

**KEEP A CHILD ALIVE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

# KEEP A CHILD ALIVE

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**FRIEDMAN LLP**  
ACCOUNTANTS AND ADVISORS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Keep a Child Alive

We have audited the accompanying statements of financial position of Keep a Child Alive (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in our report dated April 13, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keep a Child Alive as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

May 2, 2011

**KEEP A CHILD ALIVE**

**STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2010	2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,224,285	\$ 1,293,417
Accounts receivable	275,733	282,638
Unconditional promises to give	100,000	100,000
Prepaid expenses	29,029	66,950
Total current assets	1,629,047	1,743,005
Property and equipment - at cost, less accumulated depreciation	34,548	46,677
Long-term unconditional promises to give	400,000	200,000
Other assets	67,291	82,044
	<b>\$ 2,130,886</b>	<b>\$ 2,071,726</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	55,642	13,587
Grants payable	5,631	47,874
Total current liabilities	\$ 61,273	\$ 61,461
Commitments		
<b>NET ASSETS</b>		
Unrestricted	555,273	898,823
Board designated	620,652	596,206
	1,175,925	1,495,029
Temporarily restricted	893,688	515,236
	2,069,613	2,010,265
	<b>\$ 2,130,886</b>	<b>\$ 2,071,726</b>

See notes to financial statements.

**KEEP A CHILD ALIVE**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended December 31,			
	2010		2009	
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenues</b>				
Special event	\$2,141,400	\$ -	\$2,141,400	\$2,412,717
Less - direct costs of event	(625,768)	-	(625,768)	(557,184)
	1,515,632	-	1,515,632	1,855,533
Contributions	1,874,418	1,534,596	3,409,014	2,222,933
In-kind donations	356,352	-	356,352	687,435
Merchandise sales	43,145	-	43,145	11,045
Interest income	1,390	-	1,390	981
	3,790,937	1,534,596	5,325,533	4,777,927
<b>Net assets released from restriction</b>				
Satisfaction of program restrictions	1,156,144	(1,156,144)	-	-
	4,947,081	378,452	5,325,533	4,777,927
<b>Expenses</b>				
Program services	4,552,644	-	4,552,644	3,604,913
Management and general	295,763	-	295,763	188,788
Fundraising costs	387,288	-	387,288	440,804
	5,235,695	-	5,235,695	4,234,505
Cost of merchandise sales	30,490	-	30,490	11,083
	5,266,185	-	5,266,185	4,245,588
<b>Change in net assets</b>	(319,104)	378,452	59,348	532,339
Net assets, beginning of year	1,495,029	515,236	2,010,265	1,477,926
<b>Net assets, end of year</b>	\$1,175,925	\$ 893,688	\$2,069,613	\$2,010,265

See notes to financial statements.

**KEEP A CHILD ALIVE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31,				
	2010			2009	
	Program Services	Management and General	Fundraising Costs	Total	Total
Grants	\$2,324,413	\$ -	\$ -	\$2,324,413	\$2,082,262
Salaries and wages	675,299	98,915	143,587	917,801	725,084
Employee benefits	136,444	19,984	29,009	185,437	143,176
Professional fees	29,001	7,438	7,437	43,876	22,245
Telephone	32,584	2,933	4,067	39,584	25,266
Postage	11,093	2,356	3,771	17,220	13,274
Office expense	8,706	25,686	2,762	37,154	16,184
Occupancy	50,920	8,782	9,520	69,222	64,479
Site visit expense	96,877	-	-	96,877	59,169
Printing	27,346	13,329	444	41,119	27,444
Consulting fees	3,133	-	3,133	6,266	8,760
Insurance	25,794	29,865	1,136	56,795	5,659
Marketing and promotion	365,836	61	48,899	414,796	138,023
Travel and related expenses	362,972	6,743	47,667	417,382	8,953
Outside services	54,974	20,862	22,479	98,315	104,176
Miscellaneous	40,533	8,124	4,143	52,800	28,951
Information technology	23,259	6,189	7,218	36,666	41,125
Depreciation and amortization	-	23,620	-	23,620	32,840
	4,269,184	274,887	335,272	4,879,343	3,547,070
In-kind donations	283,460	20,876	52,016	356,352	687,435
	\$4,552,644	\$ 295,763	\$ 387,288	\$5,235,695	\$4,234,505

See notes to financial statements.

**KEEP A CHILD ALIVE**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 59,348	\$ 532,339
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	23,620	32,840
Changes in assets and liabilities		
Accounts receivable	6,905	233,761
Prepaid expenses	37,921	(58,832)
Unconditional promises to give	(200,000)	100,000
Other assets	14,753	(64,800)
Accounts payable and accrued expenses	42,055	(13,885)
Grants payable	(42,243)	(122,638)
Net cash (used in) provided by operating activities	(57,641)	638,785
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(11,491)	(3,529)
<b>Net (decrease) increase in cash and cash equivalents</b>	(69,132)	635,256
<b>Cash and cash equivalents, beginning of year</b>	1,293,417	658,161
<b>Cash and cash equivalents, end of year</b>	\$ 1,224,285	\$ 1,293,417

See notes to financial statements.

