

ACTION FOR HEALTHY KIDS, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Action for Healthy Kids, Inc (AFHK) (an Illinois nonprofit organization) which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFHK as of December 31, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AFHK and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about AFHK's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

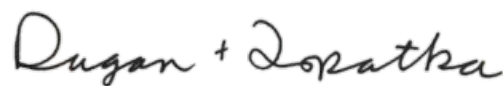
Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AFHK's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFHK's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



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ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,038,037	\$ 3,103,250
Investments	1,244,000	497,000
Accounts and contributions receivable	406,535	385,856
Other receivables	108,234	-
Prepaid expenses	19,092	170,893
Total current assets	<u>3,815,898</u>	<u>4,156,999</u>
PROPERTY AND EQUIPMENT, net	<u>21,022</u>	<u>30,297</u>
OTHER ASSETS:		
Security deposits	<u>5,928</u>	<u>5,928</u>
Total assets	<u>\$ 3,842,848</u>	<u>\$ 4,193,224</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 310,010	\$ 173,720
Notes payable	<u>401,152</u>	<u>-</u>
Total liabilities	<u>711,162</u>	<u>173,720</u>
NET ASSETS:		
Without donor restrictions - Designated	425,000	584,297
- Undesignated	<u>337,135</u>	<u>193,270</u>
Total net assets without donor restrictions	762,135	777,567
With donor restrictions	<u>2,369,551</u>	<u>3,241,937</u>
Total net assets	<u>3,131,686</u>	<u>4,019,504</u>
Total liabilities and net assets	<u>\$ 3,842,848</u>	<u>\$ 4,193,224</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 211,422	\$ 2,723,200	\$ 2,934,622	\$ 420,330	\$ 3,967,370	\$ 4,387,700
Government grants	-	-	-	50,031	-	50,031
Conferences and other	3,100	-	3,100	9,248	-	9,248
Forgiveness of debt	-	-	-	382,320	-	382,320
Employee Retention Credits	450,942	-	450,942	-	-	-
Interest income	2,835	-	2,835	14,650	-	14,650
	668,299	2,723,200	3,391,499	876,579	3,967,370	4,843,949
Net assets released from restrictions - Satisfaction of program restrictions	3,595,586	(3,595,586)	-	3,183,881	(3,183,881)	-
	4,263,885	(872,386)	3,391,499	4,060,460	783,489	4,843,949
EXPENSES:						
Program services	3,496,232	-	3,496,232	3,247,200	-	3,247,200
Management and general	428,971	-	428,971	409,487	-	409,487
Fundraising and marketing	354,114	-	354,114	543,230	-	543,230
	4,279,317	-	4,279,317	4,199,917	-	4,199,917
CHANGE IN NET ASSETS	(15,432)	(872,386)	(887,818)	(139,457)	783,489	644,032
NET ASSETS, Beginning of year	777,567	3,241,937	4,019,504	917,024	2,458,448	3,375,472
NET ASSETS, End of year	\$ 762,135	\$ 2,369,551	\$ 3,131,686	\$ 777,567	\$ 3,241,937	\$ 4,019,504

