

ACTION FOR HEALTHY KIDS, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017 AND 2016**

TOGETHER WITH AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Action for Healthy Kids, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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.

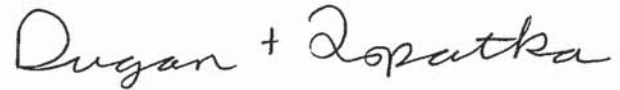
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

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

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. as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


DUGAN & LOPATKA

Wheaton, Illinois
August 28, 2018

ACTION FOR HEALTHY KIDS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,961,536	\$ 2,219,970
Certificates of deposit	275,000	600,000
Accounts and contributions receivable	735,514	1,103,657
Prepaid expenses	3,045	11,845
Total current assets	<u>3,975,095</u>	<u>3,935,472</u>
PROPERTY AND EQUIPMENT, net	<u>35,352</u>	<u>25,793</u>
OTHER ASSETS:		
Noncurrent contributions receivable	-	493,489
Security deposits	5,928	5,928
Total other assets	<u>5,928</u>	<u>499,417</u>
Total assets	<u>\$ 4,016,375</u>	<u>\$ 4,460,682</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 762,138	\$ 752,891
Note payable, current maturities	-	8,694
Total current liabilities	<u>762,138</u>	<u>761,585</u>
NOTE PAYABLE, net of current maturities	<u>-</u>	<u>66,306</u>
Total liabilities	<u>762,138</u>	<u>827,891</u>
NET ASSETS:		
Unrestricted - Designated	957,166	1,008,189
- Undesignated	148,311	(21,064)
Total unrestricted net assets	<u>1,105,477</u>	<u>987,125</u>
Temporarily restricted	<u>2,148,760</u>	<u>2,645,666</u>
Total net assets	<u>3,254,237</u>	<u>3,632,791</u>
Total liabilities and net assets	<u>\$ 4,016,375</u>	<u>\$ 4,460,682</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, 2017 AND 2016

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support and revenue -						
Contributions	\$ 1,114,886	\$ 4,409,061	\$ 5,523,947	\$ 659,890	\$ 5,973,981	\$ 6,633,871
Government grants	293,041	-	293,041	671,512	-	671,512
In-kind contributions	98,832	-	98,832	100,234	-	100,234
Conferences and other	80,287	-	80,287	77,173	-	77,173
Total public support and revenue	1,587,046	4,409,061	5,996,107	1,508,809	5,973,981	7,482,790
Net assets released from restrictions -						
Satisfaction of program restrictions	4,905,967	(4,905,967)	-	4,539,928	(4,539,928)	-
Net public support and revenue	6,493,013	(496,906)	5,996,107	6,048,737	1,434,053	7,482,790
EXPENSES:						
Program expenses -						
National Activities	3,563,430	-	3,563,430	3,193,979	-	3,193,979
State Team Activities	1,912,904	-	1,912,904	2,156,177	-	2,156,177
Total program expenses	5,476,334	-	5,476,334	5,350,156	-	5,350,156
Supporting services -						
Management and general	324,832	-	324,832	303,942	-	303,942
Fundraising and marketing	573,495	-	573,495	549,967	-	549,967
Total supporting services	898,327	-	898,327	853,909	-	853,909
Total expenses	6,374,661	-	6,374,661	6,204,065	-	6,204,065
CHANGE IN NET ASSETS	118,352	(496,906)	(378,554)	(155,328)	1,434,053	1,278,725
NET ASSETS, Beginning of year	987,125	2,645,666	3,632,791	1,142,453	1,211,613	2,354,066
NET ASSETS, End of year	\$ 1,105,477	\$ 2,148,760	\$ 3,254,237	\$ 987,125	\$ 2,645,666	\$ 3,632,791

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ (378,554)	\$ 1,278,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,409	13,869
Changes in assets and liabilities -		
(Increase) decrease in accounts and contributions receivable	861,632	(1,207,956)
Decrease in prepaid expenses	8,800	11,857
Increase (decrease) in accounts payable and accrued liabilities	9,247	(14,366)
	<u>516,534</u>	<u>82,129</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	-	(300,000)
Proceeds from certificates of deposit	325,000	-
Purchase of property and equipment	(24,968)	(19,625)
	<u>300,032</u>	<u>(319,625)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable	-	75,000
Payments on notes payable	(75,000)	-
	<u>(75,000)</u>	<u>75,000</u>
Net cash provided by (used in) financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	741,566	(162,496)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,219,970</u>	<u>2,382,466</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,961,536</u>	<u>\$ 2,219,970</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, 2017

	Programs		Total Programs	Supporting Services		Total Supporting Services
	National Activities	State Team Activities		Management and General	Fundraising and Marketing	
Accounting and legal fees	\$ -	\$ -	\$ -	\$ 43,838	\$ 16,016	\$ 59,854
Board meetings and expense	-	-	-	25,735	8,578	34,313
Consulting fees	470,210	86,716	556,926	10,107	125,476	692,509
Insurance	9,832	6,489	16,321	1,376	1,966	3,342
Office expenses	64,222	25,614	89,836	4,975	38,022	42,997
Personnel	732,867	407,120	1,139,987	203,561	284,984	488,545
Postage and delivery	3,306	2,294	5,600	293	2,569	2,862
Project expenses	2,021,471	1,192,767	3,214,238	-	70,893	70,893
Rent	48,606	32,080	80,686	6,805	9,721	16,526
Travel and conference costs	212,916	159,824	372,740	16,585	11,418	28,003
Depreciation	-	-	-	11,557	3,852	15,409
Total functional expenses	\$ 3,563,430	\$ 1,912,904	\$ 5,476,334	\$ 324,832	\$ 573,495	\$ 898,327
						\$ 6,374,661

