

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED TOTALS FOR THE YEAR
ENDED DECEMBER 31, 2014)

AND

INDEPENDENT AUDITORS' REPORT

KEEP A CHILD ALIVE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
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, 2015 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, 2015 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Friedman LLP

May 10, 2016

KEEP A CHILD ALIVE
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,372,825	\$ 794,646
Contributions receivable, net of allowance of \$30,000 in 2014	329,122	325,308
Unconditional promises to give	500,000	1,250,666
Prepaid expenses	22,545	22,371
Total current assets	2,224,492	2,392,991
Property and equipment - at cost, less accumulated depreciation	15,284	20,176
Long-term unconditional promises to give	500,000	-
Other assets	20,027	19,499
	\$ 2,759,803	\$ 2,432,666
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,489	\$ 6,516
Commitments		
NET ASSETS		
Unrestricted	1,109,088	482,696
Board designated	306,592	285,710
	1,415,680	768,406
Temporarily restricted	1,333,634	1,657,744
	2,749,314	2,426,150
	\$ 2,759,803	\$ 2,432,666

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2015			Summarized 2014
	Unrestricted	Temporarily Restricted	Total	
Support and revenues				
Special events	\$2,769,522	\$ 1,000,000	\$ 3,769,522	\$ 2,421,789
Less - direct costs of event	(792,041)	-	(792,041)	(731,236)
	1,977,481	1,000,000	2,977,481	1,690,553
Contributions	1,036,844	654,284	1,691,128	2,042,581
Merchandise sales	774	-	774	10,448
Other income	3,111	-	3,111	5,200
	3,018,210	1,654,284	4,672,494	3,748,782
Net assets released from restriction				
Satisfaction of program restrictions	1,978,394	(1,978,394)	-	-
	4,996,604	(324,110)	4,672,494	3,748,782
Expenses				
Program services	3,661,379	-	3,661,379	4,046,965
Management and general	227,988	-	227,988	236,148
Fundraising costs	398,356	-	398,356	372,499
	4,287,723	-	4,287,723	4,655,612
Cost of merchandise sales	925	-	925	4,835
Termination benefit	10,682	-	10,682	9,329
Bad debt expense	50,000	-	50,000	30,000
	4,349,330	-	4,349,330	4,699,776
Change in net assets before the effect of in-kind donations	647,274	(324,110)	323,164	(950,994)
In-kind donations - revenue	353,165	-	353,165	351,239
In-kind donations - expense	(353,165)	-	(353,165)	(351,239)
Change in net assets	647,274	(324,110)	323,164	(950,994)
Net assets, beginning of year	768,406	1,657,744	2,426,150	3,377,144
Net assets, end of year	\$1,415,680	\$ 1,333,634	\$ 2,749,314	\$ 2,426,150

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2015				Summarized 2014
	Program Services	Management and General	Fundraising Costs	Total	
Grants	\$ 2,029,765	\$ -	\$ -	\$ 2,029,765	\$ 2,253,206
Salaries and wages	697,732	125,856	217,727	1,041,315	1,076,797
Employee benefits and taxes	183,046	33,018	57,119	273,183	297,885
Professional fees	12,166	17,162	11,667	40,995	32,114
Telephone	10,724	1,766	1,424	13,914	20,300
Postage	958	1,263	1,968	4,189	4,121
Office expense	4,975	5,421	2,018	12,414	14,051
Occupancy	96,572	12,071	12,071	120,714	102,068
Site visit expense	48,393	-	-	48,393	73,523
Printing	4,001	695	1,137	5,833	1,810
Consulting fees	374,224	-	30,200	404,424	339,065
Insurance	8,820	1,228	2,280	12,328	13,440
Marketing and promotion	85,542	-	-	85,542	161,506
Travel and related expenses	23,013	367	3,113	26,493	67,033
Outside services	56,560	11,636	36,829	105,025	85,164
Miscellaneous	9,663	13,032	16,115	38,810	56,135
Information technology	11,510	2,616	2,831	16,957	50,137
Depreciation	3,715	1,857	1,857	7,429	7,257
	\$ 3,661,379	\$ 227,988	\$ 398,356	\$ 4,287,723	\$ 4,655,612