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ (887,818)	\$ 644,032
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,937	30,727
Forgiveness of debt	-	(382,320)
Changes in assets and liabilities -		
(Increase) decrease in accounts and contributions receivable	(20,679)	389,384
(Increase) in other receivables	(108,234)	-
Decrease in prepaid expenses	151,801	127,063
Increase (decrease) in accounts payable and accrued liabilities	136,290	(339,047)
	<u>(706,703)</u>	<u>469,839</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,678,000)	(3,677,000)
Proceeds from sale of investments	3,931,000	5,168,000
Purchase of property and equipment	(12,662)	(1,929)
	<u>(759,662)</u>	<u>1,489,071</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable	401,152	382,320
	<u>401,152</u>	<u>382,320</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,065,213)	2,341,230
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,103,250</u>	<u>762,020</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,038,037</u>	<u>\$ 3,103,250</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>	<u>Total</u>
Accounting and legal fees	\$ -	\$ 61,533	\$ -	\$ 61,533
Board meetings and expense	-	5,914	-	5,914
Consulting fees	182,450	4,668	84,406	271,524
Insurance	11,475	638	638	12,751
Office expenses	120,041	6,778	23,363	150,182
Personnel	1,479,708	333,814	191,858	2,005,380
Postage and delivery	2,232	116	116	2,464
Grants and program implementation	1,568,878	-	46,084	1,614,962
Occupancy	99,240	5,513	5,513	110,266
Travel and conference costs	12,465	8,900	1,039	22,404
Depreciation	19,743	1,097	1,097	21,937
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 3,496,232</u>	<u>\$ 428,971</u>	<u>\$ 354,114</u>	<u>\$ 4,279,317</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>	<u>Total</u>
Accounting and legal fees	\$ -	\$ 58,996	\$ -	\$ 58,996
Board meetings and expense	-	5,165	-	5,165
Consulting fees	308,073	5,329	24,526	337,928
Insurance	14,288	794	794	15,876
Office expenses	104,256	5,475	20,738	130,469
Personnel	1,518,406	319,631	487,326	2,325,363
Postage and delivery	4,061	203	264	4,528
Grants and program implementation	1,156,759	-	-	1,156,759
Occupancy	97,119	5,396	5,396	107,911
Travel and conference costs	16,584	6,962	2,649	26,195
Depreciation	27,654	1,536	1,537	30,727
	<u>\$ 3,247,200</u>	<u>\$ 409,487</u>	<u>\$ 543,230</u>	<u>\$ 4,199,917</u>
Total functional expenses	<u>\$ 3,247,200</u>	<u>\$ 409,487</u>	<u>\$ 543,230</u>	<u>\$ 4,199,917</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Action for Healthy Kids, Inc. (AFHK) is a charitable organization incorporated in Washington, D.C. in September 2002. AFHK is a nationwide grassroots network that mobilizes school professionals, parents, and communities to activate school-based programs that are in support of children's physical, social and emotional health, and well-being. Through training, funding, wellness programs and a shared determination to see all children become healthy, successful adults, AFHK provides the comprehensive support and resources needed to build healthy schools in every community.

The financial statements were available to be issued on June 15, 2022 with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements:

Accounting Method -

AFHK records its financial transactions and maintains its books and records on the accrual basis of accounting, which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

AFHK is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of AFHK. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of AFHK and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, AFHK considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

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.

(1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Concentrations of Credit Risk -

Financial instruments which potentially subject AFHK to concentrations of credit risk consist principally of cash. AFHK places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time.

Investments -

AFHK invests cash in certificates of deposit (CDs). The CDs are guaranteed by the FDIC and are recorded at cost due to low market volatility and tradability of the securities.

Receivables -

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 receivables are considered fully collectible based on past experience and management's judgment; therefore, no allowance for doubtful contribution and accounts receivables are needed. Other receivables consist of Employee Retention Credits.

Property and Equipment -

AFHK follows the practice of capitalizing all expenditures for property and equipment having a useful life in excess of one year. Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation and are depreciated over their estimated useful lives, which range from three to seven years, using the straight-line method. Any purchases over \$1,000 are capitalized.

In-Kind Contributions -

Donated services are recognized as contributions in accordance with the Accounting Standards Codification for *Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those 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 more than 100,000 volunteers in 2021 and 2020. Although valuable, volunteer time is not recognized in the financial statements.

(1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Estimates -

AFHK prepares its financial statements according to generally accepted accounting principles which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition for Contributions and Grants -

AFHK recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Restricted Resources -

AFHK 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, 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.

AFHK 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, AFHK reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Taxes -

AFHK has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Accordingly, no provision for income tax has been established.

AFHK files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, AFHK is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2018. AFHK does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, occupancy, depreciation and other, which are allocated on the basis of estimates of time and effort.

Recently Issued Accounting Pronouncement -

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. AFHK is currently evaluating this guidance to determine the impact it may have on its financial statements.

(2) ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

On December 31, 2021 and 2020, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 406,535	\$ 385,856
Receivable in greater than one year and less than five years	<u>-</u>	<u>-</u>
Total accounts and contributions receivable	406,535	385,856
Less unamortized discounts	<u>-</u>	<u>-</u>
Net accounts and contributions receivable	<u>\$ 406,535</u>	<u>\$ 385,856</u>

(3) INVESTMENTS:

The following is a summary of investments on December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Certificates of deposit – at cost	<u>\$ 1,244,000</u>	<u>\$ 497,000</u>

(4) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 137,980	\$ 125,318
Furniture and equipment	67,626	67,626
Leasehold improvements	<u>61,187</u>	<u>61,187</u>
	266,793	254,131
Less - accumulated depreciation	<u>245,771</u>	<u>223,834</u>
	<u>\$ 21,022</u>	<u>\$ 30,297</u>

(5) PAYROLL PROTECTION PROGRAM LOANS:

In April 2020, AFHK obtained a Payroll Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$382,320. Interest accrued at 1%, with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the Small Business Administration (SBA) remits the loan forgiveness amount, or 10 months after the end of the forgivable covered period, with the final payment due April 2022, consisting of interest and the entirety of the principal. As part of the loan agreement, the entire loan, or a portion can be forgiven. In November 2020, AFHK received notice from the SBA that their loan had been fully forgiven and has recorded a gain from the forgiven portion of the loan in accordance with ASC 470.

