

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED TOTALS FOR THE YEAR
ENDED DECEMBER 31, 2015)

AND

INDEPENDENT AUDITORS' REPORT

KEEP A CHILD ALIVE

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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, 2016 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, 2016 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

September 25, 2017

KEEP A CHILD ALIVE

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 341,270	\$ 1,372,825
Contributions receivable	332,374	329,122
Unconditional promises to give	351,535	500,000
Prepaid expenses	32,627	22,545
Total current assets	1,057,806	2,224,492
Property and equipment - at cost, less accumulated depreciation	9,941	15,284
Long-term unconditional promises to give	660,000	500,000
Other assets	20,572	20,027
	\$ 1,748,319	\$ 2,759,803
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit	\$ 750,000	\$ -
Accounts payable and accrued expenses	10,284	10,489
Grants payable	36,588	-
Total current liabilities	796,872	10,489
Commitments		
NET ASSETS		
Unrestricted	(185,006)	1,109,088
Board designated	-	306,592
	(185,006)	1,415,680
Temporarily restricted	1,136,453	1,333,634
	951,447	2,749,314
	\$ 1,748,319	\$ 2,759,803

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2016			Summarized 2015
	Unrestricted	Temporarily Restricted	Total	
Support and revenues				
Special events	\$ 1,938,766	\$ -	\$ 1,938,766	\$ 3,769,522
Less - direct costs of event	(674,458)	-	(674,458)	(792,041)
	1,264,308	-	1,264,308	2,977,481
Contributions	806,234	451,850	1,258,084	1,691,128
Merchandise sales	3,843	-	3,843	774
Other income	2,850	-	2,850	3,111
	2,077,235	451,850	2,529,085	4,672,494
Net assets released from restriction				
Satisfaction of program restrictions	649,031	(649,031)	-	-
	2,726,266	(197,181)	2,529,085	4,672,494
Expenses				
Program services	3,733,245	-	3,733,245	3,661,379
Management and general	242,212	-	242,212	227,988
Fundraising costs	350,441	-	350,441	398,356
	4,325,898	-	4,325,898	4,287,723
Cost of merchandise sales	1,054	-	1,054	925
Termination benefit	-	-	-	10,682
Bad debt expense	-	-	-	50,000
	4,326,952	-	4,326,952	4,349,330
Change in net assets before the effect of in-kind donations	(1,600,686)	(197,181)	(1,797,867)	323,164
In-kind donations - revenue	270,424	-	270,424	353,165
In-kind donations - expense	(270,424)	-	(270,424)	(353,165)
Change in net assets	(1,600,686)	(197,181)	(1,797,867)	323,164
Net assets, beginning of year	1,415,680	1,333,634	2,749,314	2,426,150
Net assets, end of year	\$ (185,006)	\$ 1,136,453	\$ 951,447	\$ 2,749,314

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2016				Summarized 2015
	Program Services	Management and General	Fundraising Costs	Total	
Grants	\$ 2,151,796	\$ -	\$ -	\$ 2,151,796	\$ 2,029,765
Salaries and wages	738,884	140,050	192,569	1,071,503	1,041,315
Employee benefits and taxes	188,170	35,372	48,637	272,179	273,183
Professional fees	28,217	6,545	21,670	56,432	40,995
Telephone	9,845	1,837	1,527	13,209	13,914
Postage	598	392	593	1,583	4,189
Office expense	4,872	6,052	1,695	12,619	12,414
Occupancy	99,055	12,382	12,382	123,819	120,714
Site visit expense	61,331	-	2,331	63,662	48,393
Printing	4,546	376	508	5,430	5,833
Consulting fees	290,759	-	25,180	315,939	404,424
Insurance	6,616	1,192	1,640	9,448	12,328
Marketing and promotion	73,963	-	-	73,963	85,542
Travel and related expenses	5,969	1,513	908	8,390	26,493
Outside services	42,472	13,365	25,662	81,499	105,025
Miscellaneous	18,170	19,917	12,228	50,315	38,810
Information technology	5,311	1,883	1,575	8,769	16,957
Depreciation	2,671	1,336	1,336	5,343	7,429
	\$ 3,733,245	\$ 242,212	\$ 350,441	\$ 4,325,898	\$ 4,287,723

