

Kids Alive International, Inc.

Auditor's Report and Financial Statements

December 31, 2013 and 2012



Kids Alive International, Inc.

December 31, 2013 and 2012

Contents

Independent Auditor's Report	1
---	----------

Financial Statements

Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors
Kids Alive International, Inc.
Valparaiso, Indiana

We have audited the accompanying financial statements of Kids Alive International, Inc. (Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditor's 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 auditor's 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 entity'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 entity'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 Kids Alive International, Inc. as of December 31, 2013 and 2012, 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.

BKD, LLP

Fort Wayne, Indiana
June 17, 2014

Kids Alive International, Inc.

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 609,337	\$ 593,149
Pledge receivable	359,676	504,834
Prepaid and other expenses	37,243	47,640
Investments	254,810	188,549
Beneficial interest in Community Foundation	92,922	82,201
Property and equipment, net	<u>8,579,419</u>	<u>8,073,082</u>
Total assets	<u>\$ 9,933,407</u>	<u>\$ 9,489,455</u>
Liabilities		
Accounts payable and accrued expenses	\$ 104,953	\$ 86,547
Annuities payable	47,928	55,891
Debt	<u>353,159</u>	<u>385,744</u>
Total liabilities	<u>506,040</u>	<u>528,182</u>
Net Assets		
Unrestricted	7,523,905	7,276,925
Temporarily restricted	1,853,630	1,634,516
Permanently restricted	<u>49,832</u>	<u>49,832</u>
Total net assets	<u>9,427,367</u>	<u>8,961,273</u>
Total liabilities and net assets	<u>\$ 9,933,407</u>	<u>\$ 9,489,455</u>

Kids Alive International, Inc.
Statements of Activities
Years Ended December 31, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains (Losses) and Other Support								
Contributions								
In-kind	\$ -	\$ 876,866	\$ -	\$ 876,866	\$ -	\$ 261,510	\$ -	\$ 261,510
MAP	-	1,200	-	1,200	-	1,200	-	1,200
Missionary support	-	2,116,145	-	2,116,145	-	1,784,963	-	1,784,963
Child support	-	2,059,897	-	2,059,897	-	1,817,377	-	1,817,377
Volunteer service teams/special projects	-	762,488	-	762,488	-	723,677	-	723,677
Buildings	-	131,213	-	131,213	-	201,828	-	201,828
Field and other	920,462	2,153,988	-	3,074,450	1,065,851	2,020,144	-	3,085,995
Dividend and interest income	12,848	-	-	12,848	8,488	-	-	8,488
Net realized and unrealized gains on investment	32,984	-	-	32,984	19,659	-	-	19,659
Change in value of split-interest agreements	3,311	-	-	3,311	6,752	-	-	6,752
Loss on disposal of property and equipment	(29,494)	-	-	(29,494)	(52,177)	-	-	(52,177)
Other	101,900	-	-	101,900	101,900	-	-	101,900
	1,042,011	8,101,797	-	9,143,808	1,150,473	6,810,699	-	7,961,172
Net assets released from restrictions for mission fields program services	7,882,683	(7,882,683)	-	-	7,268,069	(7,268,069)	-	-
Total revenue, gains (losses) and other support	8,924,694	219,114	-	9,143,808	8,418,542	(457,370)	-	7,961,172
Expenses								
Mission fields program services	7,390,558	-	-	7,390,558	6,232,683	-	-	6,232,683
Management and general	654,198	-	-	654,198	581,704	-	-	581,704
Fund raising	632,958	-	-	632,958	563,180	-	-	563,180
Total expenses	8,677,714	-	-	8,677,714	7,377,567	-	-	7,377,567
Change in Net Assets	246,980	219,114	-	466,094	1,040,975	(457,370)	-	583,605
Net Assets, Beginning of Year	7,276,925	1,634,516	49,832	8,961,273	6,235,950	2,091,886	49,832	8,377,668
Net Assets, End of Year	\$ 7,523,905	\$ 1,853,630	\$ 49,832	\$ 9,427,367	\$ 7,276,925	\$ 1,634,516	\$ 49,832	\$ 8,961,273

