

**KEEP A CHILD ALIVE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR**  
**ENDED DECEMBER 31, 2012)**

**AND**

**INDEPENDENT AUDITORS' REPORT**

# KEEP A CHILD ALIVE

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Keep a Child Alive

### Report on the Financial Statements

We have audited the accompanying financial statements of Keep a Child Alive (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Organization'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 Organization'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 Keep a Child Alive (a nonprofit organization) as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2012 financial statements, and our report dated August 5, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Friedman LLP*

May 13, 2014

**KEEP A CHILD ALIVE**

**STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2013	2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 375,410	\$ 680,485
Accounts receivable	745,701	848,068
Unconditional promises to give	1,574,333	241,000
Prepaid expenses	27,677	28,424
Total current assets	2,723,121	1,797,977
Property and equipment - at cost, less accumulated depreciation	13,304	13,436
Long-term unconditional promises to give	666,667	-
Other assets	14,327	14,327
	\$ 3,417,419	\$ 1,825,740
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 40,275	\$ 204,664
 Commitments		
 <b>NET ASSETS</b>		
Unrestricted	33,057	598,830
Board designated	381,586	338,788
	414,643	937,618
Temporarily restricted	2,962,501	683,458
	3,377,144	1,621,076
	\$ 3,417,419	\$ 1,825,740

See notes to financial statements.

**KEEP A CHILD ALIVE**

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

	Year Ended December 31, 2013			Summarized 2012
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenues</b>				
Special events	\$2,640,372	\$ 2,000,000	\$ 4,640,372	\$ 3,362,009
Less - direct costs of event	(1,050,212)	-	(1,050,212)	(1,161,478)
	1,590,160	2,000,000	3,590,160	2,200,531
Contributions	1,165,538	1,120,447	2,285,985	1,720,016
Change in fair value of promise to give	-	-	-	(59,000)
Merchandise sales	9,045	-	9,045	18,056
Other income	10,240	-	10,240	6,755
	2,774,983	3,120,447	5,895,430	3,886,358
<b>Net assets released from restriction</b>				
Satisfaction of program restrictions	841,404	(841,404)	-	-
	3,616,387	2,279,043	5,895,430	3,886,358
<b>Expenses</b>				
Program services	3,353,420	-	3,353,420	3,196,319
Management and general	277,163	-	277,163	272,007
Fundraising costs	357,758	-	357,758	263,844
	3,988,341	-	3,988,341	3,732,170
Cost of merchandise sales	2,805	-	2,805	10,897
Termination benefit	148,216	-	148,216	-
	4,139,362	-	4,139,362	3,743,067
<b>Change in net assets before the effect of in-kind donations</b>	(522,975)	2,279,043	1,756,068	143,291
In-kind donations - revenue	743,001	-	743,001	440,577
In-kind donations - expense	(743,001)	-	(743,001)	(440,577)
<b>Change in net assets</b>	(522,975)	2,279,043	1,756,068	143,291
Net assets, beginning of year	937,618	683,458	1,621,076	1,477,785
<b>Net assets, end of year</b>	<b>\$ 414,643</b>	<b>\$ 2,962,501</b>	<b>\$ 3,377,144</b>	<b>\$ 1,621,076</b>

See notes to financial statements.

**KEEP A CHILD ALIVE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2013				Summarized
	Program Services	Management and General	Fundraising Costs	Total	2012
Grants	\$ 1,889,892	\$ -	\$ -	\$ 1,889,892	\$ 2,083,396
Salaries and wages	711,609	123,131	206,643	1,041,383	834,397
Employee benefits	182,350	31,552	52,952	266,854	212,331
Professional fees	21,737	16,184	15,489	53,410	31,652
Telephone	11,608	8,300	3,496	23,404	17,661
Postage	4,135	2,306	335	6,776	5,892
Office expense	9,130	15,751	4,398	29,279	31,409
Occupancy	62,690	20,154	11,370	94,214	89,038
Site visit expense	67,197	-	-	67,197	32,443
Printing	6,761	786	-	7,547	8,568
Consulting fees	202,551	4,406	1,013	207,970	142,011
Insurance	8,130	1,121	1,858	11,109	8,512
Marketing and promotion	61,721	-	-	61,721	65,027
Travel and related expenses	23,147	13,918	5,256	42,321	27,765
Outside services	45,217	12,765	31,863	89,845	83,191
Miscellaneous	21,649	19,238	16,947	57,834	39,539
Information technology	20,498	5,852	4,439	30,789	10,114
Depreciation	3,398	1,699	1,699	6,796	9,224
	\$ 3,353,420	\$ 277,163	\$ 357,758	\$ 3,988,341	\$ 3,732,170

See notes to financial statements.

