

**ACTION FOR HEALTHY KIDS, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2014 AND 2013**  
**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, 2014, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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.  
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***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, 2014, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of Action for Healthy Kids, Inc. as of December 31, 2013 were audited by other auditors whose reported dated May 7, 2014, expressed an unmodified opinion on those statements.

  
DUCAN & LOPATKA

Wheaton, Illinois  
June 4, 2015

ACTION FOR HEALTHY KIDS, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,036,579	\$ 1,943,407
Accounts and contributions receivable	2,396,833	592,176
Prepaid expenses	9,733	18,301
Total current assets	<u>5,443,145</u>	<u>2,553,884</u>
PROPERTY AND EQUIPMENT, net	<u>22,301</u>	<u>28,406</u>
OTHER ASSETS:		
Noncurrent contributions receivable	-	193,586
Security deposits	5,928	5,928
Total other assets	<u>5,928</u>	<u>199,514</u>
Total assets	<u>\$ 5,471,374</u>	<u>\$ 2,781,804</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	<u>\$ 831,262</u>	<u>\$ 657,338</u>
NET ASSETS (DEFICIT):		
Unrestricted - Designated	1,155,293	879,665
- Undesignated	13,489	(44,232)
Total unrestricted net assets	<u>1,168,782</u>	<u>835,433</u>
Temporarily restricted	<u>3,471,330</u>	<u>1,289,033</u>
Total net assets	<u>4,640,112</u>	<u>2,124,466</u>
Total liabilities and net assets	<u>\$ 5,471,374</u>	<u>\$ 2,781,804</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, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support and revenue -						
Contributions	\$ 610,583	\$ 6,359,385	\$ 6,969,968	\$ 285,615	\$ 3,350,581	\$ 3,636,196
Government grants	617,420	-	617,420	255,820	-	255,820
In-kind contributions	74,070	-	74,070	113,690	-	113,690
Conferences and other	30,078	-	30,078	85,360	-	85,360
Total public support and revenue	1,332,151	6,359,385	7,691,536	740,485	3,350,581	4,091,066
Net assets released from restrictions -						
Satisfaction of program restrictions	4,177,088	(4,177,088)	-	3,683,598	(3,683,598)	-
Net public support and revenue	\$ 5,509,239	\$ 2,182,297	\$ 7,691,536	\$ 4,424,083	\$ (333,017)	\$ 4,091,066

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES:						
Program expenses -						
National Activities	\$ 3,111,752	\$ -	\$ 3,111,752	\$ 2,643,539	\$ -	\$ 2,643,539
State Team Activities	1,231,481	-	1,231,481	1,190,628	-	1,190,628
Total program expenses	4,343,233	-	4,343,233	3,834,167	-	3,834,167
Supporting services -						
Management and general	362,838	-	362,838	318,065	-	318,065
Fundraising and marketing	469,819	-	469,819	269,732	-	269,732
Total supporting services	832,657	-	832,657	587,797	-	587,797
Total expenses	5,175,890	-	5,175,890	4,421,964	-	4,421,964
CHANGE IN NET ASSETS	333,349	2,182,297	2,515,646	2,119	(333,017)	(330,898)
NET ASSETS, Beginning of year	835,433	1,289,033	2,124,466	833,314	1,622,050	2,455,364
NET ASSETS, End of year	<u>\$ 1,168,782</u>	<u>\$ 3,471,330</u>	<u>\$ 4,640,112</u>	<u>\$ 835,433</u>	<u>\$ 1,289,033</u>	<u>\$ 2,124,466</u>

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 2,515,646	\$ (330,898)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,868	18,808
Changes in assets and liabilities -		
(Increase) in accounts and contributions receivable	(1,611,071)	(110,864)
Decrease in prepaid expenses	8,568	8,797
Increase in accounts payable and accrued liabilities	<u>173,924</u>	<u>111,715</u>
Net cash provided by (used in) operating activities	1,102,935	(302,442)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(9,763)</u>	<u>(5,869)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,093,172	(308,311)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,943,407</u>	<u>2,251,718</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,036,579</u>	<u>\$ 1,943,407</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, 2014

