

**ACTION FOR HEALTHY KIDS, INC.  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**TOGETHER WITH AUDITOR'S REPORT**



Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Action for Healthy Kids, Inc. and Affiliate (an Illinois nonprofit) (collectively, the Organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are required to be independent of the Organization 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.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization'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.

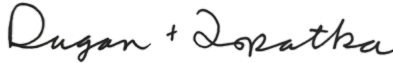
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To the Board of Directors and Management of  
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***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and activities is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2024, on our consideration of the Organization's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

  
DUGAN & LOPATKA

Warrenville, Illinois  
March 19, 2024



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Action for Healthy Kids, Inc and Affiliate (collectively, the Organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 19, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
To the Board of Directors and Management of  
Action for Healthy Kids, Inc. and Affiliate  
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***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DUGAN & LOPATKA

Warrenville, Illinois  
March 19, 2024

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

A S S E T S

## CURRENT ASSETS:

Cash and cash equivalents	\$ 1,426,006
Receivables - Government grants	482,455
- Contributions	141,908
- Program services	195,112
- Other	83,871
Investments	1,531,756
Inventory	36,228
Prepaid expenses	60,575
Total current assets	3,957,911
PROPERTY AND EQUIPMENT, net	26,927
OTHER ASSETS:	
Right of use asset	30,669
Security deposits	5,928
Total other assets	36,597
Total assets	\$ 4,021,435

LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 284,312
Operating lease liability, current	23,230
Deferred revenue	56,920
Total current liabilities	364,462
NON-CURRENT LIABILITIES:	
Operating lease liability, net of current	9,642
Total liabilities	374,104
NET ASSETS:	
Without donor restrictions - Designated	1,615,471
- Undesignated	104,811
Total net assets without donor restrictions	1,720,282
With donor restrictions	1,927,049
Total net assets	3,647,331
Total liabilities and net assets	\$ 4,021,435

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
SUPPORT AND REVENUE:			
Contributions	\$ 318,780	\$ 2,221,460	\$ 2,540,240
Government grants	1,057,151	-	1,057,151
Conferences and other	88,410	-	88,410
Consulting income	346,797	-	346,797
Employee Retention Credit	124,287	-	124,287
Product sales	42,798	-	42,798
Investment income	143,865	-	143,865
Other income	16,002	-	16,002
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total support and revenue	2,138,090	2,221,460	4,359,550
Net assets released from restrictions - Satisfaction of program restrictions	2,370,749	(2,370,749)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net support and revenue	4,508,839	(149,289)	4,359,550
EXPENSES:			
Program services	3,724,389	-	3,724,389
Management and general	700,316	-	700,316
Fundraising and marketing	546,088	-	546,088
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenses	4,970,793	-	4,970,793
CHANGE IN NET ASSETS	(461,954)	(149,289)	(611,243)
NET ASSETS, Beginning of year	768,890	2,076,338	2,845,228
	<u>                    </u>	<u>                    </u>	<u>                    </u>
EXCESS OF ASSETS OVER LIABILITIES ASSUMED IN BECOMING SOLE MEMBER OF ROCKY MOUNTAIN CENTER	1,413,346	-	1,413,346
	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET ASSETS, End of year	<u>\$ 1,720,282</u>	<u>\$ 1,927,049</u>	<u>\$ 3,647,331</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

## CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (611,243)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	16,685
Net realized and unrealized (gain) on investments	(46,774)
Non-cash portion of lease expense for operating leases	116,718
Changes in assets and liabilities -	
(Increase) in receivables	(399,332)
(Increase) in inventory	(13,932)
Decrease in prepaid expenses	31,887
Increase in accounts payable and accrued liabilities	59,947
(Decrease) in operating lease liabilities	(114,515)
Increase in deferred revenue	56,920
	<hr/>
Net cash (used in) operating activities	<u>(903,639)</u>

## CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(311,077)
Proceeds from sale of investments	1,593,000
Cash received from member	79,026
Purchase of property and equipment	(25,890)
	<hr/>
Net cash provided by investing activities	<u>1,335,059</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

431,420

CASH AND CASH EQUIVALENTS, Beginning of year

994,586

CASH AND CASH EQUIVALENTS, End of year

\$ 1,426,006

## NON-CASH TRANSACTIONS:

Right of use assets acquired through operating lease	<u><u>\$ 147,387</u></u>
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The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>	<u>Total</u>
Accounting and legal fees	\$ -	\$ 192,338	\$ -	\$ 192,338
Board meetings and expense	-	22,981	-	22,981
Consulting fees	67,014	3,606	96,300	166,920
Insurance	22,408	1,245	1,245	24,898
Office expenses	271,463	13,608	32,211	317,282
Personnel	1,718,394	440,827	350,310	2,509,531
Postage and delivery	5,683	316	316	6,315
Project expenses	1,449,646	-	50,100	1,499,746
Occupancy	111,503	6,195	6,195	123,893
Travel and conference costs	63,261	18,366	8,577	90,204
Depreciation	15,017	834	834	16,685
	<u>\$ 3,724,389</u>	<u>\$ 700,316</u>	<u>\$ 546,088</u>	<u>\$ 4,970,793</u>

The accompanying notes are an integral part of this statement.