See Notes to Financial Statements

Kids Alive International, Inc.
Statements of Functional Expenses
Years Ended December 31, 2013 and 2012

	2013				2012			
	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses	Mission Fields Program Service	Management and General	Fund Raising	Total Expenses
Salaries, wages and related taxes	\$ 1,236,267	\$ 286,066	\$ 276,778	\$ 1,799,111	\$ 1,094,471	\$ 283,616	\$ 274,584	\$ 1,652,671
Employee benefits	363,764	89,283	86,385	539,432	303,592	78,850	76,339	458,781
Total salaries, wages and related expenses	<u>1,600,031</u>	<u>375,349</u>	<u>363,163</u>	<u>2,338,543</u>	<u>1,398,063</u>	<u>362,466</u>	<u>350,923</u>	<u>2,111,452</u>
Programs and activities								
Field ministry	3,902,159	-	-	3,902,159	3,731,784	-	-	3,731,784
Service teams	896,921	95	92	897,108	236,926	134	130	237,190
Total programs and activities	<u>4,799,080</u>	<u>95</u>	<u>92</u>	<u>4,799,267</u>	<u>3,968,710</u>	<u>134</u>	<u>130</u>	<u>3,968,974</u>
Supplies and expendables	13,044	9,526	9,216	31,786	7,280	5,984	5,794	19,058
Travel and entertainment	188,242	15,076	14,586	217,904	226,283	17,143	16,597	260,023
Utilities	7,072	5,528	5,349	17,949	7,389	6,074	5,880	19,343
Professional services and fees	309,725	169,690	164,181	643,596	190,219	122,101	118,212	430,532
Printing and publications	43,147	28,059	27,148	98,354	44,174	23,843	23,084	91,101
Postage and shipping	33,054	22,869	22,127	78,050	24,552	17,816	17,249	59,617
Depreciation	376,972	13,160	12,732	402,864	341,307	9,308	9,012	359,627
Other expenses	20,191	14,846	14,364	49,401	24,706	16,835	16,299	57,840
	<u>991,447</u>	<u>278,754</u>	<u>269,703</u>	<u>1,539,904</u>	<u>865,910</u>	<u>219,104</u>	<u>212,127</u>	<u>1,297,141</u>
Total	<u>\$ 7,390,558</u>	<u>\$ 654,198</u>	<u>\$ 632,958</u>	<u>\$ 8,677,714</u>	<u>\$ 6,232,683</u>	<u>\$ 581,704</u>	<u>\$ 563,180</u>	<u>\$ 7,377,567</u>
	<u>85.2%</u>	<u>7.5%</u>	<u>7.3%</u>	<u>100.0%</u>	<u>84.5%</u>	<u>7.9%</u>	<u>7.6%</u>	<u>100.0%</u>

Kids Alive International, Inc.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 466,094	\$ 583,605
Items not requiring (providing) operating activities cash flows		
Depreciation	402,864	359,629
Loss on disposal of property and equipment	29,494	52,177
Net realized and unrealized gains on investments	(32,984)	(19,659)
Noncash contribution expense of property and equipment	3,243	4,999
Contributions restricted for investment in property	(131,213)	(201,825)
Changes in		
Accounts and pledge receivable	145,158	148,275
Prepaid expenses and other	10,397	4,788
Accounts payable and accrued expenses	18,406	4,563
Annuities payable	(7,963)	(18,507)
	<u>903,496</u>	<u>918,045</u>
Investing Activities		
Purchase of property and equipment	(941,938)	(1,072,371)
Purchase of investments	(53,892)	(19,607)
Proceeds from sales and maturities of investments	9,894	11,756
	<u>(985,936)</u>	<u>(1,080,222)</u>
Financing Activities		
Principal payments on debt	(32,585)	(23,277)
Contributions restricted for investment in property	131,213	201,825
	<u>98,628</u>	<u>178,548</u>
Net Increase in Cash	16,188	16,371
Cash, Beginning of Year	<u>593,149</u>	<u>576,778</u>
Cash, End of Year	<u>\$ 609,337</u>	<u>\$ 593,149</u>
Supplemental Cash Flows Information		
Interest paid	\$ 17,467	\$ 25,629
Noncash contribution expense of property and equipment	(3,243)	(4,999)

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kids Alive International, Inc. (Organization) is a nondenominational evangelical faith mission founded in 1916 as Home of Onesiphorus, Inc. The name was changed to Kids Alive International, Inc. in 1982 when the headquarters were moved from Chicago, Illinois to Valparaiso, Indiana. Home of Onesiphorus, Inc. is no longer a registered entity as of July 2003.

