

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
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 corporation) as of December 31, 2008 and 2007, 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, 2007 financial statements and, in our report dated April 29, 2008 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2008 and 2007, 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.

Friedman LLP

May 12, 2009

KEEP A CHILD ALIVE
(A Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 658,161	\$ 1,009,425
Accounts receivable	516,399	309,126
Unconditional promises to give	100,000	100,000
Prepaid expenses	8,125	126,005
Total current assets	1,282,685	1,544,556
Property and equipment - at cost, less accumulated depreciation	75,981	89,572
Long-term unconditional promises to give	300,000	400,000
Other assets	17,244	19,902
	\$ 1,675,910	\$ 2,054,030
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 27,472	\$ 13,118
Grants payable	170,512	-
Total current liabilities	197,984	13,118
Commitments		
NET ASSETS		
Unrestricted	921,402	1,487,240
Board designated	367,816	463,736
	1,289,218	1,950,976
Temporarily restricted	188,708	89,936
	1,477,926	2,040,912
	\$ 1,675,910	\$ 2,054,030

See notes to financial statements.

KEEP A CHILD ALIVE
(A Non-Profit Corporation)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,			
	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Special event	\$2,426,493	\$ -	\$2,426,493	\$2,485,650
Less: direct costs of events	(658,401)	-	(658,401)	(576,084)
	1,768,092	-	1,768,092	1,909,566
Contributions	1,779,603	333,624	2,113,227	2,240,071
In-kind donations	403,105	-	403,105	1,146,199
Merchandise sales	14,808	-	14,808	6,178
Interest income	5,033	-	5,033	5,693
	3,970,641	333,624	4,304,265	5,307,707
Net assets released from restriction				
Satisfaction of program restrictions	234,852	(234,852)	-	-
	4,205,493	98,772	4,304,265	5,307,707
Expenses				
Program services	4,422,581	-	4,422,581	3,368,121
Management and general	167,397	-	167,397	137,506
Fundraising costs	251,506	-	251,506	554,111
	4,841,484	-	4,841,484	4,059,738
Cost of merchandise sales	25,767	-	25,767	2,674
	4,867,251	-	4,867,251	4,062,412
Change in net assets	(661,758)	98,772	(562,986)	1,245,295
Net assets, beginning of year	1,950,976	89,936	2,040,912	795,617
Net assets, end of year	\$1,289,218	\$ 188,708	\$1,477,926	\$2,040,912

See notes to financial statements.

KEEP A CHILD ALIVE
(A Non-Profit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31,				2007
	2008			Total	
	Program Services	Management and General	Fundraising Costs		Total
Grants	\$ 2,752,028	\$ -	\$ -	\$ 2,752,028	\$ 1,774,622
Events	281	-	-	281	56,901
Salaries and wages	451,877	56,411	154,711	662,999	459,366
Employee benefits	76,596	9,460	26,338	112,394	71,005
Professional fees	13,881	13,881	13,881	41,643	85,426
Telephone	27,461	1,701	5,331	34,493	22,031
Postage	16,496	3,327	4,142	23,965	14,624
Office expense	7,429	13,419	2,333	23,181	18,333
Occupancy	48,705	8,482	9,081	66,268	59,711
Site visit expense	156,976	-	-	156,976	106,705
Printing	46,648	23	535	47,206	26,306
Consulting fees	24,460	-	960	25,420	72,897
Insurance	2,701	1,985	927	5,613	5,456
Marketing and promotion	229,648	195	86	229,929	145,101
Travel and related expenses	-	1,351	6,118	7,469	6,175
Outside services	34,079	9,953	10,078	54,110	40,945
Miscellaneous	51,614	5,176	5,733	62,523	46,001
Depreciation and amortization	-	31,881	-	31,881	16,234
	3,940,880	157,245	240,254	4,338,379	3,027,839
In-kind donations	481,701	10,152	11,252	503,105	1,031,899
	\$ 4,422,581	\$ 167,397	\$ 251,506	\$ 4,841,484	\$ 4,059,738

See notes to financial statements.