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 323,164	\$ (950,994)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,429	7,257
Loss on retirement of fixed assets	-	225
Allowance for doubtful accounts	(30,000)	30,000
Changes in assets and liabilities		
Accounts receivable	26,186	390,393
Prepaid expenses	(174)	5,306
Unconditional promises to give	250,666	990,334
Other assets	(528)	(5,172)
Accounts payable and accrued expenses	3,973	(33,759)
Net cash provided by operating activities	580,716	433,590
Cash flows from investing activities		
Acquisition of property and equipment	(2,537)	(14,354)
Net increase in cash and cash equivalents	578,179	419,236
Cash and cash equivalents, beginning of year	794,646	375,410
Cash and cash equivalents, end of year	\$ 1,372,825	\$ 794,646
Non cash investing activities		
Retired fully depreciated property and equipment	\$ -	\$ 31,413

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, 2015 and 2014 to be disbursed in the first quarter of 2016 and 2015, 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, 2014 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.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to contributions receivable. During the year ended December 31, 2014, an allowance for doubtful accounts of \$30,000 was established and used in 2015. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2015.

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

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:

Furniture and fixtures	5 to 7 years
Computer 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).

Subsequent Events

These financial statements were approved by management and available for issuance on May 10, 2016. Management has evaluated subsequent events through this date.

2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2015	2014
Furniture and fixtures	\$ 11,971	\$ 11,971
Office equipment	32,115	29,578
Accumulated depreciation	(28,802)	(21,373)
	<u>\$ 15,284</u>	<u>\$ 20,176</u>

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows:

	December 31,	
	2015	2014
Less than one year	\$ 500,000	\$ 1,250,666
One to five years	500,000	-
	<u>\$ 1,000,000</u>	<u>\$ 1,250,666</u>

Unconditional promises to give, from one individual donor and three individual donors in 2015 and 2014, respectively, will be received in a future period and are reflected as temporarily restricted contributions accordingly. Management expects to collect these amounts in the next two years.

4 - CONCENTRATIONS

Major Donors

The Organization received a contribution from a donor that approximates 21% of the Organization's total revenue or \$1,000,000 in 2015. Additionally, the amount due from the donor represents 75% of the total receivable balance (unconditional promises to give and contributions receivable) at December 31, 2015.

The Organization received contributions from two donors that approximate 15% and 13% of the Organization's total revenue or \$1,045,000 in 2014. Additionally, amounts due from three donors represented 47%, 16% and 15% of the total receivable balance (unconditional promises to give and accounts receivable) at December 31, 2014.

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,	
		2015	2014
Alive Medical Services	Uganda	\$ 884,236	\$ 923,459
The Blue Roof Clinic	South Africa	315,666	379,768
Sahara Centre for Residential Care	India	230,006	336,571
WE-ACTx for Hope	Rwanda	202,534	228,066
Bobbi Bear	South Africa	95,000	89,573
Ikageng Itireteng Aids Ministry	South Africa	93,981	89,321
Saahasee	India	67,270	75,711
Family Care Clinic	Kenya	55,500	54,700
Zoe Life	South Africa	36,554	17,652
Prayas	India	34,622	44,461
Other	Various	14,396	13,924
		\$ 2,029,765	\$ 2,253,206

Grants disbursed to three individual and four individual approved program sites in 2015 and 2014, respectively, each exceeded 10% of total grants made in each year. The grants to these sites aggregated 70% and 83% of total grants in 2015 and 2014, respectively.

5 - RELATED PARTIES

The Executive Director of the Organization is also a board member of an affiliate, Keep A Child Alive, South Africa (“KCA-SA”). KCA-SA operated the Blue Roof Clinic in South Africa, (See Note 4, Concentrations, Grants) through April 1, 2016.

