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CERTIFIED PUBLIC ACCOUNTANTS

Kids Alive International, Inc.

Financial Statements

For The Years Ended December 31, 2022 and 2021



Batts Morrison
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CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021, 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, 2022 and 2021, 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 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.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
October 16, 2023

KIDS ALIVE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,436,171	\$ 3,670,263
Cash restricted for long-term purposes	358,636	358,154
Investments	113,521	363,937
Other assets	180,627	220,327
Property and equipment, net	9,182,173	9,140,143
Total assets	\$ 12,271,128	\$ 13,752,824
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 256,114	\$ 73,376
Other liabilities	44,262	67,965
Notes payable	1,000,000	—
Total liabilities	1,300,376	141,341
NET ASSETS		
Without donor restrictions	8,994,269	11,171,234
With donor restrictions	1,976,483	2,440,249
Total net assets	10,970,752	13,611,483
Total liabilities and net assets	\$ 12,271,128	\$ 13,752,824

The Accompanying Notes are an Integral
Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended December 31,					
	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Contributions	\$ 2,693,076	\$ 10,051,637	\$ 12,744,713	\$ 3,127,931	\$ 10,236,937	\$ 13,364,868
Other revenue	408,815	(5,777)	403,038	612,829	22,976	635,805
Net assets released from restrictions	<u>10,509,626</u>	<u>(10,509,626)</u>	<u>—</u>	<u>10,248,029</u>	<u>(10,248,029)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>13,611,517</u>	<u>(463,766)</u>	<u>13,147,751</u>	<u>13,988,789</u>	<u>11,884</u>	<u>14,000,673</u>
EXPENSES						
Program activities	<u>11,895,573</u>	<u>—</u>	<u>11,895,573</u>	<u>10,558,262</u>	<u>—</u>	<u>10,558,262</u>
Supporting activities						
Management and general	2,215,470	—	2,215,470	1,549,918	—	1,549,918
Fundraising	<u>1,677,439</u>	<u>—</u>	<u>1,677,439</u>	<u>1,665,251</u>	<u>—</u>	<u>1,665,251</u>
Total supporting activities	<u>3,892,909</u>	<u>—</u>	<u>3,892,909</u>	<u>3,215,169</u>	<u>—</u>	<u>3,215,169</u>
Total expenses	<u>15,788,482</u>	<u>—</u>	<u>15,788,482</u>	<u>13,773,431</u>	<u>—</u>	<u>13,773,431</u>
CHANGE IN NET ASSETS	<u>(2,176,965)</u>	<u>(463,766)</u>	<u>(2,640,731)</u>	<u>215,358</u>	<u>11,884</u>	<u>227,242</u>
NET ASSETS - Beginning of year	<u>11,171,234</u>	<u>2,440,249</u>	<u>13,611,483</u>	<u>10,955,876</u>	<u>2,428,365</u>	<u>13,384,241</u>
NET ASSETS - End of year	<u>\$ 8,994,269</u>	<u>\$ 1,976,483</u>	<u>\$ 10,970,752</u>	<u>\$ 11,171,234</u>	<u>\$ 2,440,249</u>	<u>\$ 13,611,483</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

For The Years Ended
December 31,

	2022	2021
OPERATING CASH FLOWS		
Change in net assets	\$ (2,640,731)	\$ 227,242
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment	(580,332)	(551,011)
Depreciation	499,481	500,061
Gain on sale of property and equipment	—	(315,704)
Net investment loss (gain)	50,558	(29,350)
Change in other assets and liabilities	15,997	(47,017)
Change in accounts payable and accrued expenses	182,738	(7,097)
Net operating cash flows	(2,472,289)	(222,876)
INVESTING CASH FLOWS		
Net proceeds from sales (purchases) of investments	199,858	(947)
Proceeds from sale of property and equipment	—	585,486
Net purchases of and improvements to property and equipment	(541,511)	(611,218)
Net investing cash flows	(341,653)	(26,679)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment	580,332	551,011
Borrowings	1,000,000	—
Principal repayments	—	(84,743)
Net financing cash flows	1,580,332	466,268
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,233,610)	216,713
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	4,028,417	3,811,704
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 2,794,807	\$ 4,028,417
REPORTED IN THE STATEMENTS OF FINANCIAL POSITION		
AS FOLLOWS		
Cash and cash equivalents	\$ 2,436,171	\$ 3,670,263
Cash restricted for long-term purposes	358,636	358,154
Total cash, cash equivalents, and restricted cash	\$ 2,794,807	\$ 4,028,417

The Accompanying Notes are an Integral
Part of These Financial Statements

KIDS ALIVE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2022

	Program activities	Supporting activities		Total expenses
		Management and general	Fundraising	
Country ministry and mission support	\$ 8,599,733	\$ 4,053	\$ 1,726	\$ 8,605,512
Salaries and benefits	2,413,777	1,504,367	1,151,735	5,069,879
Fees and professional services	124,122	341,398	170,755	636,275
Depreciation	495,987	1,915	1,579	499,481
Travel	183,460	31,555	74,131	289,146
Office expenses	34,215	156,688	56,062	246,965
Information technology	14,503	113,400	72,963	200,866
Advertising and promotion	230	7,710	109,198	117,138
Other	23,049	38,878	32,051	93,978
Occupancy	6,497	15,506	7,239	29,242
Total	\$ 11,895,573	\$ 2,215,470	\$ 1,677,439	\$ 15,788,482

For The Year Ended December 31, 2021

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

The Accompanying Notes are an Integral
Part of These Financial Statements

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 and exchange-traded 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.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, 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:

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 2,436,171	\$ 3,670,263
Cash restricted for long-term purposes	358,636	358,154
Investments	113,521	363,937
Total financial assets available within one year	2,908,328	4,392,354
Less amounts unavailable for general expenditure due to:		
Donor-imposed restrictions	(358,636)	(358,154)
Amounts held pursuant to charitable gift annuity obligations	(113,521)	(358,581)
Net financial assets available within one year	\$ 2,436,171	\$ 3,675,619

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, 2022 and 2021 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.