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023

(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.

Effective October 2022, AFHK entered into an affiliation agreement with Rocky Mountain Center for Health Promotion and Education (RMC), a Colorado nonprofit organization. The affiliation intends to advance both the organization's missions and charitable and educational purposes by furthering their collective goal of reaching more school champions, families, and youth with better programs and services. As part of the agreement, AFHK and RMC will operate under common governance and consolidate programs.

The consolidated financial statements were available to be issued on March 19, 2024 with subsequent events being evaluated through this date.

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

Principles of Consolidation -

The accompanying consolidated financial statements include the accounts of Action for Healthy Kids, Inc. and its affiliate under common control, Rocky Mountain Center for Health Promotion and Education (collectively, the Organization). AFHK is the sole corporate member of RMC and has the ability to approve the election of directors and remove the Board of Directors for the entity. All significant intercompany transactions have been eliminated.

Accounting Method -

The Organization 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 -

The Organization 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 the Organization. These net assets may be used at the discretion of management and the board of directors.

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

Basis of Presentation - (Continued)

*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 the Organization 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, the Organization 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, receivables, 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.

Concentrations of Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization 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 receivables are considered fully collectible based on past experience and management's judgment; therefore, no allowance for doubtful pledge receivables are needed.

Grants and program services receivable are stated at unpaid balances, less an adjustment for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. At June 30, 2023, the allowance for doubtful accounts was \$-0-.

Other receivables consist of Employee Retention Credits.

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

Investments -

The Organization invests in certificates of deposit (CDs), mutual funds, and exchange traded funds. The CDs are guaranteed by the FDIC and are recorded at cost due to low market volatility and tradability of the securities. Mutual funds and exchange traded funds are carried at fair value. Net realized and unrealized gains and losses are reflected in the statement of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of market risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Inventory -

Inventory consists of educational materials and poster sets and is valued at the lower of cost, on a first-in, first-out basis (FIFO), or market.

Property and Equipment -

The Organization 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.

Revenue Recognition for Contributions and Grants -

The Organization 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. The Organization 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.

The Organization 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 assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

Revenue Recognition for Contributions and Grants - (Continued)

A portion of the Organization's revenue is derived from a federal cost-reimbursable grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Revenue Recognition for Program Fees -

The Organization receives program revenue from consulting contracts with schools, districts, health-related organizations and government entities. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided to a client.

Product Sales -

The Organization recognizes product sales revenue from its inventory. The performance obligation is met and revenue is recognized when the sale has occurred.

Deferred Revenue -

Contract liabilities include deferred revenue related to advanced payments for consulting revenue for future periods. These deposits are deferred until the performance obligation is completed.

In-Kind Contributions -

The Organization receives contributed nonfinancial assets that include donated assets, supplies and services. Gifts in-kind revenue is recorded at the respective fair values of the goods or services received at the time of the donation. The Organization did not receive any in-kind contributions during the year ended June 30, 2023.

In addition, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles that prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated.

Estimates -

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

Income Taxes -

The Organization 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.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization 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 2020. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Leases -

The Organization determines if an arrangement is a lease or contains a lease at inception of the contract. The Organization's operating leases are presented in operating lease right-of-use assets, and current and long-term portion of operating lease liabilities in the accompanying statement of financial position.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Organization's leases do not specify their implicit rate, the Organization has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Organization, less any lease incentives the Organization receives from the lessor. The Organization has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Organization's leases generally contain lease payments and reimbursements to the lessor of the Organization's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Organization has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred.

The Organization's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Organization will exercise the renewal options is generally at the Organization's sole discretion. The Organization includes lease extensions in the lease term when it is reasonably certain that the Organization will exercise the extension.

(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.

New Accounting Pronouncement -

Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Organization's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Organization is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Organization is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of July 1, 2022. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard. As a result of implementation, the Organization recorded additional lease assets and lease liabilities of \$147,384 as of July 1, 2022. Upon implementation, the Organization elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Organization to carry forward the historical lease identification, classification and initial direct costs associated with the Organization's pre-existing leases. The implementation of the amendments did not materially impact the Organization's net earnings or cash flows.

