

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
AND
INDEPENDENT AUDITORS' REPORT

KEEP A CHILD ALIVE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Keep a Child Alive

We have audited the accompanying statements of financial position of Keep a Child Alive (a nonprofit organization) as of December 31, 2009 and 2008, 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, 2008 financial statements and, in our report dated May 12, 2009, 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, 2009 and 2008, 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

April 13, 2010

KEEP A CHILD ALIVE

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,293,417	\$ 658,161
Accounts receivable	282,638	516,399
Unconditional promises to give	100,000	100,000
Prepaid expenses	66,950	8,125
Total current assets	1,743,005	1,282,685
Property and equipment - at cost, less accumulated depreciation	46,677	75,981
Long-term unconditional promises to give	200,000	300,000
Other assets	82,044	17,244
	\$ 2,071,726	\$ 1,675,910
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,587	\$ 27,472
Grants payable	47,874	170,512
Total current liabilities	61,461	197,984
Commitments		
NET ASSETS		
Unrestricted	1,198,823	921,402
Board designated	596,206	367,816
	1,795,029	1,289,218
Temporarily restricted	215,236	188,708
	2,010,265	1,477,926
	\$ 2,071,726	\$ 1,675,910

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,			
	2009		2008	
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Special event	\$2,412,717	\$ -	\$2,412,717	\$2,426,493
Less - direct costs of event	(557,184)	-	(557,184)	(658,401)
	1,855,533	-	1,855,533	1,768,092
Contributions	1,820,635	402,298	2,222,933	2,113,227
In-kind donations	687,435	-	687,435	403,105
Merchandise sales	11,045	-	11,045	14,808
Interest income	981	-	981	5,033
	4,375,629	402,298	4,777,927	4,304,265
Net assets released from restriction				
Satisfaction of program restrictions	375,770	(375,770)	-	-
	4,751,399	26,528	4,777,927	4,304,265
Expenses				
Program services	3,604,913	-	3,604,913	4,422,581
Management and general	188,788	-	188,788	167,397
Fundraising costs	440,804	-	440,804	251,506
	4,234,505	-	4,234,505	4,841,484
Cost of merchandise sales	11,083	-	11,083	25,767
	4,245,588	-	4,245,588	4,867,251
Change in net assets	505,811	26,528	532,339	(562,986)
Net assets, beginning of year	1,289,218	188,708	1,477,926	2,040,912
Net assets, end of year	\$1,795,029	\$ 215,236	\$2,010,265	\$1,477,926

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31,				
	2009			2008	
	Program Services	Management and General	Fundraising Costs	Total	Total
Grants	\$2,082,262	\$ -	\$ -	\$2,082,262	\$2,752,028
Salaries and wages	518,486	54,832	151,766	725,084	662,999
Employee benefits	102,344	10,844	29,988	143,176	112,394
Professional fees	7,415	7,415	7,415	22,245	41,643
Telephone	17,867	1,800	5,599	25,266	34,493
Postage	9,590	1,422	2,262	13,274	23,965
Office expense	3,342	11,621	1,221	16,184	23,181
Occupancy	47,531	8,485	8,463	64,479	66,268
Site visit expense	59,169	-	-	59,169	156,976
Printing	27,174	-	270	27,444	47,206
Consulting fees	8,760	-	-	8,760	25,420
Insurance	4,449	325	885	5,659	5,613
Marketing and promotion	138,023	-	-	138,023	229,928
Travel and related expenses	-	2,618	6,335	8,953	7,469
Outside services	67,574	30,419	6,183	104,176	54,110
Miscellaneous	19,552	4,880	4,519	28,951	49,784
Information technology	34,634	5,136	1,355	41,125	13,021
Depreciation and amortization	-	32,840	-	32,840	31,881
	3,148,172	172,637	226,261	3,547,070	4,338,379
In-kind donations	456,741	16,151	214,543	687,435	503,105
	\$3,604,913	\$ 188,788	\$ 440,804	\$4,234,505	\$4,841,484

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2009	2008
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 532,339	\$ (562,986)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	32,840	31,881
Changes in assets and liabilities		
Accounts receivable	233,761	(207,273)
Prepaid expenses	(58,832)	117,887
Unconditional promises to give	100,000	100,000
Other assets	(64,800)	2,658
Accounts payable and accrued expenses	(13,885)	14,354
Grants payable	(122,638)	170,512
Net cash provided by (used in) operating activities	638,785	(332,967)
Cash flows from investing activities		
Acquisition of property and equipment	(3,529)	(18,297)
Net increase (decrease) in cash and cash equivalents	635,256	(351,264)
Cash and cash equivalents, beginning of year	658,161	1,009,425
Cash and cash equivalents, end of year	\$ 1,293,417	\$ 658,161

See notes to financial statements.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

The Organization monitors sites to determine that grant terms are being met. Videos documenting progress and growth of the life-saving work of the community based organizations in Sub-Saharan Africa and India are made possible by generous donations of editing services and support the Organization’s public education mission.

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, 2009 and 2008 to be disbursed in the first quarter of 2010 and 2009, respectively.

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

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended December 31, 2008 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.

