

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Action for Healthy Kids, Inc.
Years Ended December 31, 2013 and 2012
With Reports of Independent Auditors

Ernst & Young LLP



Action for Healthy Kids, Inc.

Financial Statements and
Supplementary Information

Years Ended December 31, 2013 and 2012

Contents

Report of Independent Auditors.....	1
Financial Statements	
Balance Sheets	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements.....	7
Supplementary Information	
Report of Independent Auditors on Supplementary Information	13
Statements of Functional Expenses	14



Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Report of Independent Auditors

The Board of Directors and Management
Action for Healthy Kids, Inc.

We have audited the accompanying financial statements of Action for Healthy Kids, Inc., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of activities 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. 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 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 Action for Healthy Kids, Inc. at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

May 7, 2014

Action for Healthy Kids, Inc.

Balance Sheets

	December 31	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,943,407	\$ 2,251,718
Accounts and contributions receivable	592,176	674,898
Prepaid expenses and other assets	18,301	27,098
Total current assets	<u>2,553,884</u>	2,953,714
Noncurrent contributions receivable	193,586	–
Prepaid expenses and other assets	5,928	5,928
Property and equipment, net	28,406	41,345
Total assets	<u><u>\$ 2,781,804</u></u>	<u><u>\$ 3,000,987</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 657,338	\$ 545,623
Net assets (deficit):		
Unrestricted:		
Designated	879,665	913,021
Undesignated	(44,232)	(79,707)
Total unrestricted	<u>835,433</u>	833,314
Temporarily restricted	1,289,033	1,622,050
Total net assets	<u>2,124,466</u>	2,455,364
Total liabilities and net assets	<u><u>\$ 2,781,804</u></u>	<u><u>\$ 3,000,987</u></u>

See accompanying notes to financial statements.

Action for Healthy Kids, Inc.

Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and other revenues			
Contributions	\$ 285,615	\$ 3,350,581	\$ 3,636,196
Government grants	255,820	–	255,820
In-kind contributions	113,690	–	113,690
Conferences and other	84,635	–	84,635
Interest income	725	–	725
Released from restrictions	3,683,598	(3,683,598)	–
Total support and other revenues	<u>4,424,083</u>	<u>(333,017)</u>	<u>4,091,066</u>
Expenses			
Program expenses:			
National activities	2,643,539	–	2,643,539
State team activities	1,190,628	–	1,190,628
Total program expenses	<u>3,834,167</u>	<u>–</u>	<u>3,834,167</u>
Supporting services:			
Management and general	318,065	–	318,065
Fundraising and marketing	269,732	–	269,732
Total supporting services	<u>587,797</u>	<u>–</u>	<u>587,797</u>
Total expenses	<u>4,421,964</u>	<u>–</u>	<u>4,421,964</u>
Change in net assets	2,119	(333,017)	(330,898)
Net assets at beginning of year	833,314	1,622,050	2,455,364
Net assets at end of year	<u>\$ 835,433</u>	<u>\$ 1,289,033</u>	<u>\$ 2,124,466</u>

See accompanying notes to financial statements.

Action for Healthy Kids, Inc.

Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and other revenues			
Contributions	\$ 1,883,079	\$ 1,087,114	\$ 2,970,193
Government grants	283,537	–	283,537
In-kind contributions	103,970	–	103,970
Conferences and other	73,121	–	73,121
Interest income	581	–	581
Released from restrictions	1,893,079	(1,893,079)	–
Total support and other revenues	<u>4,237,367</u>	<u>(805,965)</u>	<u>3,431,402</u>
Expenses			
Program expenses:			
National activities	2,519,633	–	2,519,633
State team activities	901,169	–	901,169
Total program expenses	<u>3,420,802</u>	<u>–</u>	<u>3,420,802</u>
Supporting services:			
Management and general	284,965	–	284,965
Fundraising and marketing	203,732	–	203,732
Total supporting services	<u>488,697</u>	<u>–</u>	<u>488,697</u>
Total expenses	<u>3,909,499</u>	<u>–</u>	<u>3,909,499</u>
Change in net assets	327,868	(805,965)	(478,097)
Net assets at beginning of year	505,446	2,428,015	2,933,461
Net assets at end of year	<u>\$ 833,314</u>	<u>\$ 1,622,050</u>	<u>\$ 2,455,364</u>

See accompanying notes to financial statements.