(2) CONTRIBUTIONS RECEIVABLE:

Contributions receivable representing outstanding promises to give made by donors to the Organization are as follows as of June 30, 2023:

Receivable in less than one year	\$ 141,908
Receivable in greater than one year and less than five years	_____
Total contributions receivable	141,908
Less unamortized discounts	_____
Net contributions receivable	<u>\$ 141,908</u>

(3) INVESTMENTS:

Investments consisted of the following as of June 30, 2023:

Mutual funds	\$ 532,310
Exchange traded funds	753,446
Certificate of deposits – at cost	<u>246,000</u>
Total investments	<u>\$ 1,531,756</u>

Investment income consists of the following for the year ended June 30, 2023:

Interest and dividends	\$ 99,503
Unrealized gain on investments	46,774
Investment fees	<u>(2,412)</u>
Total investment income	<u>\$ 143,865</u>

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices 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;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

(4) FAIR VALUE MEASUREMENTS: (Continued)

Level 3:

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual Funds and Exchange Traded Funds: Valued at the closing price (net asset value) reported on the active market on which the individual funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 532,310	\$ -	\$ -	\$ 532,310
Exchange traded funds	<u>753,446</u>	<u>-</u>	<u>-</u>	<u>753,446</u>
Total assets at fair value	<u>\$ 1,285,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,756</u>

(5) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following on June 30, 2023:

Computer equipment	\$ 161,071
Furniture and equipment	84,632
Leasehold improvements	<u>61,187</u>
	306,890
Less - Accumulated depreciation	<u>279,963</u>
	<u>\$ 26,927</u>

Depreciation expense was \$16,685 for the year ended June 30, 2023.

(6) NET ASSETS:

Board designated net assets are as follows as of June 30, 2023:

Operating reserve	\$ 1,365,471
Program development fund	<u>250,000</u>
	<u>\$ 1,615,471</u>

Net assets with donor restrictions are as follows as of June 30, 2023:

Family School Partnership	\$ 550,079
NourishEd Programming	868,890
EnergizEd Programming	925
Active Schools	155,085
Healthy Active Living Boston Programming	50,455
Healthy Schools Coalition – El Paso	142,208
Parents for Healthy Kids	5,378
Texas Family School Partnership Programming	2,878
Maryland Family School Partnership Programming	18,697
Vaping Education Programming – El Paso TX	127,454
National School District Wellness Coalition	<u>5,000</u>
	<u>\$ 1,927,049</u>

(7) CONTRACT LIABILITIES:

The following table provides information about significant changes in deferred revenue (or contract liabilities) as of June 30, 2023:

Deferred revenue, beginning of the year	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	-
Increase in deferred revenue due to cash received during the year	<u>56,920</u>
Deferred revenue, end of the year	<u>\$ 56,920</u>

(8) LEASES:

The Organization leases its office under an operating lease with a non-related party. The Organization is also responsible for its share of real estate taxes, insurance and maintenance costs for the building. Additionally, the Organization has an operating lease for a printer. The operating leases will expire at various dates through September 2026.

(8) LEASES: (Continued)

The components of lease expense for the year ending June 30, 2023 is as follows:

Operating lease cost	\$ 108,832
Variable lease cost	5,148
Short term cost	<u>9,913</u>
Total lease expense	<u>\$ 123,893</u>

Future minimum lease payments under noncancelable leases as of June 30, 2023 are as follows:

2024	\$ 24,205
2025	4,636
2026	4,636
2027	<u>1,160</u>
Total future minimum lease payments	34,637
Less imputed interest included	<u>(1,765)</u>
Present value of net minimum lease payments	<u>\$ 32,872</u>

The following provides additional information related to the Organization's leases as of and for the year ended June 30, 2023:

Current portion of lease liabilities	\$ 23,230
Long-term portion of lease liabilities	<u>9,642</u>
Total lease liabilities	<u>\$ 32,872</u>
Weighted average lease term	1.51 years
Weighted average discount rate	3.25%

Cash paid for amounts included in the measurements of the Organization's leases for the year ended June 30, 2023 is as follows:

Operating cash from operating leases	<u>\$ 118,612</u>
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Subsequent to year end, the office lease was extended and now expires in February 2029. The Organization recorded a right-to-use asset and lease liability of \$560,536 on September 1, 2023.

