

**ACTION FOR HEALTHY KIDS, INC.**

**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2020 AND 2019**

**TOGETHER WITH AUDITOR'S REPORT**

## 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, 2020 and 2019, 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.

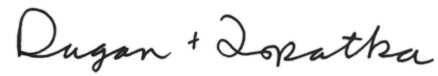
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.  
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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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Dugan + Lopatka".

DUGAN & LOPATKA

Warrenville, Illinois  
September 1, 2021

ACTION FOR HEALTHY KIDS, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,103,250	\$ 762,020
Investments	497,000	1,988,000
Accounts and contributions receivable	385,856	775,240
Prepaid expenses	170,893	297,956
Total current assets	4,156,999	3,823,216
PROPERTY AND EQUIPMENT, net	30,297	59,095
OTHER ASSETS:		
Security deposits	5,928	5,928
Total assets	\$ 4,193,224	\$ 3,888,239
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 173,720	\$ 512,767
NET ASSETS:		
Without donor restrictions - Designated	584,297	727,757
- Undesignated	193,270	189,267
Total net assets without donor restrictions	777,567	917,024
With donor restrictions	3,241,937	2,458,448
Total net assets	4,019,504	3,375,472
Total liabilities and net assets	\$ 4,193,224	\$ 3,888,239

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support and revenue -						
Contributions	\$ 420,330	\$ 3,967,370	\$ 4,387,700	\$ 452,360	\$ 3,779,000	\$ 4,231,360
Government grants	50,031	-	50,031	306,370	-	306,370
Conferences and other	9,248	-	9,248	67,645	-	67,645
Forgiveness of debt	382,320	-	382,320	-	-	-
Interest income	14,650	-	14,650	57,335	-	57,335
Total public support and revenue	876,579	3,967,370	4,843,949	883,710	3,779,000	4,662,710
Net assets released from restrictions -						
Satisfaction of program restrictions	3,183,881	(3,183,881)	-	5,198,854	(5,198,854)	-
Net public support and revenue	4,060,460	783,489	4,843,949	6,082,564	(1,419,854)	4,662,710
EXPENSES:						
Program services	3,247,200	-	3,247,200	4,855,277	-	4,855,277
Management and general	409,487	-	409,487	519,289	-	519,289
Fundraising and marketing	543,230	-	543,230	763,822	-	763,822
Total expenses	4,199,917	-	4,199,917	6,138,388	-	6,138,388
CHANGE IN NET ASSETS	(139,457)	783,489	644,032	(55,824)	(1,419,854)	(1,475,678)
NET ASSETS, Beginning of year	917,024	2,458,448	3,375,472	972,848	3,878,302	4,851,150
NET ASSETS, End of year	<u>\$ 777,567</u>	<u>\$ 3,241,937</u>	<u>\$ 4,019,504</u>	<u>\$ 917,024</u>	<u>\$ 2,458,448</u>	<u>\$ 3,375,472</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, 2020 AND 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 644,032	\$ (1,475,678)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,727	34,031
Forgiveness of note payable	(382,320)	-
Changes in assets and liabilities -		
(Increase) decrease in accounts and contributions receivable	389,384	(217,169)
Decrease in prepaid expenses	127,063	166,248
(Decrease) in accounts payable and accrued liabilities	(339,047)	(59,598)
Net cash provided by (used in) operating activities	469,839	(1,552,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,677,000)	(5,732,550)
Proceeds from sale of investments	5,168,000	6,592,171
Purchase of property and equipment	(1,929)	(11,267)
Net cash provided by investing activities	1,489,071	848,354
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable	382,320	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,341,230	(703,812)
CASH AND CASH EQUIVALENTS, Beginning of year	762,020	1,465,832
CASH AND CASH EQUIVALENTS, End of year	\$ 3,103,250	\$ 762,020

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
Rent	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.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>	<u>Total</u>
Accounting and legal fees	\$ -	\$ 64,478	\$ -	\$ 64,478
Board meetings and expense	-	43,396	-	43,396
Consulting fees	591,640	6,711	138,831	737,182
Insurance	18,963	1,054	1,054	21,071
Office expenses	111,524	5,523	26,900	143,947
Personnel	1,651,045	366,677	505,500	2,523,222
Postage and delivery	4,326	188	188	4,702
Grants and program implementation	2,069,769	-	52,970	2,122,739
Rent	99,114	5,503	5,503	110,120
Travel and conference costs	278,269	24,057	31,174	333,500
Depreciation	30,627	1,702	1,702	34,031
	<u>\$ 4,855,277</u>	<u>\$ 519,289</u>	<u>\$ 763,822</u>	<u>\$ 6,138,388</u>
Total functional expenses	<u>\$ 4,855,277</u>	<u>\$ 519,289</u>	<u>\$ 763,822</u>	<u>\$ 6,138,388</u>

The accompanying notes are an integral part of this statement.