During the years ended December 31, 2015 and 2014, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$79,381 and \$92,577, respectively. The grant was recorded on the Organization’s books as contribution revenue and a corresponding program grant.

A board member is a partner in a company that donated in-kind advertising services totaling \$68,000 and \$95,000 for the years ended December 31, 2015 and 2014, respectively.

A board member is the president and CEO of a company that donated in-kind editing services totaling \$70,000 for the year ended December 31, 2015. No services were donated in 2014.

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. The Organization made matching contributions to the plan totaling \$30,830 and \$30,973 for the years ended December 31, 2015 and 2014, respectively.

7 - COMMITMENTS

The Organization leases its administrative offices in New York City under an operating lease expiring December 2020. The lease contains stated increases payable over the lease term.

Future minimum lease payments under the lease are as follows:

Year Ending December 31,	
2016	\$ 112,104
2017	115,471
2018	118,935
2019	122,503
2020	126,178
	<u>\$ 595,191</u>

Rent expense for the years ended December 31, 2015 and 2014 totaled \$109,241 and \$70,210, respectively.

Grants

The Board of Directors has designated unrestricted net assets to fund the first quarter 2016 and 2015 budgets for approved treatment sites totaling \$306,592 and \$285,710, respectively.

Line of Credit

The Organization has a \$750,000 line of credit. Interest is payable at the bank's adjusted LIBOR rate plus 4.30% (4.71% as of December 31, 2015). The line is renewable September 2016. As of December 31, 2015 and 2014, there was no outstanding balance.

The Organization must comply with a specific financial covenant defined as a debt service coverage ratio of not less than 1.25 to 1.00. The ratio is evaluated as of each fiscal year end. The Organization was in compliance with the covenant as of December 31, 2015.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

8 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the years ended December 31, 2015 and 2014:

	Balance, January 1, 2015	Contributions	Satisfaction of Program Restriction	Balance, December 31, 2015
Program services-site expenses	\$ 310,465	\$ 482,884	\$ (586,981)	\$ 206,368
Time restricted	96,613	171,400	(140,747)	127,266
Unconditional promises to give	1,250,666	1,000,000	(1,250,666)	1,000,000
	<u>\$ 1,657,744</u>	<u>\$ 1,654,284</u>	<u>\$ (1,978,394)</u>	<u>\$ 1,333,634</u>

	Balance, January 1, 2014	Contributions	Satisfaction of Program Restriction	Balance, December 31, 2014
Program services-site expenses	\$ 281,119	\$ 898,597	\$ (869,251)	\$ 310,465
Time restricted	388,280	65,000	(356,667)	96,613
Public education program - "KCA with Alicia Keys" documentary	52,102	-	(52,102)	-
Unconditional promises to give	2,241,000	250,000	(1,240,334)	1,250,666
	<u>\$ 2,962,501</u>	<u>\$ 1,213,597</u>	<u>\$ (2,518,354)</u>	<u>\$ 1,657,744</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, 2015				
	Program Services	Management and General	Fundraising	Total
Editing services	\$ 85,000	\$ -	\$ 53,500	\$ 138,500
Venue, food and beverages	-	-	56,188	56,188
Campaign/advertising	68,363	-	-	68,363
Miscellaneous goods and services	46,307	21,904	21,904	90,114
	<u>\$ 199,670</u>	<u>\$ 21,904</u>	<u>\$ 131,592</u>	<u>\$ 353,165</u>

December 31, 2014				
	Program Services	Management and General	Fundraising	Total
Editing services	\$ 25,000	\$ -	\$ 80,000	\$ 105,000
Venue, food and beverages	-	-	52,910	52,910
Campaign/advertising	95,000	-	-	95,000
Miscellaneous goods and services	51,589	23,370	23,370	98,329
	<u>\$ 171,589</u>	<u>\$ 23,370</u>	<u>\$ 156,280</u>	<u>\$ 351,239</u>

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, 2015 and 2014, revenues from the Black Ball event represented approximately 65% and 50%, respectively, of the Organization's total revenues.