Accounts Receivable

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

Promises to Give

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

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, 2009 and 2008.

Depreciation and Amortization

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

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

Grants Payable

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

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

Revenue Recognition

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

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Advertising Costs

Advertising costs, included in marketing and promotion, which are expensed as incurred totaled approximately \$12,000 and \$22,000 for the years ended December 31, 2009 and 2008, all considered public education, respectively. Marketing and promotion includes the cost of production of public service announcements totaling approximately \$126,000 and \$150,000 for the years ended December 31, 2009 and 2008 respectively.

Donated Services and Materials

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

Income Taxes

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

Federal and State information returns for years prior to 2006 are no longer subject to examination by tax authorities.

Subsequent Events

These financial statements were approved by management and available for issuance on April 13, 2010. 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,	
	2009	2008
Photo equipment	\$ 6,241	\$ 6,241
Office equipment	76,131	72,602
Leasehold improvements	52,078	52,078
	134,450	130,921
Accumulated depreciation and amortization	(87,773)	(54,940)
	<u>\$ 46,677</u>	<u>\$ 75,981</u>

3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due from one donor, are unrestricted and total \$300,000 and \$400,000 at December 31, 2009 and 2008 respectively.

Unconditional promises to give at December 31, 2009 are due as follows:

Less than one year	\$ 100,000
One to five years	200,000
	<u>\$ 300,000</u>

4 - CONCENTRATIONS

Major Grants

The Organization disbursed grants to approved treatment sites as follows:

		December 31,	
		2009	2008
The Blue Roof Clinic	South Africa	\$ 395,324	\$ 900,114
Icyuzuzo Clinic	Rwanda	226,001	255,000
Alive Medical Services	Uganda	723,917	658,583
Agape Orphanage	South Africa	90,491	144,547
Chandrakal Orphanage	India	60,044	25,000
Boikarabelo	South Africa	125,886	295,510
Family Care Clinic	Kenya	124,989	138,640
Bobbi Bear	South Africa	190,479	119,245
Ikageng Itireteng Aids Ministry	South Africa	143,631	137,954
Other		1,500	77,435
		<u>\$ 2,082,262</u>	<u>\$ 2,752,028</u>

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

4 – CONCENTRATIONS

Major Grants (Continued)

Grants disbursed to three (3) approved treatment sites in 2009 and in 2008 individually exceeded 10% of total grants made in each year aggregating 65% and 67% of total grants in 2009 and 2008, respectively.

5 - RELATED PARTIES

The President and Vice President of the Organization are also board members of two affiliates, Keep A Child Alive, South Africa (KCA-SA) and Keep a Child Alive, United Kingdom (KCA-UK). During the years ended December 31, 2009 and 2008, the Organization received the proceeds of a grant for KCA-SA from the Stephen Lewis Foundation totaling \$187,298 and \$333,624, 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.)

Included in other assets at December 31, 2009 is \$70,300 that was advanced by the Organization on behalf of KCA-UK. The Organization continues to support the growth of KCA in the United Kingdom. Certain indirect expenses such as staff salaries have been absorbed by the Organization. All advances for direct expenses are reimbursed. Funds advanced will be repaid to the organization after the May 2010 BlackBall in the United Kingdom.

6 - COMMITMENTS

The Organization leases its administrative offices under an operating lease that expires August 2010. Remaining payments to be made on the lease in 2010 total \$39,678.

Rent expense for the years ended December 31, 2009 and 2008 totaled \$53,202 and \$53,447, respectively.

Grants

The Board of Directors has designated unrestricted net assets to fund the first quarter 2010 and 2009 budgets for approved treatment sites totaling \$596,206 and \$367,816, respectively.

Line of Credit

The Organization has a \$500,000 line of credit with a bank that expires June 24, 2010, which has not been utilized.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2009	2008
Blue Roof Clinic – funding equipment, salaries, supplies and administrative expenses	\$ 24,625	\$ 188,708
Clinton Global Initiative – funding of safe houses in India	190,611	-
	<u>\$ 215,236</u>	<u>\$ 188,708</u>

Net assets were released from donor restrictions in 2009, as follows:

Blue Roof Clinic	\$ 351,381
Clinton Global Initiative	24,389
	<u>\$ 375,770</u>

8 - IN-KIND DONATIONS

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

	December 31, 2009			
	Program Services	Management and General	Fundraising	Total
Editing services provided in creating video montages of site visits	\$ 387,349	\$ -	\$ 176,265	\$ 563,614
Advertising in magazines “Key to Life” campaign	35,600	-	17,800	35,600
Miscellaneous donated goods and services	54,042	16,151	18,027	88,221
	<u>\$ 476,991</u>	<u>\$ 16,151</u>	<u>\$ 194,292</u>	<u>\$ 687,435</u>

KEEP A CHILD ALIVE
NOTES TO FINANCIAL STATEMENTS

8 - IN-KIND DONATIONS (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 "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	19,021	10,152	10,152	39,325
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

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

9 - SPECIAL EVENTS

The Organization holds various fundraising events. For the years ended December 31, 2009 and 2008, revenues from the Black Ball event represented approximately 45% and 49%, respectively, of the Organization's total revenues.