(9) LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets on June 30, 2023:

Financial assets -	
Cash and cash equivalents	\$ 1,426,006
Investments	1,531,756
Receivables	<u>903,346</u>
Total financial assets	3,861,108
Less - Donor imposed restrictions	<u>1,927,049</u>
Net financial assets after donor-imposed restrictions	1,934,059
Internal designations -	
Board advised funds	<u>1,615,471</u>
Financial assets available to meet cash needs for general expenditures that are without donor or other restrictions limiting their use within one year	<u>\$ 318,588</u>

The Organization 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 \$2,221,460 were received during the year ended June 30, 2023.

The Organization has certain board designated assets that are designated for future expenditures and are not available for general expenditure within the next year. However, the board designated amounts could be made available for general expenditure, if necessary.

The Organization 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) REVENUE CONCENTRATION:

The Organization received approximately 28% of its total support and revenue from two donors for the year ended June 30, 2023. Additionally, the Organization received approximately 18% of its total support and revenue from one grantor for the year ended June 30, 2023.

(11) RETIREMENT PLAN:

The Organization 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. The Organization made matching contributions totaling \$48,641 for the year ended June 30, 2023.

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
JUNE 30, 2023

	AFHK	RMC	Consolidated Total
<u>A S S E T S</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,376,012	\$ 49,994	\$ 1,426,006
Receivables - Government grants	482,455	-	482,455
- Contributions	141,908	-	141,908
- Program services	12,476	182,636	195,112
- Other	2,335	81,536	83,871
- Related party	51,973	(51,973)	-
Investments	246,000	1,285,756	1,531,756
Inventory	-	36,228	36,228
Prepaid expenses	56,451	4,124	60,575
 Total current assets	 <u>2,369,610</u>	 <u>1,588,301</u>	 <u>3,957,911</u>
PROPERTY AND EQUIPMENT, net	<u>20,047</u>	<u>6,880</u>	<u>26,927</u>
OTHER ASSETS:			
Operating lease right-of-use asset	30,669	-	30,669
Security deposits	5,928	-	5,928
 Total other assets	 <u>36,597</u>	 <u>-</u>	 <u>36,597</u>
 Total assets	 <u>\$ 2,426,254</u>	 <u>\$ 1,595,181</u>	 <u>\$ 4,021,435</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 267,849	\$ 16,463	\$ 284,312
Operating lease liability, current	23,230	-	23,230
Deferred revenue	1,000	55,920	56,920
 Total current liabilities	 <u>292,079</u>	 <u>72,383</u>	 <u>364,462</u>
NON-CURRENT LIABILITIES			
Operating lease liability, net of current	9,642	-	9,642
 Total liabilities	 <u>301,721</u>	 <u>72,383</u>	 <u>374,104</u>
NET ASSETS:			
Without donor restrictions - Designated	425,000	1,190,471	1,615,471
- Undesignated	(227,516)	332,327	104,811
 Total net assets without donor restrictions	 <u>197,484</u>	 <u>1,522,798</u>	 <u>1,720,282</u>
With donor restrictions	1,927,049	-	1,927,049
 Total net assets	 <u>2,124,533</u>	 <u>1,522,798</u>	 <u>3,647,331</u>
 Total liabilities and net assets	 <u>\$ 2,426,254</u>	 <u>\$ 1,595,181</u>	 <u>\$ 4,021,435</u>

ACTION FOR HEALTHY KIDS, INC. AND AFFILIATE  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>AFHK</u>	<u>RMC</u>	<u>Elimination</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 2,440,240	\$ 100,000	\$ -	\$ 2,540,240
Government grants	804,911	252,240	-	1,057,151
Conferences and other	88,410	-	-	88,410
Consulting income	-	430,093	(83,296)	346,797
Employee Retention Credit	-	124,287	-	124,287
Product sales	-	42,798	-	42,798
Investment income	31,828	112,037	-	143,865
Other income	10,614	5,388	-	16,002
	<u>3,376,003</u>	<u>1,066,843</u>	<u>(83,296)</u>	<u>4,359,550</u>
EXPENSES:				
Program services	3,109,461	698,224	(83,296)	3,724,389
Management and general	579,188	121,128	-	700,316
Fundraising and marketing	408,049	138,039	-	546,088
	<u>4,096,698</u>	<u>957,391</u>	<u>(83,296)</u>	<u>4,970,793</u>
CHANGE IN NET ASSETS	(720,695)	109,452	-	(611,243)
NET ASSETS, Beginning of year	<u>2,845,228</u>	<u>1,413,346</u>	<u>-</u>	<u>4,258,574</u>
NET ASSETS, End of year	<u>\$ 2,124,533</u>	<u>\$ 1,522,798</u>	<u>\$ -</u>	<u>\$ 3,647,331</u>