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (1,797,867)	\$ 323,164
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	5,343	7,429
Allowance for doubtful accounts	-	(30,000)
Changes in assets and liabilities		
Contributions receivable	(3,252)	26,186
Prepaid expenses	(10,082)	(174)
Unconditional promises to give	(11,535)	250,666
Other assets	(545)	(528)
Accounts payable and accrued expenses	(205)	3,973
Grants payable	36,588	-
Net cash (used in) provided by operating activities	(1,781,555)	580,716
Cash flows from investing activities		
Acquisition of property and equipment	-	(2,537)
Cash flows from financing activities		
Proceeds from line of credit	750,000	-
Net (decrease) increase in cash and cash equivalents	(1,031,555)	578,179
Cash and cash equivalents, beginning of year	1,372,825	794,646
Cash and cash equivalents, end of year	\$ 341,270	\$ 1,372,825

See notes to financial statements.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (“GAAP”). 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 that were disbursed in the first quarter of 2016.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2015 from which the summarized information was derived.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

2 - 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. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2016 and 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 statements 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

2 - 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 September 25, 2017. Management has evaluated subsequent events through this date.

3 - LIQUIDITY

The Organization sustained a deficit of approximately \$1,800,000 for the year ended December 31, 2016 primarily due to a decrease in sponsorships and contributions raised by the Black Ball, (See Note 6). To fund cash flow for programs and operations the Organization fully drew upon their line of credit. Together, these factors raised substantial doubt about the Organization's ability to continue as a going concern. To address the deficit, management has implemented a plan to reduce overhead expenses. The plan eliminates staff, negotiates a reduction of the line of credit to be re-paid (See Note 12), assigns the lease to an unrelated third party (See Notes 9 and 12), and initiates discussions with another nonprofit to provide program management.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY (Continued)

This restructuring has alleviated doubt and allows the Organization the ability to continue as a going concern with significantly decreased overhead costs.

Further, on March 16, 2017 the Organization signed a memorandum of understanding (“MOU”) to partner with a charity based in the United Kingdom. They have begun due diligence procedures in preparation, but no formal agreements have been proposed by either party as of the date of this report.

4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2016	2015
Furniture and fixtures	\$ 11,971	\$ 11,971
Office equipment	32,115	32,115
Accumulated depreciation	(34,145)	(28,802)
	<u>\$ 9,941</u>	<u>\$ 15,284</u>

5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows:

	December 31,	
	2016	2015
Less than one year	\$ 351,535	\$ 500,000
One to five years	660,000	500,000
	<u>\$ 1,011,535</u>	<u>\$ 1,000,000</u>

Unconditional promises to give, from two individual donors and one individual donor in 2016 and 2015, 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 three years.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

6 - CONCENTRATIONS

Major Donors

The Organization received a contribution from two donors that approximate 18% and 15% of the Organization's total revenue or \$827,000 in 2016. Additionally, amounts due from two donors represented 67% and 15% of the total receivable balance (unconditional promises to give and contributions receivable) at December 31, 2016.

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 represented 75% of the total receivable balance (unconditional promises to give and contributions receivable) at December 31, 2015.

Special Events

The Organization holds various fundraising events. For the years ended December 31, 2016 and 2015, revenues from the Black Ball event represented approximately 56% and 65%, respectively, of the Organization's total revenues.

