

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. 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 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 opinions.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Friedman LLP

November 9, 2020

KEEP A CHILD ALIVE
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$2,124,981	\$ 1,882,161
Contributions receivable, net allowance of \$24,100	3,495	3,525
Unconditional promises to give, net allowance of \$941,466 and \$608,133	130,126	613,459
Loan receivable	184,315	-
Prepaid expenses	15,052	149,624
Total current assets	2,457,969	2,648,769
Property and equipment - at cost, less accumulated depreciation	293	800
Loan receivable, non-current	-	200,000
Other assets	-	4,200
	\$2,458,262	\$ 2,853,769
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 22,366	\$ 32,457
Commitments		
NET ASSETS		
Without donor restrictions	823,000	1,064,707
With donor restrictions	1,612,896	1,756,605
	2,435,896	2,821,312
	\$2,458,262	\$ 2,853,769

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 406,715	\$ 2,370,947	\$ 2,777,662
Other income	44,608	-	44,608
	451,323	2,370,947	2,822,270
Net assets released from restriction			
Satisfaction of program restrictions	2,181,323	(2,181,323)	-
	2,632,646	189,624	2,822,270
Expenses			
Program services	2,573,038	-	2,573,038
Management and general	136,772	-	136,772
Fundraising costs	164,543	-	164,543
	2,874,353	-	2,874,353
Allowance for donor-restricted promises to give	-	333,333	333,333
Total expenses and losses	2,874,353	333,333	3,207,686
Change in net assets before in-kind donations	(241,707)	(143,709)	(385,416)
In-kind donations - revenue	60,000	-	60,000
In-kind donations - expense	(60,000)	-	(60,000)
Change in net assets	(241,707)	(143,709)	(385,416)
Net assets, beginning of year	1,064,707	1,756,605	2,821,312
Net assets, end of year	\$ 823,000	\$ 1,612,896	\$ 2,435,896

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 290,439	\$ 3,673,425	\$ 3,963,864
Other income	20,199	-	20,199
	310,638	3,673,425	3,984,063
Net assets released from restriction			
Satisfaction of program restrictions	3,206,184	(3,206,184)	-
	3,516,822	467,241	3,984,063
Expenses			
Program services	2,437,694	-	2,437,694
Management and general	127,431	-	127,431
Fundraising costs	180,892	-	180,892
Severance expense	25,304	-	25,304
Total expenses	2,771,321	-	2,771,321
Change in net assets before in-kind donations	745,501	467,241	1,212,742
In-kind donations - revenue	95,199	-	95,199
In-kind donations - expense	(95,199)	-	(95,199)
Change in net assets	745,501	467,241	1,212,742
Net assets, beginning of year	319,206	1,289,364	1,608,570
Net assets, end of year	\$ 1,064,707	\$ 1,756,605	\$ 2,821,312

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising Costs	Total
Grants	\$ 1,958,787	\$ -	\$ -	\$ 1,958,787
Salaries and wages	158,981	5,880	35,981	200,842
Employee benefits and taxes	18,415	681	4,168	23,264
Professional fees	44,302	7,500	25,300	77,102
Office expense	1,198	3,922	113	5,233
Occupancy	1,972	1,577	246	3,795
Site visit expense	7,235	-	-	7,235
Consulting fees	11,143	61,339	-	72,482
Insurance	3,216	119	728	4,063
Marketing and promotion	77,894	4,084	260	82,238
Travel and related expenses	51	3,888	1,090	5,029
Outside services	269,650	25,462	89,337	384,449
Miscellaneous	11,637	3,250	7,193	22,080
Information technology	8,304	18,943	-	27,247
Depreciation	253	127	127	507
	\$ 2,573,038	\$ 136,772	\$ 164,543	\$ 2,874,353