KEEP A CHILD ALIVE
(A Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2008	2007
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (562,986)	\$ 1,245,295
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	31,888	16,234
In-kind donation	-	(14,800)
Changes in assets and liabilities		
Accounts receivable	(207,273)	(220,503)
Prepaid expenses	117,880	(124,355)
Unconditional promises to give	100,000	(500,000)
Other assets	2,658	1,135
Accounts payable and accrued expenses	14,354	(31,283)
Grants payable	170,512	(52,429)
Net cash provided by (used in) operating activities	(332,967)	319,294
Cash flows from investing activities		
Acquisition of property and equipment	(18,297)	(80,180)
Net increase (decrease) in cash and cash equivalents	(351,264)	239,114
Cash and cash equivalents, beginning of year	1,009,425	770,311
Cash and cash equivalents, end of year	\$ 658,161	\$ 1,009,425

SUPPLEMENTAL DISCLOSURES

Noncash investing transaction:

In-kind donation of office renovations	\$	-	\$	14,800
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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 dedicated to providing lifesaving anti-retroviral (ARV) treatment and surrounding care to children and their families with HIV/AIDS in Africa and other impoverished countries by directly engaging the global public in the fight against AIDS. KCA 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. A documentary film was recently produced to support the Organization’s public education mission to chronicle recent site visits.

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, 2008 and 2007 to be disbursed in the first quarter of 2009 and 2008, respectively.

Temporarily restricted net assets includes 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, 2007 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.

Concentrations of Credit Risk of Cash

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

Cash Equivalents

Cash equivalents include all money market accounts.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional.

An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after the potential for recovery is considered remote. No allowance was recorded by the Organization during the years ended December 31, 2008 and 2007.

Grants Payable

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

Depreciation and Amortization

Leasehold improvements, 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.

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)

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.

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, including marketing and promotion, which are expensed as incurred totaled approximately \$230,000 and \$145,000 for the years ended December 31, 2008 and 2007, all considered public education respectively. Marketing and promotion includes the cost of production of public service announcements totaling approximately \$171,000 and \$82,000 for the years ended December 31, 2008 and 2007 respectively.

Donated Services and Materials

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

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

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Materials (Continued)

	December 31, 2008			
	Program Services	Management and General	Fundraising	Total
Air travel acquired with contributed air travel miles	\$ 79,600	\$ -	\$ -	\$ 79,600
Editing services provided in creating "Text Alive" campaign	8,870	-	-	8,870
Editing services provided in creating "Alicia in Africa : Journey to the Motherland"	178,747	-	-	178,747
Editing services provided in creating video montages of site visits	104,333	-	1,100	105,433
Miscellaneous donated services	10,151	10,152	10,152	30,455
Total included in support and revenue	381,701	10,152	11,252	403,105
Plus amounts reclassified: Email blast to promote "Alicia in Africa: Journey to the Motherland"	100,000	-	-	100,000
Total included in expense	\$ 481,701	\$ 10,152	\$ 11,252	\$ 503,105

KEEP A CHILD ALIVE
NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Materials (Continued)

	December 31, 2007			
	Program Services	Management and General	Fundraising	Total
Air travel acquired with contributed air travel miles	\$ 194,907	\$ -	\$ -	\$ 194,907
Advertising in magazines "I am African" public education campaign	209,363	-	209,363	418,726
Services provided in publishing annual reports	10,735	10,735	10,736	32,206
Web design services - public education	41,250	-	-	41,250
Contributed office renovations	-	14,800	-	14,800
Email blast to promote "Alicia in Africa: Journey to the Motherland"	100,000	-	-	100,000
Editing services provided in creating "Alicia in Africa : Journey to the Motherland"	344,360	-	-	344,360
Miscellaneous donated services and materials	-	550	(100)	450
Total included in support and revenue	900,615	26,085	219,999	1,146,699
Less: amounts reclassified	(100,000)	(14,800)	-	(114,800)
Total included in expenses	\$ 800,615	\$ 11,285	\$ 219,999	\$ 1,031,899

In 2007, contributed office renovations were reclassified to property and equipment. Services to provide the email blast were utilized in 2008 and classified as prepaid expense as of December 31, 2007.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Materials (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.

Income Taxes

The Organization is exempt from Federal and state income taxes under Internal Revenue code Section 501 (c) (3).