Action for Healthy Kids, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2013	2012
Operating activities		
Change in net assets	\$ (330,898)	\$ (478,097)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,808	16,760
Changes in assets and liabilities:		
Accounts and contributions receivable	(110,864)	(59,384)
Prepaid expenses and other assets	8,797	(14,593)
Accounts payable and accrued liabilities	111,715	227,430
Net cash used in operating activities	<u>(302,442)</u>	<u>(307,884)</u>
Investing activities		
Purchases of property and equipment	<u>(5,869)</u>	<u>(10,586)</u>
Net decrease in cash and cash equivalents	(308,311)	(318,470)
Cash and cash equivalents at beginning of year	2,251,718	2,570,188
Cash and cash equivalents at end of year	<u>\$ 1,943,407</u>	<u>\$ 2,251,718</u>

See accompanying notes to financial statements.

Action for Healthy Kids, Inc.

Notes to Financial Statements

December 31, 2013

1. Organization

Action for Healthy Kids, Inc. (AFHK) is a charitable organization incorporated in Washington, D.C., in September 2002. AFHK was created to improve children's nutrition and physical activity in schools by collaborating with diverse stakeholders in advocating, promoting, and implementing national and state initiatives. AFHK consists of the national office and 51 state teams (one team per state and Washington, D.C.).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. These principles require management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates. Net assets, revenues, and investment income or loss are classified based on the existence or absence of donor-imposed restrictions, as follows:

- Temporarily restricted net assets are assets with donor restrictions that expire with the passage of time, the occurrence of an event, or the fulfillment of certain conditions. Earnings related to temporarily restricted net assets are recorded as temporarily restricted net assets until amounts are expensed in accordance with a donor's specified purposes. When donor restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.
- Unrestricted net assets are not subject to donor-imposed stipulations. Board-designated net assets are unrestricted net assets designated by the AFHK Board of Directors (the Board) to be used for several specific purposes. The Board retains control over these net assets and subsequently may, at its discretion, use the net assets for other purposes.

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

The carrying values of cash and cash equivalents, accounts and contributions receivable, prepaid expenses and other assets, noncurrent contributions receivable, and accounts payable and accrued liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Cash and Cash Equivalents

Cash equivalents include all liquid investments with a maturity of three months or less at the date of acquisition.

Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements for financial instruments measured at fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology are observable, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant.

AFHK has classified \$1,943,407 and \$2,251,718 of cash and investments in government securities as of December 31, 2013 and 2012, respectively, as Level 1.

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivable are considered fully collectible based on past experience and management judgment; therefore, no allowance for doubtful contribution accounts receivable is needed.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to seven years.

In-Kind Contributions

Donated services are recognized as in-kind contributions when the services require specialized skills and would otherwise be purchased by AFHK. The value of donated assets, supplies, and services is included as in-kind contribution revenue and a corresponding program expense in the financial statements. Many individuals volunteer time and perform a variety of tasks that assist AFHK. There were approximately 65,000 and 45,000 state team volunteers in 2013 and 2012, respectively. Although valuable, volunteer time is not recognized in the financial statements.

Income Taxes

AFHK has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal and state income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. No provision for income taxes has been made in the accompanying financial statements, as AFHK did not have any unrelated business income.

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

3. Fixed Assets

The following is a summary of fixed assets at December 31, valued at historical cost:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 34,553	\$ 28,684
Furniture and equipment	38,949	38,949
Leasehold improvements	29,494	29,494
Total acquisition cost	<u>102,996</u>	<u>97,127</u>
Less accumulated depreciation	74,590	55,782
	<u>\$ 28,406</u>	<u>\$ 41,345</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Universal Breakfast for Healthy Kids	\$ 129,751	\$ —
Get in the Action for Improved School Nutrition	—	177,138
School Breakfast for Healthy Kids	138,532	—
School Breakfast Initiative	—	250,000
Students Taking Charge	—	15,000
Texas Parents CATCH on to Wellness programs	—	—
The Learning Connection	7,289	12,046
Game On! The Ultimate Wellness Challenge	131,327	241,944
Active Kids Campaign	38,341	700,000
Putting Policy into Practice	54,894	50,000
Game On!	—	15,000
Colorado Parents for Healthy Kids	519,452	100,988
Every Kid Healthy	—	50,000
Volunteer Technology Project	—	9,934
School Breakfast Expansion	210,940	—
All Kids Get their Game On	12,000	—
Game on for Families	46,507	—
	<u>\$ 1,289,033</u>	<u>\$ 1,622,050</u>