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018			
	Program Services	Management and General	Fundraising Costs	Total
Grants	\$ 1,773,977	\$ -	\$ -	\$ 1,773,977
Salaries and wages	257,117	64,990	64,561	386,668
Employee benefits and taxes	41,272	10,432	10,363	62,067
Professional fees	26,010	7,274	9,986	43,270
Office expense	2,445	1,891	647	4,983
Occupancy	23,188	3,936	1,944	29,068
Site visit expense	20,248	-	-	20,248
Consulting fees	9,335	1,690	-	11,025
Insurance	2,162	547	543	3,252
Marketing and promotion	45,894	3,620	-	49,514
Travel and related expenses	2,508	3,044	1,607	7,159
Outside services	221,965	24,312	76,819	323,096
Miscellaneous	8,779	2,123	13,537	24,439
Information technology	2,515	3,432	745	6,692
Depreciation	279	140	140	559
	\$ 2,437,694	\$ 127,431	\$ 180,892	\$ 2,746,017

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (385,416)	\$ 1,212,742
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	507	559
Allowance for doubtful accounts	333,333	(125,900)
Loan receivable repayments in lieu of grant	15,685	-
Changes in assets and liabilities		
Contributions receivable	30	249,744
Prepaid expenses	134,572	(133,816)
Unconditional promises to give	150,000	251,426
Other assets	4,200	-
Loan receivable	-	(200,000)
Accounts payable and accrued expenses	(10,091)	(13,201)
Grants payable	-	(16,000)
Net cash provided by operating activities	242,820	1,225,554
Cash flows from financing activities		
Repayment of note payable	-	(500,000)
Net increase in cash and cash equivalents	242,820	725,554
Cash and cash equivalents, beginning of year	1,882,161	1,156,607
Cash and cash equivalents, end of year	\$ 2,124,981	\$ 1,882,161

See notes to financial statements.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION AND NATURE OF ACTIVITIES

Keep a Child Alive’s (“the Organization”) mission is to improve the health and wellbeing of vulnerable children, youth, adults and families around the world, with a focus on combating the physical, social and economic impacts of HIV. 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, India and Iraq. 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.

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 (US GAAP).

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, “Not-for-Profit Entities”. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the Organization’s mission at the board’s discretion. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes.

New Accounting Pronouncements Recently Adopted

The Organization adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (Topic 606) as amended, effective January 1, 2019, using the modified retrospective transition method in connection with the Organization’s special events and merchandise sales revenues. This new accounting standard outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. This standard supersedes existing revenue recognition requirements and eliminates most industry-specific guidance from GAAP. The core principle of the new accounting standard is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements Recently Adopted (Continued)

Management has determined that no judgement is necessary in the recognition of special events or merchandise sales revenue. Revenue from special events and merchandise sales are recognized at the point in time when the related goods have been sold or services have been rendered.

The Organization also adopted ASU No. 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”, for the year ended December 31, 2019 using the modified prospective approach. The ASU amends the new revenue recognition standard and long-standing contribution accounting guidance.

This ASU provides a more robust framework to determine when a transaction should be accounted for as a grant or as an exchange transaction and provides additional guidance about how to determine whether a grant is conditional. Contributions of cash or non-cash assets are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome. There was no restatement or cumulative effect to the financial statements as a result of adoption.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as of the date of the financial statements and for the periods presented. Accordingly, 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 Organization considers all highly liquid investments with a maturity of three months or less when purchased and money market accounts to be cash equivalents.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect.

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 net assets with donor restrictions.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

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.

Allowances have been recorded as follows:

	December 31,	
	2019	2018
Balance, beginning of year	\$ 632,233	\$ 750,000
Current year provision	333,333	8,133
Current year write-off	-	125,900
Balance, end of year	\$ 965,566	\$ 632,233

Property and Equipment

Property and equipment are stated at cost at the date acquired 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 of 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. Some costs are directly charged to each service area as they are clearly identified as program services or supporting services. Indirect costs are allocated to the different programs and supporting services benefitted on a reasonable basis that is consistently applied. All allocable indirect expenses are allocated between management and general and fundraising based upon time and effort.

