

Healthy Kids Running Series

Financial Statements
Years Ended December 31, 2022 and 2021



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HEALTHY KIDS RUNNING SERIES

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	3
<i>Statements of Activities</i>	4
<i>Statements of Functional Expenses</i>	5
<i>Statements of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Healthy Kids Running Series
Chadds Ford, Pennsylvania**

Opinion

We have audited the accompanying financial statements of Healthy Kids Running Series (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Kids Running Series as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healthy Kids Running Series and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, on January 1, 2022, Healthy Kids Running Series adopted ASU 2016-2 (topic 842). Our opinion is not modified with respect to this matter.

Responsibility of Management 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in the United States of America 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

BBD, LLP

Philadelphia, Pennsylvania
May 15, 2024

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 100,621	\$ 225,589
Accounts receivable	17,655	34,143
Prepaid expenses	118,778	169,096
Note receivable	100,000	-
Property and equipment, net	60,714	89,458
Right-of-use asset	<u>180,929</u>	<u>-</u>
Total assets	<u>\$ 578,697</u>	<u>\$ 518,286</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 149,908	\$ 289,418
Note payable	150,000	150,000
Operating lease liability	<u>180,929</u>	<u>-</u>
Total liabilities	<u>480,837</u>	<u>439,418</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(65,332)	(47,460)
With donor restrictions	<u>163,192</u>	<u>126,328</u>
Total net assets	<u>97,860</u>	<u>78,868</u>
Total liabilities and net assets	<u>\$ 578,697</u>	<u>\$ 518,286</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF ACTIVITIES

Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Registration fees	\$ 2,192,614	\$ -	\$ 2,192,614	\$ 1,868,841	\$ -	\$ 1,868,841
Sponsorships and contributions	404,469	101,386	505,855	305,491	105,974	411,465
In-kind contributions	171,018	-	171,018	170,662	-	170,662
Forgiveness of debt	-	-	-	192,454	-	192,454
Miscellaneous income	10,425	-	10,425	20,794	-	20,794
Net assets released from restrictions	64,522	(64,522)	-	116,819	(116,819)	-
Total revenue and support	<u>2,843,048</u>	<u>36,864</u>	<u>2,879,912</u>	<u>2,675,061</u>	<u>(10,845)</u>	<u>2,664,216</u>
EXPENSES						
Program service						
Running events	2,578,897	-	2,578,897	2,446,517	-	2,446,517
Support services						
Management and general	247,508	-	247,508	274,738	-	274,738
Fundraising	34,515	-	34,515	50,300	-	50,300
Total expenses	<u>2,860,920</u>	<u>-</u>	<u>2,860,920</u>	<u>2,771,555</u>	<u>-</u>	<u>2,771,555</u>
CHANGE IN NET ASSETS	(17,872)	36,864	18,992	(96,494)	(10,845)	(107,339)
NET ASSETS (DEFICIT)						
Beginning of year	(47,460)	126,328	78,868	49,034	137,173	186,207
End of year	<u>\$ (65,332)</u>	<u>\$ 163,192</u>	<u>\$ 97,860</u>	<u>\$ (47,460)</u>	<u>\$ 126,328</u>	<u>\$ 78,868</u>

