



FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Action for Healthy Kids, Inc.  
Years Ended December 31, 2012 and 2011  
With Reports of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Action for Healthy Kids, Inc.

Financial Statements and  
Supplementary Information

Years Ended December 31, 2012 and 2011

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## 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, 2012 and 2011, 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, 2012 and 2011, 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*

June 17, 2013

Action for Healthy Kids, Inc.

Balance Sheets

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,251,718	\$ 2,570,188
Accounts and contributions receivable	674,898	496,089
Prepaid expenses and other assets	27,098	12,505
Total current assets	<u>2,953,714</u>	3,078,782
Noncurrent contributions receivable	–	119,425
Prepaid expenses and other assets	5,928	5,928
Property and equipment, net	41,345	47,519
Total assets	<u><u>\$ 3,000,987</u></u>	<u><u>\$ 3,251,654</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 545,623	\$ 318,193
Net assets (deficit):		
Unrestricted:		
Designated	913,021	627,391
Undesignated	(79,707)	(121,945)
Total unrestricted	<u>833,314</u>	505,446
Temporarily restricted	1,622,050	2,428,015
Total net assets	<u>2,455,364</u>	2,933,461
Total liabilities and net assets	<u><u>\$ 3,000,987</u></u>	<u><u>\$ 3,251,654</u></u>

*See accompanying notes to financial statements.*

Action for Healthy Kids, Inc.

Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Support and other revenues</b>			
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 revenues	<u>4,237,367</u>	<u>(805,965)</u>	<u>3,431,402</u>
<b>Expenses</b>			
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
Fund-raising 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.

Statement of Activities

Year Ended December 31, 2011

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and other revenues</b>			
Contributions	\$ 1,832,993	\$ 2,428,015	\$ 4,261,008
Government grants	70,793	–	70,793
In-kind contributions	75,935	–	75,935
Conferences and other	56,682	–	56,682
Interest income	412	–	412
Released from restrictions	1,313,539	(1,313,539)	–
Total support and revenues	<u>3,350,354</u>	<u>1,114,476</u>	<u>4,464,830</u>
<b>Expenses</b>			
Program expenses:			
National activities	2,348,072	–	2,348,072
State team activities	625,704	–	625,704
Total program expenses	<u>2,973,776</u>	<u>–</u>	<u>2,973,776</u>
Supporting services:			
Management and general	237,724	–	237,724
Fund-raising and marketing	174,512	–	174,512
Total supporting services	<u>412,236</u>	<u>–</u>	<u>412,236</u>
Total expenses	<u>3,386,012</u>	<u>–</u>	<u>3,386,012</u>
Change in net assets	(35,658)	1,114,476	1,078,818
Net assets at beginning of year	541,104	1,313,539	1,854,643
Net assets at end of year	<u>\$ 505,446</u>	<u>\$ 2,428,015</u>	<u>\$ 2,933,461</u>

*See accompanying notes to financial statements.*

Action for Healthy Kids, Inc.

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Change in net assets	\$ (478,097)	\$ 1,078,818
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	16,760	8,748
Changes in assets and liabilities:		
Accounts and contributions receivable	(59,384)	(110,120)
Prepaid expenses and other assets	(14,593)	10,109
Accounts payable and accrued liabilities	227,430	(527,616)
Net cash (used in) provided by operating activities	<u>(307,884)</u>	459,939
<b>Investing activities</b>		
Purchases of property and equipment	<u>(10,586)</u>	(53,375)
Net (decrease) increase in cash and cash equivalents	(318,470)	406,564
Cash and cash equivalents at beginning of year	<u>2,570,188</u>	2,163,624
Cash and cash equivalents at end of year	<u><u>\$ 2,251,718</u></u>	<u><u>\$ 2,570,188</u></u>

*See accompanying notes to financial statements.*



# Action for Healthy Kids, Inc.

## Notes to Financial Statements

December 31, 2012

### **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, 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 (ASC) 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. 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 include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

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

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.