Revenue Recognition - Contributions

Contributions of cash and other assets are reported as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions, are recognized at fair value as revenue when received or when an unconditional promise to give has been made. All contributions received without donor restriction are available for use in the year received.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 charitable organization as described in Section 509(a).

Subsequent Events

These financial statements were approved by management and available for issuance on November 9, 2020. Management has evaluated subsequent events through this date.

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets at:

	December 31,	
	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 2,124,981	\$ 1,882,161
Contributions receivable	3,495	3,525
Unconditional promise to give	130,126	613,459
	<u>2,258,602</u>	<u>2,499,145</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose	(1,612,896)	(1,756,605)
Financial assets available for expenditures within one year of the financial statement date	<u>\$ 645,706</u>	<u>\$ 742,540</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$228,000).

KEEP A CHILD ALIVE
NOTES TO FINANCIAL STATEMENTS

4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2019	2018
Office equipment	\$ 9,541	\$ 9,541
Accumulated depreciation	(9,248)	(8,741)
	\$ 293	\$ 800

5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows:

	December 31,	
	2019	2018
Less than one year	\$ 1,071,592	\$ 1,221,592
Less: allowance for doubtful accounts	(941,466)	(608,133)
	\$ 130,126	\$ 613,459

The remaining unconditional promises to give from three individual donors are expected to be received in 2020 and are reflected as “With Donor Restrictions”.

6 - LOAN RECEIVABLE

In November 2018, the Organization loaned \$200,000 to Zoe Life, an approved program site (See Note 8). The total amount of loan outstanding was \$184,315 and \$200,000, as of December 31, 2019 and 2018, respectively. The loan is due December 31, 2020 and is non-interest bearing.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

7 - NET ASSETS

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2019 and 2018:

	Balance, January 1, 2019	Contributions	Satisfaction of Program Restriction/ Allowances	Balance, December 31, 2019
With Purpose				
Program services	\$ 916,413	\$ 1,529,501	\$ (1,419,172)	\$ 1,026,742
Organization overhead	26,733	841,446	(412,151)	456,028
Other	200,000	-	(200,000)	-
Unconditional promises to give	613,459	-	(483,333)	130,126
	\$ 1,756,605	\$ 2,370,947	\$ (2,514,656)	\$ 1,612,896

	Balance, January 1, 2018	Contributions	Satisfaction of Program Restriction	Balance, December 31, 2018
With Purpose				
Program services	\$ 261,337	\$ 2,485,605	\$ (1,830,529)	\$ 916,413
Organization overhead	-	1,037,820	(1,011,087)	26,733
Other	100,000	-	100,000	200,000
Time restricted	63,142	-	(63,142)	-
Unconditional promises to give	864,885	150,000	(401,426)	613,459
	\$ 1,289,364	\$ 3,673,245	\$ (3,206,184)	\$ 1,756,605

8 - CONCENTRATIONS

Major Donors

The Organization received contributions from one donor that approximates 72% of the Organization's total revenue for the year ended December 31, 2019. Additionally, amounts due from three donors represented 55%, 30%, and 13% of the gross receivable balance (unconditional promises to give and contributions receivable) at December 31, 2019.

The Organization received contributions from one donor that approximates 77% of the Organization's total revenue for the year ended December 31, 2018. Additionally, amounts due from four donors represented 48%, 27%, 12% and 11% of the gross receivable balance (unconditional promises to give and contributions receivable) at December 31, 2018.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

8 - CONCENTRATIONS (Continued)

Major Service Providers

The Organization incurred outside services from one service provider that approximates 12% of the Organization's total expenses for the year ended December 31, 2019 (See Note 11).