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:

Grantee	Location	December 31,	
		2016	2015
Alive Medical Services	Uganda	\$ 851,804	\$ 884,236
Zoe Life	South Africa	356,666	36,554
Sahara Centre for Residential Care	India	279,697	230,006
WE-ACTx for Hope	Rwanda	191,650	202,534
Ikageng Itireleng Aids Ministry	South Africa	157,000	93,981
Bobbi Bear	South Africa	101,384	95,000
Family Care Clinic	Kenya	81,073	55,500
Saahasee	India	52,329	67,270
Musicians Without Borders	Uganda	31,047	-
Prayas	India	28,465	34,622
The Blue Roof Clinic	South Africa	17,666	315,666
Other	Various	3,015	14,396
		\$ 2,151,796	\$ 2,029,765

Grants disbursed to three individual approved program sites in 2016 and 2015, each exceeded 10% of total grants made in each year. The grants to these sites aggregated 69% and 70% of total grants in 2016 and 2015, respectively.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

7 - 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 6, Concentrations, Grants) through April 1, 2016.

During the year ended December 31, 2015, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$79,381. 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 \$45,000 and \$68,000 for the years ended December 31, 2016 and 2015, respectively.

A board member is the president and CEO of a company that donated in-kind editing services totaling \$20,000 and \$70,000 for the years ended December 31, 2016 and 2015, respectively.

8 - 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 \$31,872 and \$30,830 for the years ended December 31, 2016 and 2015, respectively.

9 - 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,	
2017	\$ 115,471
2018	118,935
2019	122,503
2020	126,178
	<u>\$ 483,087</u>

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

9 - COMMITMENTS (Continued)

Rent expense for the years ended December 31, 2016 and 2015 totaled \$112,834 and \$109,241, respectively. On July 31, 2017 the lease was assigned to an unrelated third party, (See Note 12).

Grants

The Board of Directors designated unrestricted net assets to fund first quarter 2016 budgets for approved treatment sites totaling \$306,592 as of December 31, 2015. There were no board designated unrestricted net assets as of December 31, 2016.

Line of Credit

The Organization has a \$750,000 line of credit. Interest is payable at the bank's adjusted LIBOR rate plus 4.123% (4.75% and 4.71% at December 31, 2016 and 2015, respectively). The line plus all accrued unpaid interest is due on October 4, 2017 when the line is renewable. As of December 31, 2016, there was a balance of \$750,000, (See Note 12).

10 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the years ended December 31, 2016 and 2015:

	Balance, January 1, 2016	Contributions	Satisfaction of Program Restriction	Balance, December 31, 2016
Program services-site expenses	\$ 206,368	\$ 221,850	\$ (353,300)	\$ 74,918
Time restricted	127,266	50,000	(127,266)	50,000
Unconditional promises to give	1,000,000	180,000	(168,465)	1,011,535
	<u>\$ 1,333,634</u>	<u>\$ 451,850</u>	<u>\$ (649,031)</u>	<u>\$ 1,136,453</u>

	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>

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

11 - 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, 2016			
	Program Services	Management and General	Fundraising	Total
Editing services	\$ 10,000	\$ -	\$ 33,250	\$ 43,250
Venue, food and beverages	-	-	121,536	121,536
Campaign/advertising	45,415	-	-	45,415
Miscellaneous goods and services	29,170	30,003	1,050	60,223
	\$ 84,585	\$ 30,003	\$ 155,836	\$ 270,424

	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	21,903	21,904	90,114
	\$ 199,670	\$ 21,903	\$ 131,592	\$ 353,165

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.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

12 - SUBSEQUENT EVENTS

On March 17, 2017, the Organization borrowed \$500,000 from a donor. The note is due one year from the date of the agreement and bears no interest.

On May 15, 2017, the Organization entered into an agreement with the bank providing their line of credit to reduce the \$750,000 line of credit balance. The agreement prescribed payment of \$50,000 upon signature, \$125,000 on or before May 31, 2017, \$100,000 on or before June 30, 2017 and \$100,000 on or before July 31, 2017. The reduced balance of \$375,000 was repaid in accordance with the payment schedule. The remaining \$375,000 was forgiven by the bank and recorded as a gain on restructuring of debt in 2017.

On July 31, 2017, the Organization entered into an agreement to assign their lease for its administrative offices in New York, (See Note 9) to an unrelated third party. Rent due and unpaid under this lease from March to July 2017 was donated by the lessor. The Organization currently leases administrative offices on a month to month basis.