,428,365</b>	<b>13,384,241</b>	<b>13,342,090</b>
<b>PRIOR PERIOD ADJUSTMENT (See Note I)</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(1,500,789)</u></b>
<b>NET ASSETS - Beginning of year, as restated</b>	<b><u>10,955,876</u></b>	<b><u>2,428,365</u></b>	<b><u>13,384,241</u></b>	<b><u>11,841,301</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 11,171,234</u></b>	<b><u>\$ 2,440,249</u></b>	<b><u>\$ 13,611,483</u></b>	<b><u>\$ 13,384,241</u></b>

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**KIDS ALIVE INTERNATIONAL, INC.**  
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2021	2020
<b>OPERATING CASH FLOWS</b>		
Change in net assets	\$ 227,242	\$ 1,542,940
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment	(551,011)	(324,695)
Depreciation	500,061	555,230
Gain on sale of property and equipment	(315,704)	—
Net investment gain	(29,350)	(23,840)
Conversion of note payable to grant revenue (see Note F)	—	(476,225)
Change in other assets and liabilities	(47,017)	86,216
Change in accounts payable and accrued expenses	(7,097)	(200,085)
	<b>(222,876)</b>	<b>1,159,541</b>
<b>INVESTING CASH FLOWS</b>		
Net (purchases) proceeds from sales of investments	(947)	7,921
Proceeds from sale of property and equipment	585,486	—
Net purchases of and improvements to property and equipment	(611,218)	(318,128)
	<b>(26,679)</b>	<b>(310,207)</b>
<b>FINANCING CASH FLOWS</b>		
Proceeds from contributions restricted for investment in property and equipment	551,011	324,695
Borrowings	—	476,225
Principal repayments	(84,743)	(45,605)
	<b>466,268</b>	<b>755,315</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>216,713</b>	<b>1,604,649</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year</b>	<b>3,811,704</b>	<b>2,207,055</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year</b>	<b>\$ 4,028,417</b>	<b>\$ 3,811,704</b>
<b>REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS</b>		
Cash and cash equivalents	\$ 3,670,263	\$ 3,537,630
Cash restricted for long-term purposes	358,154	274,074
	<b>\$ 4,028,417</b>	<b>\$ 3,811,704</b>

**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, 2021

	Program activities	Supporting activities		Total expenses
		Fundraising	Management and general	
Country ministry and mission support	\$ 7,574,825	\$ 4,439	\$ 4,195	\$ 7,583,459
Salaries and benefits	2,101,664	1,076,920	1,018,917	4,197,501
Fees and professional services	233,597	262,984	311,033	807,614
Depreciation	489,962	5,270	4,829	500,061
Travel	89,167	49,606	33,547	172,320
Office expenses	38,329	70,955	60,394	169,678
Advertising and promotion	3,810	98,033	27,598	129,441
Information technology	11,336	60,607	56,586	128,529
Other	9,040	20,335	18,641	48,016
Occupancy	6,532	16,102	14,178	36,812
<b>Total</b>	<b>\$ 10,558,262</b>	<b>\$ 1,665,251</b>	<b>\$ 1,549,918</b>	<b>\$ 13,773,431</b>

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**KIDS ALIVE INTERNATIONAL, INC.**

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2020

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

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**KIDS ALIVE INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE A – NATURE OF ACTIVITIES**

Kids Alive International, Inc. ("the Organization") is an Indiana not-for-profit corporation headquartered in Alpharetta, Georgia. The Organization believes that every child, even those with the most challenging needs, is God's priority. The Organization champions children's needs in 8 countries through preventative, strengthening, and restorative programs, as well as working with government institutions to create more just, responsive systems.

**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 statements 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, exchange-traded 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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional allocation of expenses**

The statements of functional expenses present 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. 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 2022.

**Subsequent events**

The Organization has evaluated for possible financial reporting and disclosure subsequent events through September 8, 2022, the date as of which the financial statements were available to be issued.

**NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,670,263	\$ 3,537,630
Cash restricted for long-term purposes	358,154	274,074
Investments	<u>363,937</u>	<u>333,640</u>
Total financial assets available within one year	4,392,354	4,145,344
Less amounts unavailable for general expenditure due to:		
Donor-imposed restrictions	(358,154)	(274,074)
Amounts held pursuant to charitable gift annuity obligations	<u>(358,581)</u>	<u>(333,640)</u>
Net financial assets available within one year	<u>\$ 3,675,619</u>	<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, 2021 and 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

**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:

Category	December 31,	
	2021	2020
Land	\$ 1,077,378	\$ 1,079,008
Buildings and building improvements	10,518,100	10,805,408
Furniture and equipment	1,599,257	1,595,395
Vehicles	973,452	843,304
Construction in progress	425,406	209,983
Total property and equipment	14,593,593	14,533,098
Less: Accumulated depreciation	(5,453,450)	(5,234,330)
Net property and equipment	\$ 9,140,143	\$ 9,298,768

Depreciation expense amounted to \$500,061 and \$555,230 during 2021 and 2020, respectively.

During 2021, the Organization sold its U.S. headquarters property located in Valparaiso, Indiana, for net proceeds of approximately \$585,000 and recognized a gain on the sale of approximately \$316,000. The gain is reported in the accompanying statement of activities as "other revenue without donor restrictions."

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 lacked 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 statements 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.

**KIDS ALIVE INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE F – NOTES PAYABLE**

Notes payable consisted of the following:

	December 31,	
	2021	2020
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; paid in full in 2021	\$ —	\$ 84,743
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 Secured Overnight Financing Rate (as defined in the loan documents) plus 3.30% per annum; secured by substantially all of the Organization's assets; matures January 2023	—	—
Total notes payable	\$ —	\$ 84,743

Interest expense was approximately \$600 and \$3,000 during 2021 and 2020, respectively.

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 during 2021:

	Balance January 1	Contributions and other changes	Releases	Balance December 31
Missionary support	\$ 1,116,564	\$ 2,571,932	\$ (2,685,251)	\$ 1,003,245
Country program services and other	857,869	7,109,445	(7,080,259)	887,055
Building and vehicle funds	274,074	551,011	(466,931)	358,154
Beneficial interest in endowment held by third-party	125,595	22,976	—	148,571
Service team funds	54,263	4,549	(15,588)	43,224
Total	\$ 2,428,365	\$ 10,259,913	\$ (10,248,029)	\$ 2,440,249

**KIDS ALIVE INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets were donor-restricted for the following purposes during 2020:

	<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 \$87,000 and \$90,000 to the Plan during 2021 and 2020, respectively.

**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.

The correction had no effect on the results of the Organization's 2020 activities. Management did not determine the impact of the restatement on the change in net assets for the preceding period.