

KEEP A CHILD ALIVE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED TOTALS FOR THE YEAR
ENDED DECEMBER 31, 2016)

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
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, 2017 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, 2017 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Friedman LLP

October 19, 2018

KEEP A CHILD ALIVE

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,156,607	\$ 341,270
Contributions receivable, net allowance of \$150,000 in 2017	127,369	332,374
Unconditional promises to give, net allowance of \$300,000 in 2017	462,423	351,535
Prepaid expenses	15,808	32,627
Total current assets	1,762,207	1,057,806
Property and equipment - at cost, less accumulated depreciation	1,359	9,941
Long-term unconditional promises to give, net allowance of \$300,000 in 2017	402,462	660,000
Other assets	4,200	20,572
	\$ 2,170,228	\$ 1,748,319
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current liabilities		
Line of credit	\$ -	\$ 750,000
Note payable	500,000	-
Accounts payable and accrued expenses	45,658	10,284
Grants payable	16,000	36,588
Total current liabilities	561,658	796,872
Commitments		
NET ASSETS (DEFICIENCY)		
Unrestricted	319,206	(185,006)
Temporarily restricted	1,289,364	1,136,453
	1,608,570	951,447
	\$ 2,170,228	\$ 1,748,319

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2017			Summarized 2016
	Unrestricted	Temporarily Restricted	Total	
Support and revenues				
Special events	\$ -	\$ -	\$ -	\$ 1,938,766
Less - direct costs of event	-	-	-	(674,458)
	-	-	-	1,264,308
Contributions	1,998,927	1,855,735	3,854,662	1,258,084
Gain on forgiveness of debt	375,000	-	375,000	-
Other income	10,567	-	10,567	5,639
	2,384,494	1,855,735	4,240,229	2,528,031
Net assets released from restriction				
Satisfaction of program restrictions	1,102,824	(1,102,824)	-	-
	3,487,318	752,911	4,240,229	2,528,031
Expenses and losses				
Program services	2,493,606	-	2,493,606	3,733,245
Management and general	174,109	-	174,109	242,212
Fundraising costs	143,156	-	143,156	350,441
	2,810,871	-	2,810,871	4,325,898
Severance expense	22,235	-	22,235	-
Total expenses	2,833,106	-	2,833,106	4,325,898
Allowance for contributions receivable	150,000	-	150,000	-
Allowance for donor-restricted promises to give	-	600,000	600,000	-
Total expenses and losses	2,983,106	600,000	3,583,106	4,325,898
Change in net assets before the effect of in-kind donations	504,212	152,911	657,123	(1,797,867)
In-kind donations - revenue	117,719	-	117,719	270,424
In-kind donations - expense	(117,719)	-	(117,719)	(270,424)
Change in net assets	504,212	152,911	657,123	(1,797,867)
Net assets, beginning of year	(185,006)	1,136,453	951,447	2,749,314
Net assets, end of year	\$ 319,206	\$ 1,289,364	\$ 1,608,570	\$ 951,447

See notes to financial statements.

KEEP A CHILD ALIVE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2017				Summarized
	Program Services	Management and General	Fundraising Costs	Total	2016
Grants	\$ 1,825,461	\$ -	\$ -	\$ 1,825,461	\$ 2,151,796
Salaries and wages	394,128	90,689	77,755	562,572	1,071,503
Employee benefits and taxes	76,217	17,538	15,037	108,792	272,179
Professional fees	35,238	11,161	8,931	55,330	56,432
Telephone	6,120	1,372	946	8,438	13,209
Postage	19	69	179	267	1,583
Office expense	3,343	2,715	1,133	7,191	12,619
Occupancy	43,653	8,462	4,151	56,266	123,819
Site visit expense	7,415	-	-	7,415	63,662
Printing	-	341	-	341	5,430
Consulting fees	4,453	8,500	660	13,613	315,939
Insurance	4,611	1,061	910	6,582	9,448
Marketing and promotion	3,193	-	-	3,193	73,963
Travel and related expenses	43,160	2,984	59	46,203	8,390
Outside services	26,608	12,027	20,255	58,890	81,499
Miscellaneous	12,800	9,458	10,249	32,507	50,315
Information technology	5,516	1,656	2,056	9,228	8,769
Depreciation	1,671	835	835	3,341	5,343
Loss on disposal of fixed assets	-	5,241	-	5,241	-
	\$ 2,493,606	\$ 174,109	\$ 143,156	\$ 2,810,871	\$ 4,325,898

See notes to financial statements.