**KEEP A CHILD ALIVE**  
**STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,756,068	\$ 143,291
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	6,796	9,224
Change in fair value of promise to give	-	59,000
Changes in assets and liabilities		
Accounts receivable	102,367	(287,831)
Prepaid expenses	747	5,105
Unconditional promises to give	(2,000,000)	100,000
Other assets	-	1,493
Accounts payable and accrued expenses	(164,389)	62,226
Grants payable	-	(16,627)
Net cash (used in) provided by operating activities	(298,411)	75,881
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(6,664)	(2,198)
<b>Cash flows from financing activities</b>		
Repayment of loan payable	-	(100,000)
<b>Net decrease in cash and cash equivalents</b>	(305,075)	(26,317)
<b>Cash and cash equivalents, beginning of year</b>	680,485	706,802
<b>Cash and cash equivalents, end of year</b>	\$ 375,410	\$ 680,485

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”) believes that every person has the right to health care and deserves a future. The Organization provides funding and administrative support to encourage innovative, community-led responses that increase access to life-saving HIV care and treatment, nutritious food, and loving support for children and families living with and affected by HIV in Kenya, Rwanda, South Africa, Uganda, and India. The Organization monitors sites to determine that grant terms are being met. With Alicia Keys as Global Ambassador, the Organization uses its voice to raise awareness, mobilize people to take action, and rally resources in the global response to HIV.

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 to the Organization’s public education mission.

##### **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, 2013 and 2012 to be disbursed in the first quarter of 2014 and 2013, 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 accordance 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, 2012 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 Organization's 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. Adjustments are made for changes in fair value.

**Depreciation**

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation. The Organization capitalizes all fixed assets over \$1,000 with an estimated useful life greater than one year. Maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight line method over the estimated useful lives as follows:

Office equipment	5 to 7 years
Photo equipment	5 to 7 years

**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.

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

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

##### **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 activities as net assets released from restrictions.

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

Donated services are recognized as in-kind donations if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated non-cash assets including services and materials are reflected as in-kind donation revenue and expense 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 2010 are no longer subject to examination by tax authorities.

##### **Subsequent Events**

These financial statements were approved by management and available for issuance on May 13, 2014. 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,	
	2013	2012
Office equipment	\$ 58,608	\$ 51,944
Accumulated depreciation	(45,304)	(38,508)
	<b>\$ 13,304</b>	<b>\$ 13,436</b>

**3 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are due as follows:

	December 31,	
	2013	2012
Less than one year	\$ 1,574,333	\$ 241,000
One to five years	666,667	-
	<b>\$ 2,241,000</b>	<b>\$ 241,000</b>

Unconditional promises to give, from two donors and one donor in 2013 and 2012, respectively, will be received in a future period and are reflected as temporarily restricted contributions accordingly. Management expects to collect both these amounts prior to the end of 2015.

**4 - CONCENTRATIONS**

**Major Donors**

The Organization received contributions from one donor that approximates 34% of the Organization's total revenue or \$2,000,000 in 2013. Additionally, amounts due from two donors represented 67% and 12% of the total receivable balance at December 31, 2013.

The Organization received contributions from two donors that approximated 25% and 13% of the Organization's total revenues or \$1,500,000 in 2012. Additionally, amounts due from one donor represented 58% of the total receivable balance at December 31, 2012.

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 4 - CONCENTRATIONS (Continued)

##### Grants

The Organization disbursed grants to approved program sites, which reflects funding for support services and direct expenses for the individual program sites as follows:

		December 31,	
		2013	2012
The Blue Roof Clinic	South Africa	\$ 432,638	\$ 486,265
Icyuzuzo Clinic	Rwanda	225,605	226,052
Alive Medical Services	Uganda	795,027	1,048,648
Family Care Clinic	Kenya	50,500	50,500
Bobbi Bear	South Africa	67,116	87,587
Ikageng Itireteng Aids Ministry	South Africa	69,480	36,106
Sahara Centre for Residential Care	India	201,428	122,738
Prayas	India	14,178	-
Living India Orphanage	India	-	25,500
Saahassee	India	33,920	-
		<u>\$ 1,889,892</u>	<u>\$ 2,083,396</u>

Grants disbursed to four (4) and three (3) approved program sites in 2013 and in 2012 individually exceeded 10% of total grants made in each year aggregating 88% and 85% of total grants in 2013 and 2012, respectively.

#### 5 - RELATED PARTIES

The former Vice President of the Organization was also a board member of an affiliate, Keep A Child Alive, South Africa ("KCA-SA") which operates the Blue Roof Clinic in South Africa (See Note 4 Concentrations). The Executive Director has replaced the Vice President as a board member on KCA-SA in 2013.

During the years ended December 31, 2013 and 2012, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$101,319 and \$78,878, respectively. The grant was recorded on the Organization's books as contribution revenue and a corresponding program grant.

The president and CEO of a company which donated in-kind editing services totaling \$200,000 and \$79,649 for the years ended December 31, 2013 and 2012 respectively, is a board member.

The funding partner of a company which donated in-kind advertising services totaling \$275,000 for the year ended December 31, 2013, is a board member.