	Programs			Supporting Services		Total Supporting Services	Total
	National Activities	State Team Activities	Total Programs	Management and General	Fundraising and Marketing		
Accounting and legal fees	\$ 16,250	\$ -	\$ 16,250	\$ 78,892	\$ 26,297	\$ 105,189	\$ 121,439
Board meetings and expense	-	-	-	19,710	6,570	26,280	26,280
Consulting fees	284,562	557,861	842,423	57,500	194,414	251,914	1,094,337
Insurance	6,074	4,009	10,083	850	1,215	2,065	12,148
Office expenses	52,798	19,799	72,597	17,275	16,554	33,829	106,426
Personnel	540,633	352,898	893,531	141,035	141,035	282,070	1,175,601
Postage and delivery	3,133	3,419	6,552	321	459	780	7,332
Project expenses	2,069,562	102,459	2,172,021	-	55,937	55,937	2,227,958
Rent	42,827	28,266	71,093	5,996	8,565	14,561	85,654
Travel and conference costs	95,913	162,770	258,683	29,358	14,806	44,164	302,847
Depreciation	-	-	-	11,901	3,967	15,868	15,868
Total functional expenses	<u>\$ 3,111,752</u>	<u>\$ 1,231,481</u>	<u>\$ 4,343,233</u>	<u>\$ 362,838</u>	<u>\$ 469,819</u>	<u>\$ 832,657</u>	<u>\$ 5,175,890</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, 2013

	Programs			Supporting Services		Total Supporting Services	Total
	National Activities	State Team Activities	Total Programs	Management and General	Fundraising and Marketing		
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
<b>Total functional expenses</b>	<b>\$ 2,643,539</b>	<b>\$ 1,190,628</b>	<b>\$ 3,834,167</b>	<b>\$ 318,065</b>	<b>\$ 269,732</b>	<b>\$ 587,797</b>	<b>\$ 4,421,964</b>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

(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's mission is to mobilize schools, parents, and communities as a nationwide grassroots network to help schools provide nutritious food and physical activity for our children. Together, we create healthy school environments that lead to academic success and lifelong healthy habits. 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 4, 2015, 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 the Organization. Generally, the donors of these assets permit the Organization 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, 2014 and 2013.

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 judgment; therefore, no allowance for doubtful contribution accounts receivable is needed.

Property and Equipment -

AFHK follows the practice of capitalizing all expenditures and 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 approximately 85,000 and 65,000 state team volunteers in 2014 and 2013, respectively. 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.

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

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.

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 2011. 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.

Reclassifications -

Prior year amounts have been reclassified to conform with the current year presentation.

(2) ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

At December 31, 2014 and 2013, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 2,396,833	\$ 592,176
One to three years	<u>-</u>	<u>193,586</u>
	<u>\$ 2,396,833</u>	<u>\$ 785,762</u>

(3) PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 44,316	\$ 34,553
Furniture and equipment	38,949	38,949
Leasehold improvements	<u>29,494</u>	<u>29,494</u>
	112,759	102,996
Less - accumulated depreciation	<u>90,458</u>	<u>74,590</u>
	<u>\$ 22,301</u>	<u>\$ 28,406</u>

(4) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	<u>2014</u>	<u>2013</u>
Universal Breakfast for Healthy Kids	\$ 289,363	\$ 129,751
School Breakfast for Healthy Kids	1,154,478	138,532
The Learning Connection	-	7,289
Game On! The Ultimate Wellness Challenge	32,000	131,327
Active Kids Campaign	1,085,773	38,341
Putting Policy into Practice	44,554	54,894
Colorado Parents for Healthy Kids	337,080	519,452
School Breakfast Expansion	-	210,940
All Kids Get Their Game On	-	12,000
Game On! for Families	29,062	46,507
Every Kid Healthy Coalition Evaluation Grant	<u>499,020</u>	<u>-</u>
	<u>\$ 3,471,330</u>	<u>\$ 1,289,033</u>

(5) 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>2014</u>	<u>2013</u>
Office expenses -		
Printing and copying	\$ 10,225	\$ 16,425
Telephone	645	6,825
Postage and delivery	1,250	2,030
Meeting costs	41,150	42,010
Travel	<u>20,800</u>	<u>46,400</u>
	<u>\$ 74,070</u>	<u>\$ 113,690</u>

(6) COMMITMENTS:

AFHK leases its offices under the terms of a noncancelable lease agreement expiring in February, 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 \$80,196 and \$83,782 for 2014 and 2013, respectively.

Future minimum lease payments under the office lease as of December 31, 2014 are as follows:

2015	\$ 79,679
2016	<u>13,345</u>
	<u>\$ 93,024</u>