KEEP A CHILD ALIVE
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 657,123	\$ (1,797,867)
Adjustments to reconcile change in net assets to net cash provided by (used in) provided by operating activities		
Depreciation	3,341	5,343
Allowance for doubtful accounts	600,000	-
Loss on disposal of fixed assets	5,241	-
Gain on forgiveness of debt	(375,000)	-
Changes in assets and liabilities		
Contributions receivable	55,005	(3,252)
Prepaid expenses	16,819	(10,082)
Unconditional promises to give	(453,350)	(11,535)
Other assets	16,372	(545)
Accounts payable and accrued expenses	35,374	(205)
Grants payable	(20,588)	36,588
Net cash provided by (used in) operating activities	540,337	(1,781,555)
Cash flows from financing activities		
Proceeds from note payable	500,000	-
Proceeds and repayments of line of credit	(375,000)	750,000
Net cash provided by financing activities	125,000	750,000
Net increase (decrease) in cash and cash equivalents	665,337	(1,031,555)
Cash and cash equivalents, beginning of year	341,270	1,372,825
Cash and cash equivalents, end of year	\$ 1,006,607	\$ 341,270
Non cash investing activities		
Retired fully depreciated property and equipment	\$ 34,545	\$ -

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.

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 audited financial statements for the year ended December 31, 2016 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. During the year ended December 31, 2017 an allowance for doubtful accounts of \$150,000 was established.

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.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

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

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

2 - 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 statements 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 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).

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation

Subsequent Events

These financial statements were approved by management and available for issuance on October 19, 2018. Management has evaluated subsequent events through this date.

KEEP A CHILD ALIVE
NOTES TO FINANCIAL STATEMENTS

3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2017	2016
Furniture and fixtures	\$ -	\$ 11,971
Office equipment	9,541	32,115
Accumulated depreciation	(8,182)	(34,145)
	<u>\$ 1,359</u>	<u>\$ 9,941</u>

4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows:

	December 31,	
	2017	2016
Less than one year	\$ 762,423	\$ 351,535
One to five years	702,462	660,000
	<u>\$ 1,464,885</u>	<u>\$ 1,011,535</u>
Less: allowance for doubtful accounts	(600,000)	-
	<u>\$ 864,885</u>	<u>\$ 1,011,535</u>

Unconditional promises to give, from four individual donors and two individual donors in 2017 and 2016, respectively, will be received in a future period and are reflected as temporarily restricted contributions accordingly.

Management has established an allowance of \$600,000 for 2017. Management expects to collect the remaining amounts in the next two years.

5 - NOTES PAYABLE

On March 17, 2017, the Organization borrowed \$500,000 from Alicia Keys, (See Note 1). The note was due one year from the date of the agreement and bears no interest. On March 15, 2018, the Organization repaid the note in full.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

6 - CONCENTRATIONS

Major Donors

The Organization received contributions from two donors that each approximate 26% of the Organization's total revenue or \$2,000,000 in 2017. Additionally, amounts due from two donors represented 40% and 36% of the total receivable balance (unconditional promises to give and contributions receivable) at December 31, 2017.

The Organization received contributions 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.

Special Events

The Organization holds various fundraising events. For the year ended December 31, 2016 revenues from the Black Ball event represented approximately 56% of the Organization's total revenues. For the year ended December 31, 2017, the Organization did not hold a Black Ball or any other significant fundraising events.

