

HEALTHY KIDS RUNNING SERIES

FINANCIAL STATEMENTS

DECEMBER 31, 2024

Healthy Kids Running Series

DECEMBER 31, 2024

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Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Healthy Kids Running Series

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Healthy Kids Running Series (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Healthy Kids Running Series as of December 31, 2024, and the changes in net assets and its cash flows for the years then ended in accordance with the 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 (GAAS). 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 - Restatement

As discussed in Note 2 to the financial statements, certain prior year account balances as of December 31, 2023, have been restated to correct misstatements. These adjustments did not result in a change to the beginning net position. Accordingly, the beginning net position as of January 1, 2024, remains unchanged. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 aggregate, that raise substantial doubt about Healthy Kids Running Series' ability to continue as a going concern within one year after the date of 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 GAAS 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.

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Misstatements are considered 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 GAAS, 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.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
October 22, 2025

HEALTHY KIDS RUNNING SERIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	<u>2024</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 491,814
Prepaid and other current assets	32,612
Note receivable	<u>100,000</u>
Total Current Assets	<u>624,426</u>
NON-CURRENT ASSETS	
Right of use asset - Operating lease	<u>106,098</u>
TOTAL ASSETS	<u><u>\$ 730,524</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 159,208
Security deposits	70,703
Operating lease liability - current	<u>36,289</u>
Total Current Liabilities	<u>266,200</u>
NON-CURRENT LIABILITIES	
Operating lease liability	70,725
Note payable	<u>150,000</u>
Total Non-Current Liabilities	<u>220,725</u>
TOTAL LIABILITIES	<u>486,925</u>
NET ASSETS	
Without Donor Restrictions	138,593
With Donor Restrictions	<u>105,006</u>
TOTAL NET ASSETS	<u>243,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 730,524</u></u>

The accompanying notes are an integral part of the financial statements.

HEALTHY KIDS RUNNING SERIES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Registration fees	\$ 2,180,846	\$ -	\$ 2,180,846
Contributions and sponsorships	355,051	119,556	474,607
Contributed nonfinancial assets	63,960	-	63,960
Other Income	52,906	-	52,906
Net assets released from restrictions	160,338	(160,338)	-
TOTAL REVENUE AND OTHER SUPPORT	2,813,101	(40,782)	2,772,319
OPERATING EXPENSES			
Program Services			
Running events	1,881,047	-	1,881,047
Support Services			
Management and General	521,987	-	521,987
Fundraising	43,734	-	43,734
TOTAL OPERATING EXPENSES	2,446,768	-	2,446,768
CHANGES IN NET ASSETS	366,333	(40,782)	325,551
NET ASSETS - Beginning of year	(227,740)	145,788	(81,952)
NET ASSETS - End of year	\$ 138,593	\$ 105,006	\$ 243,599

The accompanying notes are an integral part of the financial statements.

HEALTHY KIDS RUNNING SERIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Supporting Services			
	Running Events	Management and General	Fundraising	Total	Total
Event expenses					
Community coordinator payments	\$ 841,539	\$ -	\$ -	\$ -	\$ 841,539
T-shirts	166,070	-	-	-	166,070
Contributed nonfinancial assets -					
Food, beverages, & prizes	63,960	-	-	-	63,960
Registration processing fees	155,659	-	-	-	155,659
Medals	44,874	-	-	-	44,874
Site rent	61,616	-	-	-	61,616
Trophies	30,283	-	-	-	30,283
Supplies	40,962	-	-	-	40,962
Insurance	7,105	-	-	-	7,105
Shipping	62,379	-	-	-	62,379
Other	86,683	-	-	-	86,683
Payroll and related costs	301,909	313,125	43,734	356,859	658,768
Promotion and advertising	13,325	57,161	-	57,161	70,486
Travel	3,733	4,413	-	4,413	8,146
Occupancy	-	33,952	-	33,952	33,952
Professional fees	-	21,699	-	21,699	21,699
Information technology	-	47,075	-	47,075	47,075
Depreciation and amortization	-	17,827	-	17,827	17,827
Insurance	-	4,663	-	4,663	4,663
Interest	-	9,393	-	9,393	9,393
Executive team	950	4,254	-	4,254	5,204
Miscellaneous	-	8,425	-	8,425	8,425
Total Expenses	\$ 1,881,047	\$ 521,987	\$ 43,734	\$ 565,721	\$ 2,446,768

The accompanying notes are an integral part of the financial statements.