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

5. Accounts and Contributions Receivable

At December 31, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 792,176	\$ 674,898
One to three years	193,586	—
	<u>\$ 985,762</u>	<u>\$ 674,898</u>

6. Donated Assets, Supplies, and Services

The value of donated assets, supplies, and services included as in-kind contribution revenue and the corresponding program expenses in the financial statements are as follows:

	<u>2013</u>	<u>2012</u>
Office expenses:		
Printing and copying	\$ 16,425	\$ 15,225
Telephone	6,825	5,245
Postage and delivery	2,030	1,970
Meeting costs	42,010	38,610
Travel	46,400	42,920
	<u>\$ 113,690</u>	<u>\$ 103,970</u>

7. Office Lease

AFHK leases its offices under the terms of a noncancelable lease agreement expiring on February 29, 2016, which requires AFHK to make minimum lease payments and pay a pro rata share of certain operating costs. Rent expense under the operating lease was \$83,782 and \$72,463 for 2013 and 2012, respectively.

Future minimum lease payments under the office lease as of December 31, 2013 are as follows:

2014	\$ 77,360
2015	79,679
2016	13,345
	<u>\$ 170,384</u>

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

8. Subsequent Events

AFHK evaluated events occurring between January 1, 2014 and May 7, 2014, which is the date the financial statements were available to be issued. AFHK does not have any subsequent events that require disclosure or recognition in the financial statements.

Supplementary Information



Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Action for Healthy Kids, Inc.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

May 7, 2014

Action for Healthy Kids, Inc.

Statement of Functional Expenses

Year Ended December 31, 2013

	Programs			Supporting Services			Total
	National Activities	State Team Activities	Total Programs	Management and General	Fundraising and Marketing	Total Supporting Services	
Accounting and legal fees	\$ 10,000	\$ –	\$ 10,000	\$ 62,964	\$ 15,741	\$ 78,705	\$ 88,705
Board meetings and expense:	–	–	–	7,916	2,639	10,555	10,555
Consulting fees	220,236	46,405	266,641	66,440	155,026	221,466	488,107
Insurance	5,879	2,450	8,329	980	490	1,470	9,799
Office expenses	105,296	66,716	172,012	5,379	11,076	16,455	188,467
Personnel	691,249	288,020	979,269	115,208	57,604	172,812	1,152,081
Postage and delivery	19,339	8,266	27,605	6,372	190	6,562	34,167
Project expenses	1,459,770	547,839	2,007,609	–	9,064	9,064	2,016,673
Rent	52,990	22,079	75,069	8,832	4,416	13,248	88,317
Travel and conference costs	78,780	208,853	287,633	29,868	8,784	38,652	326,285
Depreciation	–	–	–	14,106	4,702	18,808	18,808
Total functional expenses	\$ 2,643,539	\$ 1,190,628	\$ 3,834,167	\$ 318,065	\$ 269,732	\$ 587,797	\$ 4,421,964

Action for Healthy Kids, Inc.

Statement of Functional Expenses

Year Ended December 31, 2012

	Programs			Supporting Services			Total
	National Activities	State Team Activities	Total Programs	Management and General	Fundraising and Marketing	Total Supporting Services	
Accounting and legal fees	\$ 10,333	\$ –	\$ 10,333	\$ 58,057	\$ 19,352	\$ 77,409	\$ 87,742
Board meetings and expenses	–	–	–	14,576	4,859	19,435	19,435
Consulting fees	155,945	39,405	195,350	45,110	101,506	146,616	341,966
Insurance	4,415	1,840	6,255	736	368	1,104	7,359
Office expenses	84,597	42,674	127,271	7,606	4,464	12,070	139,341
Personnel	620,098	256,702	876,800	102,681	51,340	154,021	1,030,821
Postage and delivery	25,498	7,125	32,623	2,042	1,041	3,083	35,706
Project expenses	1,521,196	345,575	1,866,771	–	–	–	1,866,771
Rent	46,648	19,436	66,084	7,775	3,887	11,662	77,746
Travel and conference costs	50,903	188,412	239,315	33,812	12,725	46,537	285,852
Depreciation	–	–	–	12,570	4,190	16,760	16,760
Total functional expenses	<u>\$ 2,519,633</u>	<u>\$ 901,169</u>	<u>\$3,420,802</u>	<u>\$ 284,965</u>	<u>\$ 203,732</u>	<u>\$ 488,697</u>	<u>\$ 3,909,499</u>

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2013 Ernst & Young LLP.
All Rights Reserved.

ey.com