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.

KIDS ALIVE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	December 31,	
	2022	2021
Land	\$ 1,077,378	\$ 1,077,378
Buildings and building improvements	11,014,466	10,518,100
Furniture and equipment	1,662,535	1,599,257
Vehicles	1,071,972	973,452
Construction in progress	171,747	425,406
Total property and equipment	14,998,098	14,593,593
Less: Accumulated depreciation	(5,815,925)	(5,453,450)
Net property and equipment	\$ 9,182,173	\$ 9,140,143

Depreciation expense amounted to \$499,481 and \$500,061 during 2022 and 2021, 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 2021 statement of activities as "other revenue" without donor restrictions.

In connection with its activities, the Organization maintains certain property and equipment in foreign countries. 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.

NOTE F – NOTES PAYABLE

Notes payable consisted of the following:

	December 31,	
	2022	2021
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 2024; subsequent to December 31, 2022, the outstanding balance was paid in full	\$ 1,000,000	\$ —
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	—	—
Total notes payable	\$ 1,000,000	\$ —

Interest expense was approximately \$50 and \$600 during 2022 and 2021, respectively.

KIDS ALIVE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted for the following purposes during 2022:

	<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	\$ 1,003,245	\$ 2,390,724	\$ (2,567,335)	\$ 826,634
Country program services and other	1,035,626	6,702,388	(7,012,669)	725,345
Building and vehicle funds	358,154	580,332	(579,850)	358,636
Service team funds	<u>43,224</u>	<u>372,416</u>	<u>(349,772)</u>	<u>65,868</u>
Total	<u>\$ 2,440,249</u>	<u>\$ 10,045,860</u>	<u>\$ (10,509,626)</u>	<u>\$ 1,976,483</u>

Net assets were donor-restricted for the following purposes during 2021:

	<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>
Country program services and other	\$ 983,464	\$ 7,132,421	\$ (7,080,259)	\$ 1,035,626
Missionary support	1,116,564	2,571,932	(2,685,251)	1,003,245
Building and vehicle funds	274,074	551,011	(466,931)	358,154
Service team funds	<u>54,263</u>	<u>4,549</u>	<u>(15,588)</u>	<u>43,224</u>
Total	<u>\$ 2,428,365</u>	<u>\$ 10,259,913</u>	<u>\$ (10,248,029)</u>	<u>\$ 2,440,249</u>

NOTE H – EMPLOYEE RETENTION TAX CREDIT

During 2022, the Organization filed amended payroll tax returns claiming the Employee Retention Credit (“the Credit”) available under the Coronavirus Aid, Relief, and Economic Security Act, as modified by the Consolidated Appropriations Act and the American Rescue Plan Act. The Credit, which represents federal stimulus/relief funds, provides funding in the form of a refundable payroll tax credit for eligible employers applicable to activity during certain portions of calendar years 2020 and 2021. The amount of the Credit is based on certain criteria related to a reduction of gross receipts and/or a full or partial suspension of operations due to government orders during the applicable periods. The Organization claimed a credit of approximately \$265,000, \$79,000, and \$40,000 for the second, third, and fourth quarters of 2020 and \$400,000, \$429,000, and \$406,000 for the first, second, and third quarters of 2021. During 2022, the Organization incurred expenses for professional services in claiming the Credit in the approximate amount of \$249,000, which are included in “management and general” expenses in the accompanying statement of activities.

Official, authoritative guidance regarding criteria for eligibility and determination of the amount of the Credit is limited and, in some respects, not abundantly clear. Accordingly, it is at least possible that the Internal Revenue Service (“IRS”) could challenge Credit amounts claimed by the Organization. Under current law, the statute of limitations with respect to the 2020 claims is expected to run in April 2024. Additionally, under current law, the statute of limitations with respect to claims related to the first and second quarters of 2021 is expected to run in April 2025. The statute of limitations with respect to claims related to the third quarter of 2021 is expected to run in April 2027. The IRS also may, in certain circumstances, file a civil lawsuit in an attempt to recover an “erroneous refund” for a period of time that may extend beyond the regular statute of limitations in certain instances. It is also possible that federal legislation may be adopted that further extends the period during which the IRS may examine or challenge ERC claims. “Other revenue” in the accompanying 2022 statement of activities includes

KIDS ALIVE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE RETENTION TAX CREDIT (Continued)

approximately \$119,000 in connection with the Credit described in the preceding paragraphs. The Organization will recognize revenue related to the remaining amount of the Credit in future financial statements when management has sufficient information to conclude that it is more likely than not that the Organization's position with respect to the Credit will be sustained in the event of an IRS challenge.

NOTE I – 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 \$63,000 and \$87,000 to the Plan during 2022 and 2021, respectively.