HEALTHY KIDS RUNNING SERIES
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 325,551
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	36,996
Amortization of right of use asset - operating lease	39,229
Gain on sale of property and equipment	(14,000)
(Increase) decrease in:	
Prepaid and other assets	(23,622)
Accounts payable and accrued expenses	(69,427)
Security deposits	14,319
Operating lease liability	<u>(38,313)</u>
Net cash provided by operating activities	<u>270,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of property and equipment	<u>14,000</u>
Net cash provided by investing activities	<u>14,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of line of credit	(25,000)
Proceeds from note payable	<u>3,702</u>
Net cash used in financing activities	<u>(21,298)</u>
Net increase in cash and cash equivalents	263,435
Cash and cash equivalents, beginning of year	<u>228,379</u>
Cash and cash equivalents, end of year	<u><u>\$ 491,814</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest paid	<u><u>\$ 9,393</u></u>

The accompanying notes are an integral part of the financial statements.

HEALTHY KIDS RUNNING SERIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Healthy Kids Running Series ("HKRS") is a national nonprofit organization founded in 2009 that delivers a five-week, community-based running program for children ages 2–14. Its mission is to inspire kids to "Get Up and Go" by promoting a healthy and active lifestyle through inclusive and fun running events. HKRS operates across more than 35 states and engages local coordinators to lead events designed to build self-confidence, instill healthy habits, and foster a sense of community. Programs include age-appropriate distances and a challenger division for children with disabilities, with an emphasis on personal growth, participation, and encouragement rather than competition. HKRS envisions becoming an internationally recognized youth running initiative that empowers all children to believe in themselves and celebrate their individual achievements.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Under this basis, revenues are recognized when earned, and expenses are recorded when incurred.

C. Financial Statement 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 and may be expended for any purpose in performing the primary objectives of HKRS. These net assets may be used at the discretion of HKRS' management and the Board of Directors.
- **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. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HKRS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction is satisfied, 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.

D. Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results may differ from those estimates.

E. Note Receivable

Notes receivable represents unsecured, noninterest-bearing obligations due under standard payment terms. These are recorded at face value, reduced by an allowance for credit losses determined through monthly analysis of outstanding balances, including review of historical performance and expected future collectability. Amounts deemed uncollectible are charged off against the allowance. Any potential uncollectible amounts are not material to the financial statements.

HEALTHY KIDS RUNNING SERIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Property and Equipment

Property and equipment are stated at cost if purchased or at fair value at the date of donation if contributed. Depreciation is calculated using the straight-line method over estimated useful lives, which range from 3 to 10 years. Expenditures for maintenance and repairs are expensed as incurred, while significant improvements that extend asset lives are capitalized.

G. Leases

HKRS accounts for leases in accordance with Accounting Standards Update 2016-02, Leases (Topic 842), along with all related amendments. Under this guidance, leases with contractual terms longer than twelve months are classified as either operating or finance leases. Finance leases generally apply when the lease terms allow the Organization to substantially use or pay for the underlying asset over its estimated useful life. Leases that do not meet these criteria are classified as operating leases. Lease agreements with terms of twelve months or less are treated as short-term leases and are expensed on a straight-line basis as incurred in the statement of activities. There were no finance leases held by HKRS during the year ended December 31, 2024.

Operating lease right-of-use assets represent HKRS' right to utilize the underlying leased asset throughout the lease term, including any estimated term extensions due to a purchase option. Corresponding lease liabilities represent the obligation to make future lease payments, including options likely to be exercised. Both lease assets and liabilities are recognized at the commencement date of the lease and are measured based on the present value of lease payments over the lease term.

In determining the present value of lease payments, HKRS utilizes the implicit rate stated in the lease when readily determinable. If the lease agreement does not include an implicit rate, the Organization applies a risk-free discount rate based on information available as of the lease commencement date.

HKRS evaluates options to extend lease terms, terminate agreements prior to expiration, or purchase leased assets as part of its lease classification and measurement process. Where it is reasonably certain that such options will be exercised, they are included in determining the lease term and financial reporting. Lease-related expenses for operating leases are recognized on a straight-line basis within operating expenses over the duration of the lease term.

H. Revenue and Support

Registration fees are recognized as revenue at a point in time when the related race occurs. Registration fees received in advance for races scheduled in a subsequent year are recorded as deferred revenue. As of December 31, 2024, no deferred revenue or registration-related receivables were recorded.

Contributions and sponsorships are recognized when received in the form of cash, assets, or unconditional pledges. Conditional contributions are recognized when the underlying conditions are substantially met. Contributions are recorded as with or without donor restrictions, based on the nature of the donor-imposed conditions. Donor-restricted contributions fulfilled within the same fiscal year are reported as support without donor restrictions.

HEALTHY KIDS RUNNING SERIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Contributed Nonfinancial Assets

Contributed nonfinancial assets, including services and tangible items, are recognized if they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills. Such contributions are valued based on market comparable at the time of donation and are reported as revenue and expense in the financial statements. See Note 10 for further details.

J. Functional Allocation of Expenses

The financial statements present expenses by both functional classification and natural category. Direct expenses are assigned to the corresponding program or support function. Shared costs, such as salaries and occupancy, are allocated across functions based on management's estimates of staff time and usage.