AFHK has classified \$2,251,718 and \$2,570,188 of cash and investments in government securities as of December 31, 2012 and 2011, 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 45,000 and 33,000 state team volunteers in 2012 and 2011, respectively. The volunteer time is not recognized as contributions 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:

	<b>2012</b>	<b>2011</b>
Computer equipment	\$ 28,684	\$ 21,883
Furniture and equipment	38,949	38,949
Leasehold improvements	29,494	25,709
Total acquisition cost	<u>97,127</u>	86,541
Less accumulated depreciation	55,782	39,022
	<u>\$ 41,345</u>	<u>\$ 47,519</u>

**4. Temporarily Restricted Net Assets**

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

	<b>2012</b>	<b>2011</b>
Get in the Action for Improved School Nutrition	\$ 177,138	\$ 1,500,000
School breakfast program	250,000	11,490
Students Taking Charge program	15,000	-
Texas Parents CATCH on to Wellness programs	-	33,748
Launching the Learning Connection	12,046	100,000
Ultimate Wellness Challenge	241,944	358,275
Student Physical Activity program	700,000	-
Game On program	65,000	-
Layering and Resource Clearinghouse project	-	32,390
Ohio Fuel Up to Play 60 programs	-	25,000
Colorado Parent Network Expansion	100,988	295,534
Every Kid Healthy event	50,000	-
National Volunteer Network project	9,934	71,578
	<u>\$ 1,622,050</u>	<u>\$ 2,428,015</u>

## Action for Healthy Kids, Inc.

### Notes to Financial Statements (continued)

#### 5. Accounts and Contributions Receivable

The timing of payments against accounts and contributions receivable as determined by the agreements that generated the accounts or contributions receivable at December 31 are expected to be as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 674,898	\$ 496,089
One to three years	–	119,425
	<u>\$ 674,898</u>	<u>\$ 615,514</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 for the year ended December 31 are as follows:

	<u>2012</u>	<u>2011</u>
Office expenses:		
Printing and copying	\$ 15,225	\$ 12,875
Telephone	5,245	4,590
Postage and delivery	1,970	2,360
Meeting costs	38,610	25,850
Travel	42,920	30,260
	<u>\$ 103,970</u>	<u>\$ 75,935</u>

#### 7. Office Lease

AFHK leases its offices in Chicago, Illinois, 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 \$72,463 and \$75,490 for 2012 and 2011, respectively.

Action for Healthy Kids, Inc.

Notes to Financial Statements (continued)

**7. Office Leases (continued)**

The following is a schedule of future minimum lease payments under the office lease as of December 31, 2012.

2013	\$ 75,114
2014	77,360
2015	79,679
2016	13,345
	<u>\$ 245,498</u>

**8. Subsequent Events**

AFHK evaluated events occurring between January 1, 2013 and June 17, 2013, 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

## 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*

June 17, 2013



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	Fund-raising 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
<b>Total functional expenses</b>	<b>\$ 2,519,633</b>	<b>\$ 901,169</b>	<b>\$ 3,420,802</b>	<b>\$ 284,965</b>	<b>\$ 203,732</b>	<b>\$ 488,697</b>	<b>\$ 3,909,499</b>

Action for Healthy Kids, Inc.

Statement of Functional Expenses

Year Ended December 31, 2011

	<b>Programs</b>			<b>Supporting Services</b>			<b>Total</b>
	<b>National Activities</b>	<b>State Team Activities</b>	<b>Total Programs</b>	<b>Management and General</b>	<b>Fund-raising and Marketing</b>	<b>Total Supporting Services</b>	
Accounting and legal fees	\$ 4,427	\$ –	\$ 4,427	\$ 61,327	\$ 20,442	\$ 81,769	\$ 86,196
Board meetings and expenses	–	–	–	13,238	4,413	17,651	17,651
Consulting fees	113,704	10,834	124,538	31,881	71,678	103,559	228,097
Insurance	4,935	2,056	6,991	823	411	1,234	8,225
Office expenses	60,384	40,649	101,033	5,452	3,937	9,389	110,422
Personnel	607,444	261,218	868,662	98,026	50,810	148,836	1,017,498
Postage and delivery	38,857	3,091	41,948	8,329	210	8,539	50,487
Project expenses	1,375,439	173,659	1,549,098	–	–	–	1,549,098
Rent	46,740	19,475	66,215	7,790	3,895	11,685	77,900
Travel and conference costs	96,142	114,722	210,864	4,297	16,529	20,826	231,690
Depreciation	–	–	–	6,561	2,187	8,748	8,748
<b>Total functional expenses</b>	<b>\$ 2,348,072</b>	<b>\$ 625,704</b>	<b>\$ 2,973,776</b>	<b>\$ 237,724</b>	<b>\$ 174,512</b>	<b>\$ 412,236</b>	<b>\$ 3,386,012</b>

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