Kids Alive International, Inc. is a ministry dedicated to the care of orphaned, abandoned and needy children and youth. The Organization serves these children through five distinct programs, each dedicated to fulfilling their spiritual, educational, physical, emotional and social needs:

Residential Homes: Needy and orphaned children are cared for in “family units” with Christian house parents and “brothers and sisters.”

Care Centers: Children who are still able to live with their immediate families receive assistance from Kids Alive International’s Care Center program where they are given healthy meals, basic medical care, spiritual guidance and education.

Schools: Education is provided to the children in the care of Kids Alive International, Inc. in order to provide the children with opportunity and hope for the future.

Medical Clinics: Kids Alive International, Inc. provides basic medical care, such as immunizations to children in their care, in addition to the local communities in which they are located.

Specialized Community Outreach: In some areas, Kids Alive International, Inc. runs programs designed for the community at-large, such as street children in larger cities, or supporting single mothers or grandmothers with help and resources to care for their own children and grandchildren.

The overarching goal of the Organization is to reach every child with the saving knowledge of Jesus Christ and to experience a Christian life in the service of God. This is accomplished by caring for them as is called for in James 1:27.

Kids Alive International, Inc. currently serves children and families in countries around the world through its affiliated partner ministries. The Organization’s revenue and other support are derived principally from contributions. The Organization participates by making grants to fund activities and has representation on the Board of each affiliate. Through these affiliates and its missionary team, the Organization provides care, training and discipleship to children and youth through children’s homes, schools, day programs and whatever other means are appropriate for the specific location.

The Organization partners with nationals, training them to serve the children and youth in their own cultures, thus expanding the ministry beyond what missionaries can do numerically and in the years ahead.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, there were no cash equivalents. Uninvested cash and cash equivalents, that are awaiting long-term investing, are considered investments.

At December 31, 2013, the Organization's cash accounts exceeded federally insured limits by approximately \$80,000.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities. Investment income that is originally restricted by the donor and for which the restriction is met in the same time period is recorded as temporarily restricted and then released from restriction.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization is not considered to be a private foundation.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	5-10
Buildings	40

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations 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 statements of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Donated Property and Equipment

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily or permanently restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense or an asset in its financial statements, and similarly increase donations by a like amount. For the years ended December 31, 2013 and 2012, in-kind contributions amounted to \$876,866 and \$261,510, respectively.

Functional Allocation of Expenses

Expenses have been classified as program services, management and general, and fund raising based on the actual direct expenditures and cost allocations based upon estimates of time spent by Organization personnel.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return

The Organization's investments are detailed as follows:

	2013	2012
Cash	\$ 2,117	\$ 2,945
Money market funds	12,450	7,395
Mutual funds		
Blended	27,391	18,238
Bond	65,681	68,063
Growth	39,362	26,142
International	19,571	17,738
Real estate	8,928	8,322
Value	29,280	27,067
Common stocks		
Technology	25,358	5,938
Services	12,159	1,457
Financial	12,513	5,244
Total	<u>\$ 254,810</u>	<u>\$ 188,549</u>

The following schedule summarizes the investment return for the years ended December 31, 2013 and 2012:

	2013	2012
Dividends and interest	\$ 12,848	\$ 8,488
Net realized and unrealized gains on investments	32,984	19,659
Total return on investments	<u>\$ 45,832</u>	<u>\$ 28,147</u>

Investment fees totaled \$4,602 and \$3,816 for 2013 and 2012, respectively, and are included in management and general expenses on the Statements of Activities.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 3: Pledge Receivable