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Organization and Nature of Activities**

Keep a Child Alive (“the Organization”) is a nonprofit organization dedicated to providing lifesaving anti-retroviral (ARV) treatment and surrounding care to children and their families with HIV/AIDS in Africa, India, and other impoverished countries by directly engaging the global public in the fight against AIDS. The Organization works to create sustainability at treatment sites through local funding and partnerships on the ground. The Organization also builds and sustains orphanages to keep the most vulnerable children out of harms way.

The Organization monitors sites to determine that grant terms are being met. Videos documenting progress and growth of the life-saving work of the community based organizations in Sub-Saharan Africa and India are made possible by generous donations of editing services and support the Organization’s public education mission. The Organization also uses the footage from these sites to create and distribute documentaries to raise public awareness of the AIDS issue.

##### **Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets consist of assets, public support and revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Unrestricted Board designated net assets is a limit imposed by the Board of Directors representing grants approved as of December 31, 2010 and 2009 to be disbursed in the first quarter of 2011 and 2010, respectively.

Temporarily restricted net assets include funds with donor-imposed restrictions which permit the Organization to expend the assets as specified either by the passage of time or by actions of the Organization.

##### **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended December 31, 2009 from which the summarized information was derived.



## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents include all money market accounts.

##### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect. Based on the Organizations history of past write-off's, collections and contractual terms, no allowance for doubtful accounts has been established.

##### **Promises to Give**

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional and are included in temporarily restricted net assets.

##### **Depreciation and Amortization**

Depreciation of office equipment and photo equipment are computed using the straight line method over the estimated useful lives, which range from 5 to 7 years.

Leasehold improvements are amortized using the straight-line method over estimated useful lives or the term of the lease, whichever is shorter.

##### **Grants Payable**

Grants authorized but unpaid at year end are reported as liabilities.

##### **Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and include certain costs that have been allocated among the programs and supporting services benefited.

##### **Revenue Recognition**

All contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Restricted contracts and contributions whose restrictions are met in the same reporting period are shown as unrestricted.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor-imposed restrictions 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 statement of activity as net assets released from restrictions.

##### **Advertising Costs**

Advertising costs, included in marketing and promotion, which are expensed as incurred totaled approximately \$40,000 and \$12,000 for the years ended December 31, 2010 and 2009, respectively. Marketing and promotion includes the cost of production of public service announcements totaling approximately \$200,000 and \$126,000 for the years ended December 31, 2010 and 2009 respectively.

##### **Donated Services and Materials**

Donated non-cash assets are reflected as contributions at their estimated fair values upon the date of receipt.

##### **Income Taxes**

The Organization is exempt from Federal and State income taxes under Internal Revenue code Section 501(c)(3), and is classified as a publicly supported organization as described in Section 509(a).

Federal and State information returns for years prior to 2007 are no longer subject to examination by tax authorities.

##### **Subsequent Events**

These financial statements were approved by management and available for issuance on May 2, 2011. Management has evaluated subsequent events through this date.

**KEEP A CHILD ALIVE**

**NOTES TO FINANCIAL STATEMENTS**

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	December 31,	
	2010	2009
Photo equipment	\$ 6,241	\$ 6,241
Office equipment	87,622	76,131
Leasehold improvements	52,078	52,078
	145,941	134,450
Accumulated depreciation and amortization	(111,393)	(87,773)
	\$ 34,548	\$ 46,677

**3 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are due as follows:

	December 31,	
	2010	2009
Less than one year	\$ 100,000	\$ 100,000
One to five years	400,000	200,000
	\$ 500,000	\$ 300,000

Unconditional promises to give, from two donors in 2010 and one donor in 2009, will be received in a future period and are reflected as temporarily restricted contributions accordingly.

**4 - CONCENTRATIONS**

**Major Donors**

The Organization received contributions from three donors that approximated 10% from each of the major donors totaling 30% of the Organization's total revenues or \$1,500,000 in 2010.

**KEEP A CHILD ALIVE**

**NOTES TO FINANCIAL STATEMENTS**

**4 - CONCENTRATIONS (Continued)**

**Major Grants**

The Organization disbursed grants to approved treatment sites, which reflect only direct expenses for the individual program sites as follows:

		December 31,	
		2010	2009
The Blue Roof Clinic	South Africa	\$ 482,118	\$ 395,324
Icyuzuzo Clinic	Rwanda	251,000	226,001
Alive Medical Services	Uganda	952,843	723,917
Agape Orphanage	South Africa	44,366	90,491
Chandrakal Orphanage	India	-	60,044
Boikarabelo	South Africa	-	125,886
Family Care Clinic	Kenya	29,234	124,989
Bobbi Bear	South Africa	189,040	190,479
Ikageng Itireteng Aids Ministry	South Africa	199,852	143,631
Sahara Centre for Residential Care	India	113,266	-
RNP+	India	52,694	-
Nkosi's Haven	South Africa	10,000	-
Other		-	1,500
		\$ 2,324,413	\$ 2,082,262

Grants disbursed to three (3) approved treatment sites in 2010 and in 2009 individually exceeded 10% of total grants made in each year aggregating 73% and 65% of total grants in 2010 and 2009, respectively.