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,	
		2017	2016
Alive Medical Services	Uganda	\$ 728,473	\$ 851,804
Zoe Life	South Africa	451,325	356,666
Sahara Centre for Residential Care	India	224,062	279,697
WE-ACTx for Hope	Rwanda	120,000	191,650
Ikageng Itireleng Aids Ministry	South Africa	120,000	157,000
Bobbi Bear	South Africa	84,000	101,384
Family Care Clinic	Kenya	28,000	81,073
Saahasee	India	33,265	52,329
Musicians Without Borders	Uganda	20,336	31,047
Prayas	India	16,000	28,465
The Blue Roof Clinic	South Africa	-	17,666
Other	Various	-	3,015
	Total	\$ 1,825,461	\$ 2,151,796

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

6 - CONCENTRATIONS (Continued)

Grants (Continued)

Grants disbursed to three individual approved program sites in 2017 and 2016, each exceeded 10% of total grants made in each year. The grants to these sites aggregated 77% and 69% of total grants in 2017 and 2016, respectively.

7 - RELATED PARTIES

The former Executive Director of the Organization was 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.

A board member is a partner in a company that donated in-kind advertising services totaling \$45,000 for the year ended December 31, 2016.

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

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 \$13,046 and \$31,872 for the years ended December 31, 2017 and 2016, respectively.

9 - COMMITMENTS

The Organization leased its administrative offices in New York City under an operating lease expiring December 2020. On July 31, 2017 the lease was assigned to an unrelated third party. Rent due and unpaid under this lease was donated by the lessor, (See Note 11). The Organization currently leases its administrative offices on a month to month basis.

Rent expense, excluding in-kind donated rent, for the years ended December 31, 2017 and 2016 totaled \$51,006 and \$112,834 respectively.

KEEP A CHILD ALIVE

NOTES TO FINANCIAL STATEMENTS

9 - COMMITMENTS (Continued)

Line of Credit

The Organization had a \$750,000 line of credit that was to be paid in one payment of outstanding principal plus accrued unpaid interest on October 4, 2017. Interest was payable at the bank's adjusted LIBOR rate plus 4.123% (4.75% at December 31, 2016).

On May 15, 2017, the Organization entered into an agreement with the bank to reduce the \$750,000 line of credit balance. 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 forgiveness of debt in 2017. As of December 31, 2017 there was no outstanding balance and the line was not renewed.

Affiliation

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 and an affiliation agreement and service contract was entered into in the subsequent period, (See Note 12).

10 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the years ended December 31, 2017 and 2016:

	Balance, January 1, 2017	Contributions	Satisfaction of Program Restriction	Allowance for doubtful accounts	Balance, December 31, 2017
Program services-site expenses	\$ 74,918	\$ 557,935	\$ (371,516)	\$ -	\$ 261,337
Time restricted	50,000	75,000	(61,858)	-	63,142
Unconditional promises to give	1,011,535	1,222,800	(769,450)	(600,000)	864,885
Event sponsorship*	-	-	100,000	-	100,000
	\$ 1,136,453	\$ 1,855,735	\$ (1,102,824)	\$ (600,000)	\$ 1,289,364

	Balance, January 1, 2016	Contributions	Satisfaction of Program Restriction	Allowance for doubtful accounts	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
	\$ 1,333,634	\$ 451,850	\$ (649,031)	\$ -	\$ 1,136,453

*A portion of unconditional promises to give that was collected is restricted for event sponsorship.

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, 2017			
	Program Services	Management and General	Fundraising	Total
Miscellaneous goods and services	\$ 37,123	\$ 37,122	\$ -	\$ 74,245
Rent	-	43,474	-	43,474
	\$ 37,123	\$ 80,596	\$ -	\$ 117,719

	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

During 2017, a portion of the rent for the Organization's prior administrative offices was donated.

Editing services were provided to create video montages for special events in 2016.

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.

12 - SUBSEQUENT EVENTS

Effective May 1, 2018 to April 30, 2021 the Organization entered into an affiliation agreement with United Purpose ("UP") to maximize financial efficiencies and charitable purpose impact. Each organization retains their board of directors in accordance with local charity laws.

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NOTES TO FINANCIAL STATEMENTS

12 - SUBSEQUENT EVENTS (Continued)

In conjunction with the affiliation agreement, the Organizations entered into a Services Contract (“Contract”) with a twelve month term. 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.