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 129,510	\$ 141,017
Due within one to five years	<u>259,021</u>	<u>423,050</u>
	388,531	564,067
Less unamortized discount (3.96% and 4.75% for 2013 and 2012, respectively)	<u>(28,855)</u>	<u>(59,233)</u>
	<u><u>\$ 359,676</u></u>	<u><u>\$ 504,834</u></u>

Note 4: Interest in Assets at Porter County Community Foundation

The Organization has transferred assets to Porter County Community Foundation (Community Foundation) and retained a beneficial interest in those assets. The annual earnings allocable to the fund, net of fees and expenses will be retained within the fund. The Organization has granted power to Porter County Community Foundation to retain, invest and commingle the assets of the fund with those of other funds for investment purposes. The cumulative amount of the retained beneficial interest included in the statements of financial position was \$92,922 and \$82,201 at December 31, 2013 and 2012, respectively.

Amounts available for distribution are calculated by Porter County Community Foundation. The formula used is 5% of the three year ending average balance. Porter County Community Foundation determines whether or not any distributions will be made.

Note 5: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2013 and 2012:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Money market funds	\$ 12,450	\$ 12,450	\$ -	\$ -
Mutual funds				
Blended	27,391	27,391	-	-
Bond	65,681	65,681	-	-
Growth	39,362	39,362	-	-
International	19,571	19,571	-	-
Real estate	8,928	8,928	-	-
Value	29,280	29,280	-	-
Common stocks				
Technology	25,358	25,358	-	-
Services	12,159	12,159	-	-
Financial	12,513	12,513	-	-
Interest in assets of				
Community Foundation	92,922	-	-	92,922
December 31, 2012				
Money market funds	\$ 7,395	\$ 7,395	\$ -	\$ -
Mutual funds				
Blended	18,238	18,238	-	-
Bond	68,063	68,063	-	-
Growth	26,142	26,142	-	-
International	17,738	17,738	-	-
Real estate	8,322	8,322	-	-
Value	27,067	27,067	-	-
Common stocks				
Technology	5,938	5,938	-	-
Services	1,457	1,457	-	-
Financial	5,244	5,244	-	-
Interest in assets of				
Community Foundation	82,201	-	-	82,201

Kids Alive International, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The Organization has no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a nonrecurring basis. There have been no significant changes in the valuation techniques during the year ended December 31, 2013. For assets classified within Level 3 of the fair value hierarchy, the process to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market funds, common stocks and mutual funds. There are no Level 2 or 3 investments.

Interest in Assets of Community Foundation

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's office. The Controller's office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Interest in Assets of Community Foundation
Balance, January 1, 2012	\$ 73,034
Total realized and unrealized gains included in change in net assets	<u>9,167</u>
Balance, December 31, 2012	82,201
Total realized and unrealized gains included in change in net assets	14,289
Distributions	<u>(3,568)</u>
Balance, December 31, 2013	<u><u>\$ 92,922</u></u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

The realized and unrealized gains all relate to assets still held at the reporting date and are included in investment return on the statements of activities.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value at December 31, 2013	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 92,922	Discounted cash flows	Discount rates and growth rates	0%-15%

	Fair Value at December 31, 2012	Valuation Technique	Unobservable Inputs	Range
Interest in Assets of Community Foundation	\$ 82,201	Discounted cash flows	Discount rates and growth rates	0%-15%

Note 6: Property and Equipment

The Organization's property and equipment is detailed as follows:

	2013	2012
Buildings and improvements	\$ 8,118,065	\$ 7,676,902
Furnishings and equipment	2,001,467	1,813,410
Accumulated depreciation	10,119,532 (2,963,869)	9,490,312 (2,641,026)
Land	7,155,663 1,031,243	6,849,286 949,243
Construction in progress	392,513	274,553
	<u>\$ 8,579,419</u>	<u>\$ 8,073,082</u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

The Organization's property and equipment is located as follows:

	2013	2012
United States		
Buildings, Indiana	\$ 304,917	\$ 304,917
Furnishings and equipment	313,271	274,162
Land	22,869	22,869
	<u>641,057</u>	<u>601,948</u>
Accumulated depreciation	<u>(271,277)</u>	<u>(239,258)</u>
Total United States	<u>\$ 369,780</u>	<u>\$ 362,690</u>
Other Countries		
Dominican Republic	\$ 4,396,642	\$ 4,123,060
Guatemala	1,055,904	1,036,704
Haiti	782,000	584,683
Kenya	1,201,460	1,221,293
Lebanon	953,310	967,310
Papua New Guinea	253,203	214,203
Peru	1,029,860	897,081
Romania	333,626	333,626
Sudan	-	17,000
Taiwan	15,000	15,000
Zambia	488,713	427,646
Construction in progress, Dominican Republic	86,634	77,446
Construction in progress, Guatemala	28,732	6,355
Construction in progress, Haiti	54,859	23,500
Construction in progress, Kenya	85,832	75,777
Construction in progress, Peru	7,164	-
Construction in progress, South Sudan	78,850	34,850
Construction in progress, Zambia	50,441	56,626
	<u>10,902,230</u>	<u>10,112,160</u>
Accumulated depreciation	<u>(2,692,591)</u>	<u>(2,401,768)</u>
Total other countries	<u>8,209,639</u>	<u>7,710,392</u>
	<u>\$ 8,579,419</u>	<u>\$ 8,073,082</u>

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of the Organization. Although such items are recognized as assets of the Organization, it should be noted that the political situation in many countries is subject to rapid

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

change. Therefore, the reader should be aware that while the Organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries.

Note 7: Annuities Payable

The Organization has been the recipient of several gift annuities which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Organization has recorded a liability at December 31, 2013 and 2012, of \$47,928 and \$55,891, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6% in 2013 and 2012.

Note 8: Line of Credit

The Organization has a \$800,000 revolving line of credit agreement that is due on demand. At December 31, 2013 and 2012, there was nothing borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate plus .50%, and is payable monthly. The bank's prime rate was 3.25% on December 31, 2013 and 2012.

Note 9: Debt

	<u>2013</u>	<u>2012</u>
Mortgage payable (A)	<u>\$ 353,159</u>	<u>\$ 385,744</u>

(A) Due June 6, 2017; payable \$44,054 annually which includes interest at a variable rate based on the average Treasury securities rate plus 2.36% (3.05% at December 31, 2013 and 2012); secured by property and equipment.

Aggregate annual maturities of debt at December 31, 2013, are:

2014	\$ 33,770
2015	34,815
2016	35,892
2017	<u>248,682</u>
	<u>\$ 353,159</u>

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	<u>2013</u>	<u>2012</u>
Mission fields program services	\$ 1,493,954	\$ 1,129,682
Time restrictions, pledge receivable	<u>359,676</u>	<u>504,834</u>
Total temporarily restricted net assets	<u>\$ 1,853,630</u>	<u>\$ 1,634,516</u>

Note 11: Permanently Restricted Net Assets

The income from permanently restricted net assets is available for the following purposes:

	<u>2013</u>	<u>2012</u>
Any activity of the Organization	<u>\$ 49,832</u>	<u>\$ 49,832</u>

Note 12: Endowment

The Organization's endowment consists of a fund held at the Porter County Community Foundation (Community Foundation). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 13: Pension Plan

The Organization has a defined contribution pension plan. Contributions to the plan are made for all employees who are 21 years of age with at least one year of service. The Organization's contribution consists of a discretionary contribution of 5.0% of eligible compensation. Employee benefit expense under this plan was \$53,093 and \$57,158 for 2013 and 2012, respectively.

Kids Alive International, Inc.

Notes to Financial Statements December 31, 2013 and 2012

Note 14: Funds Held by Others

The Christian Community Foundation, Inc. and Porter County Community Foundation, Inc. (Foundations) are unrelated foundations holding donor advisory funds for the benefit of the Organization. The Foundations have been granted variance power over these funds, and accordingly, the Organization has not included these funds as an asset in the accompanying statements of financial position. At December 31, 2013 and 2012, the balance of these funds approximated \$78,052 and \$74,027, respectively.