In February 2021, AFHK qualified and was approved for a second PPP loan as part of the Economic Aid Act in the amount of \$401,152. Interest accrues at 1%, with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount, or 10 months after the end of the forgivable covered period, with the final payment due February 2026, and with a portion or all of the balance eligible to be forgiven. In January 2022, AFHK received full forgiveness of the loan, and therefore the loan is classified as a current liability at December 31, 2021.

(6) NET ASSETS:

Board designated net assets are as follows:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 425,000	\$ 425,000
State teams	<u>-</u>	<u>159,297</u>
	<u>\$ 425,000</u>	<u>\$ 584,297</u>

(6) NET ASSETS: (Continued)

Net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Family School Partnership	\$ 491,240	\$ -
NourishEd Programming	421,195	1,428,510
Game On! The Ultimate Wellness Challenge	-	42,759
Active Kids Campaign	-	155,550
EnergizEd Programming	17,485	197,500
ConnectEd Programming	34,850	206,350
Active Schools	549,440	650,983
Healthy Active Living Boston Programming	200,000	-
Healthy School Coalition – El Paso	211,334	159,830
Parents for Healthy Kids	262,397	317,955
Texas Family School Partnership Programming	2,891	-
Maryland Family School Partnership Programming	37,229	-
Vaping Education Programming – El Paso TX	30,490	-
Florida Family School Partnership Programming	8,500	-
Florida School Partnership COVID Recovery and Vaccination Confidence Program	99,500	-
Urban School Wellness Coalition	<u>3,000</u>	<u>82,500</u>
	<u>\$ 2,369,551</u>	<u>\$ 3,241,937</u>

(7) COMMITMENTS:

AFHK leases its offices under the terms of a noncancelable lease agreement expiring in August 2023, which requires AFHK to make minimum lease payments and pay a pro rata share of certain operating costs. Rent expense under the office lease was \$106,524 and \$103,729 for 2021 and 2020, respectively. Additionally, AFHK leases office equipment under the terms noncancelable lease agreements expiring through September 2026. Lease expense under the equipment leases was \$6,706 and \$4,258 for 2021 and 2020, respectively. Future minimum lease payments under the office and equipment leases as of December 31, 2021 are as follows:

2022	\$ 118,362
2023	81,193
2024	4,636
2025	4,636
2026	3,477

(8) DONATED ASSETS, SUPPLIES AND SERVICES:

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

	<u>2021</u>	<u>2020</u>
Communication services	\$ 32,000	\$ -
Supplies	<u>-</u>	<u>2,994</u>
	<u>\$ 32,000</u>	<u>\$ 2,994</u>

(9) LIQUIDITY AND AVAILABILITY:

The following represents AFHK's financial assets on December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets -		
Cash and cash equivalents	\$ 2,038,037	\$ 3,103,250
Investments	1,244,000	497,000
Accounts and contributions receivable	406,535	385,856
Other receivables	<u>108,234</u>	<u>-</u>
Total financial assets	3,796,806	3,986,106
Donor imposed restrictions	<u>2,369,551</u>	<u>3,241,937</u>
Net financial assets after donor-imposed restrictions	1,427,255	744,169
Internal designations -		
Board advised funds	<u>425,000</u>	<u>584,297</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 1,002,255</u>	<u>\$ 159,872</u>

AFHK receives significant contributions, some of which are restricted by donors to fund specific programs or projects. Such restricted funds are tracked for use for the identified program or project. Restricted contributions of \$2,723,200 and \$3,967,370 were received during the years ended December 31, 2021 and 2020, respectively.

AFHK manages its liquidity and reserves following three guiding principles:

- operating within a prudent range of financial soundness and stability
- maintaining adequate liquid assets to fund near-term operating needs
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(10) RETIREMENT PLAN:

AFHK has a retirement accumulation 403(b) plan for all employees working more than 1,000 hours in the plan year. Employee contributions are voluntary and are made on a pre-tax basis. AFHK made matching contributions totaling \$26,481 and \$30,859 for the years ended December 31, 2021 and 2020.