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2022 and 2021

	2022				2021			
	Running Events	Management and General	Fundraising	Total	Running Events	Management and General	Fundraising	Total
Event expenses								
Community coordinator payments	\$ 767,605	\$ -	\$ -	\$ 767,605	\$ 687,272	\$ -	\$ -	\$ 687,272
T-shirts	312,221	-	-	312,221	291,856	-	-	291,856
In-kind services and materials	167,853	-	-	167,853	155,207	-	-	155,207
Registration processing fees	156,355	-	-	156,355	121,561	-	-	121,561
Medals	76,297	-	-	76,297	53,424	-	-	53,424
Site rent	46,053	-	-	46,053	57,347	-	-	57,347
Trophies	48,190	-	-	48,190	77,969	-	-	77,969
Supplies	36,934	-	-	36,934	50,473	-	-	50,473
Insurance	18,477	-	-	18,477	56,772	-	-	56,772
Shipping	60,408	-	-	60,408	70,122	-	-	70,122
Other	45,482	-	-	45,482	94,643	-	-	94,643
Payroll and related costs	462,695	124,373	30,362	617,430	474,175	129,595	9,868	613,638
Promotion and advertising	141,006	1,550	-	142,556	41,313	18,000	-	59,313
Contract labor	3,050	9,400	-	12,450	15,300	10,500	10,000	35,800
Travel	37,333	2,205	-	39,538	17,932	398	-	18,330
Occupancy	37,401	24,246	2,526	64,173	25,162	11,145	871	37,178
Professional fees	-	37,239	-	37,239	-	72,927	29,000	101,927
Information technology	63,879	3,045	-	66,924	73,908	9,866	-	83,774
Depreciation	21,271	6,036	1,437	28,744	22,753	-	495	23,248
Interest	-	4,920	-	4,920	-	4,487	-	4,487
Miscellaneous	76,387	34,494	190	111,071	59,328	17,820	66	77,214
	<u>\$ 2,578,897</u>	<u>\$ 247,508</u>	<u>\$ 34,515</u>	<u>\$ 2,860,920</u>	<u>\$ 2,446,517</u>	<u>\$ 274,738</u>	<u>\$ 50,300</u>	<u>\$ 2,771,555</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 18,992	\$ (107,339)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	28,744	23,248
Forgiveness of debt	-	(192,454)
(Increase) decrease in		
Accounts receivable	16,488	(7,042)
Prepaid expenses	50,318	53,109
Right-of-use asset	(180,929)	
Increase (decrease) in		
Accounts payable and accrued expenses	(139,510)	179,425
Deferred revenue	-	(122,045)
Operating lease liability	180,929	-
Net cash used for operating activities	<u>(24,968)</u>	<u>(173,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of note receivable	(100,000)	
Purchase of property and equipment	-	(77,340)
Net cash used for investing activities	<u>(100,000)</u>	<u>(77,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from issuance of notes payable	-	101,837
Net change in cash	(124,968)	(148,601)
CASH		
Beginning of year	<u>225,589</u>	<u>374,190</u>
End of year	<u>\$ 100,621</u>	<u>\$ 225,589</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

(1) NATURE OF OPERATIONS

Healthy Kids Running Series ("**HKRS**") is a national, community-based nonprofit organization whose mission is to engage communities and families by providing an inclusive youth running experience, inspiring kids to believe in themselves and lead an active healthy lifestyle. HKRS' vision is to be an international, inclusive and fun youth running program led by dedicated, local coordinators, where all kids celebrate their success and develop an active healthy lifestyle. Founded in 2009, HKRS serves children 2-14 years of age, encouraging all participants to adopt a "Get Up and Go!" attitude.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

HKRS reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of HKRS and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as "***net assets released from restrictions***".

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash, accounts receivable, and the note receivable represent financial instruments that potentially subject HKRS to concentration of credit risk. HKRS maintains its cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. HKRS has not experienced any losses on its deposits.

Accounts receivable consisted primarily of sponsorships that were collected in 2023.

The terms of the note receivable are described in Note 3.

Prepaid Expenses

Prepaid expenses consist primarily of t-shirts and other materials and supplies used in conducting the running series.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

Leases

Effective with the implementation of ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842) on January 1, 2022, operating leases are recorded in right-of-use-assets and lease liabilities in the statement of financial position. Leases with a term of twelve months or less are considered short term leases and are accounted for as an expense in the statement of activities as rental payments are incurred.

Operating lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, using the implicit rate when readily determinable. When the lease does not provide an implicit rate, a secured borrowing rate is used based on the information available at commencement date in determining the present value of lease payments.

Lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments are recognized on a straight-line basis over the lease term. Prior to January 1, 2022 and the implementation of ASU 2016-02, Leases (Topic 842), operating leases were accounted for as expense in the statement of activities when the rental payment was incurred. No asset or liability was recorded for operating leases.

Revenue and Support

Registration fees are recognized in the year the race occurs. Accordingly, registration fees received in advance of the year the race occurs are reported as deferred revenue in the accompanying statements of financial position.

Sponsorships and contributions received are recorded as without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted sponsorships and contributions whose restrictions are satisfied in the same period are reported as without donor restrictions.

Unconditional sponsorships and contributions are recognized as revenue when the related promise to give is received. Conditional sponsorships and contributions are recognized as revenue when the conditions are satisfied.

Donated Sites, Services and Materials

Donated sites and materials are recorded as support and expenses at their estimated value on the date of receipt.

Donated services are recorded as support and expenses at their estimated value on the date of receipt if such services required specialized skills which would need to be purchased if they were not donated.

HKRS also receives a significant amount of donated time from a substantial number of volunteers without compensation for its program and supporting services. The financial statements do not reflect the value of these contributed services since they do not meet the criteria for recognition.

Advertising Costs

Advertising costs are expensed as incurred. Promotion and advertising expense was \$142,556 in 2022 and \$59,313 in 2021.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated, based primarily upon estimates of time and effort.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

Income Taxes

HKRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and no provision or liability for income taxes is included in the accompanying financial statements.

Generally accepted accounting principles in the United States of America ("**GAAP**") require entities to evaluate measure, recognize and disclose any uncertain income tax positions taken on their returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. HKRS believes that it has no uncertain tax positions as defined in GAAP.

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform with the presentation in the 2022 financial statements.

(3) NOTE RECEIVABLE

In July 2022, HKRS executed a \$100,000 promissory note receivable from an investment adviser. The note is receivable in its entirety in July 2027, although the investment adviser may prepay the note in whole or in part at its discretion. The note is unsecured and provides for HKRS to earn interest at 8% payable quarterly plus .1% of the investment adviser's gross revenue payable annually.

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vehicle and other	\$ 30,018	\$ 30,018
Software	<u>123,137</u>	<u>123,137</u>
	153,155	153,155
Less accumulated depreciation	<u>(92,441)</u>	<u>(63,697)</u>
Total property and equipment, net	<u>\$ 60,714</u>	<u>\$ 89,458</u>

(5) LINE OF CREDIT

In June 2020, HKRS obtained a \$150,000 bank line of credit. Advances under the credit line were due on demand; were charged interest at the bank's prime rate plus .74%, with a floor of 3.25%; and were secured by substantially all of HKRS' assets. The line was closed in June 2022. There were no advances outstanding at December 31, 2021.

In July 2023, HKRS obtained a new \$150,000 bank line of credit. Advances under the credit line are due on demand; bear interest at the Wall Street Journal prime rate with a floor of 4.25%; and are secured by substantially all of HKRS' assets. There were no advances outstanding at December 31, 2022.

(6) NOTES PAYABLE

In April 2020, the Organization received a loan of \$90,617 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. Under the terms of the Paycheck Protection Program, the loan was forgiven in March 2021 and the proceeds are included in "**forgiveness of debt**" in the accompanying 2021 statement of activities.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

In February 2021, HKRS received a second loan in the amount of \$101,837 under the Paycheck Protection Program. The loan was forgiven in October 2021 and the proceeds are included in "**forgiveness of debt**" in the accompanying 2021 statement of activities.

In June 2020, HKRS received a loan of \$150,000 under the Economic Injury Disaster loan program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is payable in 330 monthly installments from January 2023 to June 2051, bears interest at 2.75%, and is secured by substantially all of HKRS' assets.