2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2008	2007
Photo equipment	\$ 6,241	\$ 5,110
Office equipment	72,602	55,436
Leasehold improvements	52,078	52,078
	130,921	112,624
Accumulated depreciation and amortization	(54,940)	(23,052)
	<u>\$ 75,981</u>	<u>\$ 89,572</u>

3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due from one donor, are unrestricted and totaled \$400,000 and \$500,000 at December 31, 2008 and 2007 respectively.

Unconditional promises to give at December 31, 2008 are due as follows:

Less than one year	\$ 100,000
One to five years	300,000
	<u>\$ 400,000</u>

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

4 - CONCENTRATIONS

Major Grants

The Organization disbursed grants to approved treatment sites as follows:

		December 31,	
		2008	2007
The Blue Roof Clinic	South Africa	\$ 900,114	\$ 458,843
Icyuzuzo Clinic	Rwanda	255,000	195,833
Alive Medical Services	Uganda	658,583	217,604
Perinatal HIV Research Unit	South Africa	-	172,818
Agape Orphanage	South Africa	144,547	199,251
Chandrakal Orphanage	India	25,000	125,000
Nyamila Community Care Center	Kenya	16,373	93,576
Boikarabelo	South Africa	295,510	75,000
Family Care Clinic	Kenya	138,640	41,610
Bobbi Bear	South Africa	119,245	-
Ikageng Itireteng Aids Ministry	South Africa	137,954	98,881
Other		61,062	96,206
		\$ 2,752,028	\$ 1,774,622

Grants disbursed to three (3) approved treatment sites in 2008 and four (4) approved treatment sites in 2007 exceeded 10% of total grants made in each year.

5 - RELATED PARTIES

The President and Vice President of the Organization are also board members of an affiliate, Keep A Child Alive – South Africa (KCA-SA). During the years ended December 31, 2008 and 2007, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$333,624 and \$200,000, 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.)

During 2007, an affiliate, Keep A Child Alive – UK ("KCA-UK") was established as a non-profit corporation in the United Kingdom. Included in other assets at December 31, 2007 is \$8,000 that was advanced by the Organization on behalf of the KCA-UK affiliate. During 2008, the Organization supported the launch of KCA-UK in the United Kingdom. Certain indirect expenses such as staff salaries have been absorbed by the Organization. All advances for direct expenses were reimbursed.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

6 - COMMITMENTS

The Organization leases its administrative offices under an operating lease that expires August 2010. The lease contains stated increases in rentals payable over the lease term. The aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expense charged to operations in any year and the amount payable under the lease during that year is recorded as deferred rental expense on the balance sheets, which subsequently reverses over the lease term. The Organization moved to a larger office within the same building in 2007 and the lease terms were modified accordingly.

Rent expense for the years ended December 31, 2008 and 2007 totaled \$57,264 and \$44,000, respectively.

Future minimum lease payments are as follows:

Year ending December 31,	
2009	\$ 58,650
2010	39,678
	<u>\$ 98,328</u>

Grants

The Organization is committed to funding anti-retroviral (ARV) treatment to We-Actx (a global initiative supporting ARV treatment) for the Icyuzuzo clinic in Rwanda. As of January 1, 2009, the Organization is funding We-Actx on a calendar year basis. Prior year's commitments to fund ARV treatment have been satisfied.

The Board of Directors has designated unrestricted net assets to fund the first quarter 2009 and 2008 budgets for approved treatment sites totaling \$367,816 and \$463,736, respectively.

7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$188,708 and \$89,936 as of December 31, 2008 and 2007, respectively are available for the purpose of funding equipment, salaries, supplies and administrative expenses at the Blue Roof Clinic in South Africa.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

7 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets of \$234,852 and \$193,727 for the years ended December 31, 2008 and 2007 respectively were released from donor restrictions, by incurring expenses for funding of equipment, salaries, supplies and administrative expenses at the Blue Roof Clinic in South Africa.

Temporarily restricted amounts reported in the prior year as available for Basketball for life totaling \$35,416 have been reclassified as unrestricted net assets. These funds were received as a reimbursement of expenditures in the year ended December 31, 2006 for amounts paid in satisfaction of the purpose in 2005 and 2006.

8 - SPECIAL EVENTS

The Organization holds various fundraising events. For the years ended December 31, 2008 and 2007, revenues from the Black Ball event represented approximately 49% and 42%, respectively, of the Organization's total revenues.