K. Income Taxes

HKRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements. The Organization evaluates potential uncertain tax positions and recognizes a liability when it is more likely than not that a position would not be sustained upon examination. As of December 31, 2024, management has determined that no such liabilities are required to be recorded.

NOTE 2: RESTATEMENT OF NET POSITION

During the year ended December 31, 2024, Healthy Kids Running Series recorded adjustments to correct balances of various accounts as of December 31, 2023. These adjustments, identified during the 2023 audit, included corrections to accrued expenses, interest payable, depreciation, and retained earnings. Although these changes impacted individual account balances, they had no effect on the overall beginning net position. Therefore, the restatement had a net impact of \$0 on the beginning net position.

NOTE 3: NOTE RECEIVABLE

In July 2022, HKRS entered into a \$100,000 promissory note agreement with an investment adviser. The note is due in full in July 2027, with the option for early repayment at the discretion of the borrower. The note is unsecured and carries interest at a fixed rate of 8%, payable quarterly, along with a variable payment equal to 0.1% of the investment adviser's gross revenue, payable annually. Interest income recognized for the year ended December 31, 2024, was \$6,000. Additionally, \$2,463 of Interest Income has been earned but not yet received.

NOTE 4: PROPERTY AND EQUIPMENT, NET

Property and Equipment, Net, consisted of the following as of December 31, 2024:

Software	\$ 123,137
Less: Accumulated depreciation	<u>(123,137)</u>
Total Property and Equipment, Net	<u>\$ -</u>

HEALTHY KIDS RUNNING SERIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5: LINE OF CREDIT

In July 2023, HKRS established a bank line of credit in the amount of \$150,000. Advances under the agreement are due on demand and bear interest at the Wall Street Journal prime rate, with a minimum interest rate of 4.25%. The line is secured by substantially all assets of the Organization. As of December 31, 2024, there was no outstanding balance. Interest expense for the year totaled \$1,037.

NOTE 6: NOTE PAYABLE

In June 2020, HKRS obtained a \$150,000 loan through the Economic Injury Disaster Loan (EIDL) program administered by the Small Business Administration as part of COVID-19 relief efforts. The loan bears interest at 2.75% and is repayable in 330 monthly installments beginning January 2023 through June 2051. It is secured by substantially all the Organization's assets. Interest expense recognized for the year ended December 31, 2024, was \$7,692.

Scheduled principal payments on the note payable as of December 31, 2024, are as follow:

2025	\$	-
2026		-
2027		-
2028		-
2029		-
Thereafter		150,000

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2024:

<u>Purpose Restrictions</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Local program improvement fund	\$ 50,274	\$ 76,276	\$ (61,220)	\$ 65,330
assistance fund				
Underserved communities and registration	95,514	43,280	(99,118)	39,676
	<u>\$ 145,788</u>	<u>\$ 119,556</u>	<u>\$ (160,338)</u>	<u>\$ 105,006</u>

NOTE 8: OPERATING LEASE

HKRS leases its office and storage space pursuant to a five-year lease that expires October 2027. Rent expense was \$29,763 in 2024. The weighted average remaining lease term is 2.8 years. The weighted average discount rate is 4.0%.

HEALTHY KIDS RUNNING SERIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8: OPERATING LEASE (CONTINUED)

Maturities of the operating lease liability as of December 31, 2024, were as follows:

2025	\$ 41,410
2026	42,653
2027	<u>36,428</u>
Total Lease Payments	120,491
Less: Interest	<u>(13,477)</u>
Present value of operating lease liability	<u>\$ 107,014</u>

NOTE 9: EMPLOYEE BENEFIT PLAN

In 2020, HKRS established a SIMPLE IRA retirement plan for eligible employees. Under the plan, employees may defer a portion of their compensation from federal income tax, and HKRS is required to contribute an amount equal to 2% of compensation for each eligible employee. Total contributions made by HKRS under the plan during 2024 were \$10,970.

NOTE 10: CONTRIBUTED NONFINANCIAL ASSETS – FOOD, BEVERAGES, PRIZES, SERVICES

During 2024, HKRS received contributed nonfinancial assets totaling \$63,960, which are included as support and revenue in the statement of activities. There were no donor-imposed restrictions on these assets. The expenses related to contributed nonfinancial were allocated entirely to program service expense.

NOTE 11: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the HKRS' financial assets as of December 31, 2024, and the amounts that are available within one year.

Cash	\$ 491,814
Accounts receivable	<u>7,888</u>
Total financial assets	499,702
Less: Amounts with donor restrictions	<u>(105,006)</u>
Financial assets available within one year	<u>\$ 394,696</u>

As part of its liquidity management strategy, HKRS structures its financial assets to ensure adequate availability for general expenditures and obligations as they become due. Excess cash is invested in money market funds. To address potential liquidity shortfalls, HKRS maintains access to a \$150,000 line of credit.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2024, through October 22, 2025, the date the financial statements were available to be issued. No material subsequent events requiring disclosure or recognition have been identified.