**KEEP A CHILD ALIVE**

**NOTES TO FINANCIAL STATEMENTS**

**6 - RETIREMENT PLANS**

The Organization has a 401(k) profit sharing plan for all full-time employees who have attained the age of 18 and completed three months of service. As of January 2013, the Organization amended its plan and at its discretion, may make matching contributions. The Organization made matching contributions to the plan totaling \$22,444 for the year ended December 31, 2013.

**7 - COMMITMENTS**

The Organization leased its administrative offices under an operating lease that was scheduled to expire in April 2016, however, the lease was terminated in March 2014. At that time, the Organization relocated their offices and entered into a new lease agreement expiring in December 2020. The lease contains stated increases payable over the lease term.

Future minimum lease payments under the new lease are as follows:

Year Ending December 31,	
2014	\$ 52,836
2015	108,842
2016	112,104
2017	115,471
2018	118,935
Thereafter	248,680
	<u>\$ 756,868</u>

Rent expense for the years ended December 31, 2013 and 2012 totaled \$62,976 and \$61,806, respectively.

**Grants**

The Board of Directors has designated unrestricted net assets to fund the first quarter 2014 and 2013 budgets for approved treatment sites totaling \$381,586 and \$338,788, respectively.

**Line of Credit**

The Organization has a \$750,000 line of credit with Chase Bank. Interest is payable at the LIBOR rate plus 3.816% (3.98% as of December 31, 2013). The line is due for renewal on August 22, 2014. The Organization has no outstanding balance under the line as of December 31, 2013.

**KEEP A CHILD ALIVE**

**NOTES TO FINANCIAL STATEMENTS**

**7 - COMMITMENTS (Continued)**

**Termination Benefit**

The Organization's former vice president and the director of programs and development were terminated in 2013. In consideration for services performed, they were compensated through September 2013. There is no compensation or benefits outstanding as of December 31, 2013.

**8 - TEMPORARILY RESTRICTED NET ASSETS**

The following summarizes the changes in temporarily restricted net assets for the year ended December 31, 2013:

	Balance, Beginning of Year	Special Events	Contributions	Satisfaction of Program Restriction	Balance, End of Year
Program services-site expenses	\$ 300,027	\$ -	\$ 605,447	\$ (624,355)	\$ 281,119
Time restricted	88,333	-	515,000	(215,053)	388,280
Public education program - "KCA with Alicia Keys" documentary	54,098	-	-	(1,996)	52,102
Unconditional promises to give	241,000	2,000,000	-	-	2,241,000
	<u>\$ 683,458</u>	<u>\$ 2,000,000</u>	<u>\$ 1,120,447</u>	<u>\$ (841,404)</u>	<u>\$ 2,962,501</u>

The following summarizes the changes in temporarily restricted net assets for the year ended December 31, 2012:

	Balance, Beginning of Year	Contributions	Satisfaction of Program Restriction	Balance, End of Year
Program services-site expenses	\$ 384,696	\$ 673,777	\$ (758,446)	\$ 300,027
Time restricted	-	170,000	(81,667)	88,333
Public education program - "KCA with Alicia Keys" documentary	70,571	-	(16,473)	54,098
Unconditional promises to give	400,000	(59,000)	(100,000)	241,000
	<u>\$ 855,267</u>	<u>\$ 784,777</u>	<u>\$ (956,586)</u>	<u>\$ 683,458</u>

## KEEP A CHILD ALIVE

### NOTES TO FINANCIAL STATEMENTS

#### 9 - 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, 2013				
	Program Services	Management and General	Fundraising	Total
Editing services	\$ -	\$ -	\$ 230,000	\$ 230,000
Venue, food and beverages	-	-	111,410	111,410
Campaign/advertising	275,000	-	-	275,000
Miscellaneous goods and services	63,295	31,648	31,648	126,591
	\$ 338,295	\$ 31,648	\$ 373,058	\$ 743,001

December 31, 2012				
	Program Services	Management and General	Fundraising	Total
Editing services	\$ -	\$ -	\$ 129,649	\$ 129,649
Venue, food and beverages	-	-	210,745	210,745
Miscellaneous goods and services	50,091	25,046	25,046	100,183
	\$ 50,091	\$ 25,046	\$ 365,440	\$ 440,577

Editing services were provided to create video montages for special events.

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.

#### 10 - SPECIAL EVENTS

The Organization holds various fundraising events. For the years ended December 31, 2013 and 2012, revenues from the Black Ball event represented approximately 54% and 50%, respectively, of the Organization's total revenues. Additionally, for the year ended December 31, 2012, revenues from the Dream Halloween - Los Angeles event represented approximately 10% of revenues.



## **KEEP A CHILD ALIVE**

### **NOTES TO FINANCIAL STATEMENTS**

#### **11 - ACQUISITION**

On June 30, 2012, the Organization acquired certain assets of CAAF a not-for-profit organization, including two fundraising events, Dream Halloween and Night of Comedy and cash recorded as contributions in 2012 totaling approximately \$42,000. Proceeds from these fundraising events in 2013 and 2012 totaling approximately \$485,000 and \$703,000, respectively, are included in special event revenue. Dream Halloween NY did not take place during 2013.