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, 2016

	Programs			Supporting Services		Total Supporting Services	Total
	National Activities	State Team Activities	Total Programs	Management and General	Fundraising and Marketing		
Accounting and legal fees	\$ -	\$ -	\$ -	\$ 36,639	\$ 19,477	\$ 56,116	\$ 56,116
Board meetings and expense	-	-	-	21,565	7,188	28,753	28,753
Consulting fees	455,362	90,324	545,686	13,067	180,488	193,555	739,241
Insurance	9,272	6,119	15,391	1,298	1,854	3,152	18,543
Office expenses	69,994	27,113	97,107	5,173	22,634	27,807	124,914
Personnel	706,189	460,558	1,166,747	184,223	184,223	368,446	1,535,193
Postage and delivery	2,831	6,863	9,694	290	1,590	1,880	11,574
Project expenses	1,751,973	1,348,217	3,100,190	-	100,937	100,937	3,201,127
Rent	54,075	35,689	89,764	7,570	10,815	18,385	108,149
Travel and conference costs	144,283	181,294	325,577	23,715	17,294	41,009	366,586
Depreciation	-	-	-	10,402	3,467	13,869	13,869
Total functional expenses	\$ 3,193,979	\$ 2,156,177	\$ 5,350,156	\$ 303,942	\$ 549,967	\$ 853,909	\$ 6,204,065

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES:

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 in support of school-based nutrition and physical activity programs that lead to healthier schools where kids are healthy, active and better prepared to learn. 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 August 28, 2018, 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of AFHK and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by AFHK. Generally, the donors of these assets permit AFHK to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of December 31, 2017 and 2016.

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) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (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.

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 receivable are considered fully collectible based on past experience and management's judgment; therefore, no allowance for doubtful contribution accounts receivable is needed.

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 2017 and 2016. Although valuable, volunteer time is not recognized in the financial statements.

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.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (Continued)

Restricted Resources - (Continued)

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 years before 2014. AFHK does not expect a material net change in unrecognized tax benefits in the next twelve months.

Allocation of Expenses -

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(2) ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

At December 31, 2017 and 2016, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 735,514	\$ 1,103,657
Receivable in greater than one year and less than five years	<u>-</u>	<u>500,000</u>
Total accounts and contributions receivable	735,514	1,603,657
Less unamortized discounts	<u>-</u>	<u>(6,511)</u>
Net accounts and contributions receivable	<u>\$ 735,514</u>	<u>\$ 1,597,146</u>

(3) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 78,127	\$ 63,573
Furniture and equipment	50,588	42,163
Leasehold improvements	<u>40,509</u>	<u>38,519</u>
	169,224	144,255
Less - accumulated depreciation	<u>133,872</u>	<u>118,462</u>
	<u>\$ 35,352</u>	<u>\$ 25,793</u>

(4) NOTE PAYABLE:

	<u>2017</u>	<u>2016</u>
Note payable with available line of credit up to \$175,000 through July, 2017, with interest only payments, then monthly principal and interest payments of \$1,702 (as of December 31, 2017), with interest at 4.25%, due in June, 2021.	\$ -	\$ 75,000
Less - Current portion	<u>-</u>	<u>8,694</u>
Long-term portion	<u>\$ -</u>	<u>\$ 66,306</u>

The Note was paid off entirely during November, 2017.

(5) COMMITMENTS:

AFHK leases its offices under the terms of a noncancelable lease agreement expiring in June, 2021, 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 \$91,545 and \$94,365 for 2017 and 2016, respectively. Additionally, AFHK leases office equipment under the terms of a noncancelable lease agreement expiring in March, 20122. Lease expense under the equipment leases was \$6,398 and \$4,581 for 2017 and 2016, respectively.

Future minimum lease payments under the office and equipment leases as of December 31, 2017 are as follows:

2018	\$ 102,662
2019	105,573
2020	108,563
2021	58,393
2022	1,410

(6) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	<u>2017</u>	<u>2016</u>
Universal Breakfast for Healthy Kids	\$ 176,050	\$ 257,172
School Breakfast for Healthy Kids	301,142	74,215
Game On! The Ultimate Wellness Challenge	946,847	1,194,662
Active Kids Campaign	276,522	125,958
Putting Policy into Practice	-	3,372
Colorado Parents for Healthy Kids	141,243	460,759
Parents for Healthy Kids	306,956	433,213
Every Kid Healthy Coalition Evaluation Grant	-	96,315
	<u>\$ 2,148,760</u>	<u>\$ 2,645,666</u>

(7) 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>2017</u>	<u>2016</u>
Office expenses -		
Printing and copying	\$ 5,145	\$ 4,782
Telephone	150	1,550
Postage and delivery	250	950
Meeting costs	53,725	57,200
Travel	27,700	34,868
Office equipment	-	250
Program Materials	11,862	-
Accounting services	-	634
	<u>\$ 98,832</u>	<u>\$ 100,234</u>

(8) 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 did not make any matching contributions for the years ended December 31, 2017 and 2016.

(9) SUBSEQUENT EVENT:

AFHK acquired all assets related to Active Schools, a national initiative to ensure physical activity among children, from The Partnership for a Healthier America, Inc. during June 2018. AFHK assumes all duties, responsibilities and obligations in connection with the transferred assets. AFHK approximately received cash of \$479,000 in the transfer.