**5 - RELATED PARTIES**

The President and Vice President of the Organization are also board members of two affiliates, Keep A Child Alive, South Africa (“KCA-SA”) and Keep a Child Alive, United Kingdom (“KCA-UK”). During the years ended December 31, 2010 and 2009, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$218,596 and \$187,298, respectively. The grant was recorded on the Organization’s books as contribution revenue and a corresponding program grant. (See note 7, temporarily restricted net assets.)

The Organization continues to support the growth of KCA-UK. Certain indirect expenses such as staff salaries have been absorbed by the Organization. All advances for direct expenses are reimbursed. Funds advanced totaling \$53,069 and \$70,300 at December 31, 2010 and 2009, respectively (included in other assets), will be repaid to the organization after the June 2011 Black Ball in the United Kingdom.

The president and CEO of a company which donated in-kind editing services totaling \$207,095 and \$563,614 for the years ended December 31, 2010 and 2009 respectively, is a board member.

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 6 - COMMITMENTS

The Organization leases its administrative offices under an operating lease that expires December 2013. The lease contains stated increases payable over the lease term.

Rent expense for the years ended December 31, 2010 and 2009 totaled \$55,727 and \$53,202, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	
2011	\$ 60,337
2012	60,940
2013	61,550
	<u>\$ 182,827</u>

#### Grants

The Board of Directors has designated unrestricted net assets to fund the first quarter 2011 and 2010 budgets for approved treatment sites totaling \$620,652 and \$596,206, respectively.

#### Line of Credit

The Organization has a \$750,000 line of credit with Chase Bank. Interest is payable at the LIBOR rate plus 2.203%. The line is due for renewal August 2011. The Organization has no outstanding balance under the line as of December 31, 2010 and 2009.

#### 7 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the year ended December 31, 2010:

	Balance, Beginning of Year	Contributions	Satisfaction of Program Restriction	Balance, End of Year
Program services-site expenses	\$215,236	\$ 668,596	\$ (589,397)	\$294,435
Public education program - "Alicia back in Africa" documentary	-	566,000	(466,747)	99,253
Unconditional promises to give	300,000	300,000	(100,000)	500,000
	<u>\$515,236</u>	<u>\$1,534,596</u>	<u>\$ (1,156,144)</u>	<u>\$ 893,688</u>

**KEEP A CHILD ALIVE**

**NOTES TO FINANCIAL STATEMENTS**

**7 - TEMPORARILY RESTRICTED NET ASSETS (Continued)**

The following summarizes the changes in temporarily restricted net assets for the year ended December 31, 2009:

	Balance, Beginning of Year	Contributions	Satisfaction of Program Restriction	Balance, End of Year
Program services-site expenses	\$188,708	\$402,298	\$ (375,770)	\$215,236
Unconditional promises to give	400,000	-	(100,000)	300,000
	<u>\$588,708</u>	<u>\$402,298</u>	<u>\$ (475,770)</u>	<u>\$515,236</u>

**8 - IN-KIND DONATIONS**

The fair value of donated services and materials included as contributions in the financial statements and the corresponding cost classification are as follows:

	December 31, 2010			
	Program Services	Management and General	Fundraising	Total
Editing services provided in creating video montages for documentary	\$ 207,095	\$ -	\$ -	\$ 207,095
Miscellaneous donated goods and services	76,365	20,876	52,016	149,257
	<u>\$ 283,460</u>	<u>\$ 20,876</u>	<u>\$ 52,016</u>	<u>\$ 356,352</u>

	December 31, 2009			
	Program Services	Management and General	Fundraising	Total
Editing services provided in creating video montages of site visits	\$ 387,349	\$ -	\$ 176,265	\$ 563,614
Advertising in magazines "Key to Life" campaign	35,600	-	-	35,600
Miscellaneous donated goods and services	54,042	16,151	18,028	88,221
	<u>\$ 476,991</u>	<u>\$ 16,151</u>	<u>\$ 194,293</u>	<u>\$ 687,435</u>

## **KEEP A CHILD ALIVE**

### **NOTES TO FINANCIAL STATEMENTS**

#### **8 - IN-KIND DONATIONS (Continued)**

There are numerous well-known celebrities who donate considerable time and resources to promote and publicize the Organization's mission. They are integral to promoting the mission of the Organization, however, no amounts have been reflected in the statements for these services in as much as no objective basis is available to measure the value of such services.

#### **9 - SPECIAL EVENTS**

The Organization holds various fundraising events. For the years ended December 31, 2010 and 2009, revenues from the Black Ball event represented approximately 36% and 45%, respectively, of the Organization's total revenues.