Grants

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

Grantee	Location	December 31,	
		2019	2018
Alive Medical Services	Uganda	\$ 483,406	\$ 742,725
Zoe Life	South Africa	575,412	416,911
Sahara Centre for Residential Care	India	268,869	142,922
WE-ACTx for Hope	Rwanda	149,850	120,117
Ikageng Itireleng Aids Ministry	South Africa	107,000	76,000
Bobbi Bear	South Africa	102,294	84,000
Family Care Clinic	Kenya	74,000	45,000
Saahasee	India	47,623	48,935
Yazda	Iraq	96,333	60,167
Prayas	India	54,000	20,000
Other	Various	-	17,200
	Total	\$ 1,958,787	\$ 1,773,977

Grants disbursed to three and two individual approved program sites in 2019 and 2018, respectively, each exceeded 10% of total grants made in each year. The grants to these sites aggregated 68% and 66% of total grants for the years ended December 31, 2019 and 2018, respectively.

9 - RELATED PARTIES

The chairman of the board and another board member also serve on the board of an affiliate, Keep a Child Alive, South Africa ("KCA-SA"). KCA-SA owns the Blue Roof Clinic in South Africa in which Zoe Life operates (See Note 8, Concentrations, Grants).

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

9 - RELATED PARTIES (Continued)

A board member is the funding partner in a company that provided advertising services totaling \$77,790 for the year ended December 31, 2019. The board member donated in-kind advertising services totaling \$21,594 for the year ended December 31, 2018.

A family member of a board member provided marketing services totaling \$15,400 for the year ended December 31, 2019.

A board member of the Organization also serves on the board of Yazda, an approved program site (See Note 8, Concentrations, Grants).

10 - 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 \$671 and \$10,262 for the years ended December 31, 2019 and 2018, respectively. On December 31, 2019 the Plan was terminated.

11 - COMMITMENTS

Leases

The Organization leased its administrative offices on a month to month basis during 2018. Rent expense, excluding in-kind donated rent, for the year ended December 31, 2018 totaled \$29,068.

Outside Services Agreement

Effective May 1, 2018 the Organization entered into a three-year agreement with United Purpose (“UP”) to provide services including operations, fundraising, and communications support.

The Services Contract (“Contract”) had a twelve month term from May to April which was renewable annually. Per the Contract, UP receives a fee of \$400,000 during the term primarily to provide program site oversight and assistance to the Organization’s approved program sites. In June 2019, the Organization renewed the Contract with UP for an eighteen month term from June 2019 to December 2020 for a fee of \$600,000 paid bi-annually. This contract was subsequently terminated (See Note 13). The Organization incurred \$333,333 and \$266,667, for the years ended December 31, 2019 and 2018 respectively, related to the Contract (see Note 8, Concentrations, Major Service Providers).

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

12 - IN-KIND DONATIONS

In-kind donations includes donated rent totaling \$60,000 for the year ended December 31, 2019.

Donated services and materials for the year ended December 31, 2018 are as follows:

	Program Services	Management and General	Total
Miscellaneous goods and services	\$ 35,558	\$ 38,047	\$ 73,605
Marketing and advertising	21,594	-	21,594
	\$ 57,152	\$ 38,047	\$ 95,199

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.

13 - SUBSEQUENT EVENTS

The Organization's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 ("COVID-19") which in March 2020, was declared a pandemic by the World Health Organization. Accordingly, the Organization's scheduled fundraising events have been cancelled and management has re-focused program relief efforts. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies, as such, the Organization is unable to determine the impact on its financial position, operations and cash flows.

On June 29, 2020, the Organization obtained a loan from Capital One Bank (the "PPP Loan") in the amount of \$25,000 pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus, Aid, Relief, and Economic Security (CARES) Act (the "Act") enacted March 27, 2020 as implemented by the U.S. Small Business Administration. The PPP Loan accrues interest at a rate of 1% and matures on June 28, 2025. The proceeds of the PPP Loan may be used to pay payroll costs, certain mortgage interest payments, rent payments and utility payments. Interest (and potential principal payments) is deferred for the first six months. Subject to certain conditions defined in the Act, up to 100% of the PPP Loan may be forgiven.

In July 2020, the Organization terminated their Contract with UP (See Note 11).