Scheduled principal payments on the note payable at December 31, 2022 are as follows

Year Ending December 31,

2023	3,702
2024	3,805
2025	3,911
2026	4,020
2027	4,132
Thereafter	<u>130,430</u>
	<u>\$ 150,000</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	<u>Balance</u> <u>December 30, 2021</u>	<u>Additions</u>	<u>Released</u>	<u>Balance</u> <u>December 30, 2022</u>
<u>Purpose restrictions</u>				
Local program improvement fund assistance fund	\$ 36,785	\$ 33,478	\$ (35,646)	\$ 34,617
Underserved communities and registration	89,543	67,908	(28,876)	128,575
<u>Time restrictions</u>				
Sponsor for future events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$126,328</u>	<u>\$101,386</u>	<u>\$ (64,522)</u>	<u>\$163,192</u>
	<u>Balance</u> <u>December 30, 2020</u>	<u>Additions</u>	<u>Released</u>	<u>Balance</u> <u>December 30, 2021</u>
<u>Purpose restrictions</u>				
Local program improvement fund assistance fund	\$ 53,872	\$ 48,346	\$ (65,433)	\$ 36,785
Underserved communities and registration	52,451	57,628	(20,536)	89,543
<u>Time restrictions</u>				
Sponsor for future events	<u>30,850</u>	<u>-</u>	<u>(30,850)</u>	<u>-</u>
	<u>\$137,173</u>	<u>\$105,974</u>	<u>\$(116,819)</u>	<u>\$126,328</u>

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

(8) OPERATING LEASE

HKRS leases its office and storage space pursuant to a five year lease that expires October 2027. Rent expense was \$50,541 in 2022 and \$26,748 in 2021. The maturities of the operating lease liability as of December 31, 2022 were as follows:

<u>Year ended December 31,</u>	<u>Rent</u>
2023	\$ 39,033
2024	40,204
2025	41,410
2026	42,653
2027	<u>36,428</u>
	199,728
Less interest	<u>(18,799)</u>
Present value of operating lease liability	<u>\$ 180,929</u>

The remaining lease term at December 31, 2022 was 58 months and the discount rate used to determine the present value of the lease payments at December 31, 2022 was 4%.

(9) EMPLOYEE BENEFIT PLAN

During 2020, HKRS established a SIMPLE IRA plan for the benefit of eligible employees. Under the provisions of the plan, the employees may defer from federal income tax a percentage of their compensation, and HKRS is required to make contributions to the plan equal to 2% of compensation for each eligible employee. HKRS' contributions to the plan were \$1,856 for 2022 and \$10,340 for 2021.

(10) DONATED SITES, SERVICES AND MATERIALS

Donated sites, services and materials received during 2022 and 2021 are included in in-kind contributions in the accompanying statements of activities and consisted of the following:

	<u>2022</u>	<u>2021</u>
Sites for various running events	\$ 3,165	\$ 15,455
Services primarily for professional photographers at the various running events	3,950	54,053
Materials primarily for food beverages and prizes at the various running events	<u>163,903</u>	<u>101,154</u>
	<u>\$ 171,018</u>	<u>\$ 170,662</u>

The expenses related to the donated sites, services and materials were allocated entirely to program service expense.

(11) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the HKRS' financial assets as of December 31, 2022 and 2021 and the amounts that are available within one year.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash	\$ 100,621	\$ 225,589
Accounts receivable	17,655	34,143
Note receivable	<u>100,000</u>	<u>-</u>
Total financial assets	218,276	259,732
Less: amounts with donor restrictions	<u>(163,192)</u>	<u>(126,328)</u>
Financial assets available within one year	<u>\$ 55,084</u>	<u>\$ 133,404</u>

As part of HKRS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. HKRS invests its excess cash in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, HKRS maintains a \$150,000 line of credit.

(12) MANAGEMENT'S PLANS TO CONTINUE AS A GOING CONCERN

HKRS had a net deficit in its net assets without donor restrictions of approximately \$65,000 a December 31, 2022. During 2023, management made efforts to decrease expenses and increase unrestricted revenue in order to increase net assets without donor restrictions at December 31, 2023.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2024, the date on which the financial statements were available to be issued. Except as disclosed in note 5, no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.