ACTION FOR HEALTHY KIDS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

(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 September 1, 2021 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 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 2020 and 2019. 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 2017. 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.

Reclassifications –

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The overall reclassification had no impact on previously reported change in net assets or cash flows.

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, 2020 and 2019, the timing of payments of accounts and contributions receivable as determined by the underlying agreements are expected to be as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 385,856	\$ 775,240
Receivable in greater than one year and less than five years	<u>-</u>	<u>-</u>
Total accounts and contributions receivable	385,856	775,240
Less unamortized discounts	<u>-</u>	<u>-</u>
Net accounts and contributions receivable	<u>\$ 385,856</u>	<u>\$ 775,240</u>

(3) INVESTMENTS:

The following is a summary of investments on December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Certificates of deposit – at cost	<u>\$ 497,000</u>	<u>\$ 1,988,000</u>

(4) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 125,318	\$ 123,389
Furniture and equipment	67,626	67,626
Leasehold improvements	<u>61,187</u>	<u>61,187</u>
	254,131	252,202
Less - accumulated depreciation	<u>223,834</u>	<u>193,107</u>
	<u>\$ 30,297</u>	<u>\$ 59,095</u>

(5) PAYROLL PROTECTION PROGRAM LOAN:

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. AFHK has adopted ASC 470 to account for the loan and has recorded a gain from the forgiven portion of the loan.

In February 2021, AFHK qualified and was approved for a second PPP loan as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act in the amount of \$401,152. The new loan carries the same general terms and rules as the first PPP loan, with a portion or all of the balance eligible to be forgiven. The loan matures five years from the date of disbursement.

(6) 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 \$103,653 and \$103,729 for 2020 and 2019, respectively. Additionally, AFHK leases office equipment under the terms of a noncancelable lease agreement expiring in March 2022. Lease expense under the equipment leases was \$4,258 and \$6,229 for 2020 and 2019, respectively. Future minimum lease payments under the office and equipment leases as of December 31, 2020 are as follows:

2021	\$ 95,278
2022	113,726
2023	76,557

(7) LIQUIDITY AND AVAILABILITY:

The following represents AFHK's financial assets on December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets -		
Cash and cash equivalents	\$ 3,103,250	\$ 762,020
Investments	497,000	1,988,000
Accounts and contributions receivable	<u>385,856</u>	<u>775,240</u>
Total financial assets	3,986,106	3,525,260
Donor imposed restrictions	<u>3,241,937</u>	<u>2,458,448</u>
Net financial assets after donor-imposed restrictions	744,169	1,066,812
Internal designations -		
Board advised funds	<u>584,297</u>	<u>727,757</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>\$ 159,872</u>	<u>\$ 339,055</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 \$3,967,370 and \$3,779,000 were received during the years ended December 31, 2020 and 2019, 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.

(8) NET ASSETS:

Board designated net assets are as follows:

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 425,000	\$ 425,000
State teams	<u>159,297</u>	<u>302,757</u>
	<u>\$ 584,297</u>	<u>\$ 727,757</u>

Net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Universal Breakfast for Healthy Kids	\$ -	\$ 273,988
NourishEd Programming	1,428,510	-
Game On! The Ultimate Wellness Challenge	42,759	487,978
Active Kids Campaign	155,550	285,175
EnergizeEd Programming	197,500	-
ConnectEd Programming	206,350	-
Active Schools	650,983	571,129
Colorado Parents for Healthy Kids	-	104,047
Healthy School Coalition – El Paso	159,830	-
Parents for Healthy Kids	317,955	736,131
Urban School Wellness Coalition	<u>82,500</u>	<u>-</u>
	<u>\$ 3,241,937</u>	<u>\$ 2,458,448</u>

(9) 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>2020</u>	<u>2019</u>
Office expenses -		
Accounting services	\$ -	\$ 655
Supplies	<u>2,994</u>	<u>-</u>
	<u>\$ 2,994</u>	<u>\$ 655</u>

(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 \$30,859 and \$-0- for the years ended December 31, 2020 and 2019.

(11) MANAGEMENT RESPONSE TO COVID-19 PANDEMIC:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a part of these mitigation measures, AFHK had to make changes in how to operate its programs. AFHK received a PPP loan as part of the CARES Act (See Note 5). Additionally, AFHK has received a second PPP loan in 2021. AFHK cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact operations and the financial statements in the future.