

Healthy Kids Running Series

Financial Statements

Year Ended December 31, 2018



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HEALTHY KIDS RUNNING SERIES

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**Board of Directors
Healthy Kids Running Series
Thornton, Pennsylvania**

We have reviewed the accompanying financial statements of Healthy Kids Running Series (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BBD, LLP

**Philadelphia, Pennsylvania
August 26, 2019**

HEALTHY KIDS RUNNING SERIES

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash	\$ 328,812
Accounts receivable	37,750
Inventory	104,378
Prepaid expenses	22,864
Property and equipment, net	<u>46,908</u>
Total assets	<u>\$ 540,712</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 56,985
Due to related party	<u>66,053</u>
Total liabilities	<u>123,038</u>

NET ASSETS

Without donor restrictions	342,047
With donor restrictions	<u>75,627</u>
Total net assets	<u>417,674</u>
Total liabilities and net assets	<u>\$ 540,712</u>

HEALTHY KIDS RUNNING SERIES

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Registrations	\$ 1,489,007	\$ -	\$ 1,489,007
Sponsorships and contributions	245,596	62,845	308,441
In-kind contributions	125,454	-	125,454
Miscellaneous income	5,117	-	5,117
Net assets released from restrictions	<u>6,344</u>	<u>(6,344)</u>	<u>-</u>
Total revenue and support	<u>1,871,518</u>	<u>56,501</u>	<u>1,928,019</u>
EXPENSES			
Program service			
Running events	1,721,954	-	1,721,954
Support services			
Management and general	164,845	-	164,845
Fundraising	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenses	<u>1,889,799</u>	<u>-</u>	<u>1,889,799</u>
CHANGE IN NET ASSETS	(18,281)	56,501	38,220
NET ASSETS			
Beginning of year	<u>360,328</u>	<u>19,126</u>	<u>379,454</u>
End of year	<u>\$ 342,047</u>	<u>\$ 75,627</u>	<u>\$ 417,674</u>

See accompanying notes and independent accountant's review report

HEALTHY KIDS RUNNING SERIES

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	<u>Program</u> <u>Running</u> <u>Events</u>	<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Event expenses				
Community coordinator payments	\$ 558,973	\$ -	\$ -	\$ 558,973
T-shirts	262,031	-	-	262,031
In-kind services and materials	95,262	-	-	95,262
Registration processing fees	92,835	-	-	92,835
Medals	82,102	-	-	82,102
Site rent	55,837	-	-	55,837
Trophies	51,816	-	-	51,816
Supplies	41,085	-	-	41,085
Insurance	35,547	-	-	35,547
Shipping	23,732	-	-	23,732
Other	42,174	-	-	42,174
Payroll and related costs	250,376	71,382	-	321,758
Promotion and advertising	27,590	51,201	-	78,791
Contract labor	37,434	-	-	37,434
Travel	25,829	6,775	-	32,604
Occupancy	20,371	6,085	-	26,456
Professional fees	2,200	13,930	3,000	19,130
Website	-	11,732	-	11,732
Depreciation	6,720	-	-	6,720
Miscellaneous	10,040	3,740	-	13,780
	<u>\$ 1,721,954</u>	<u>\$ 164,845</u>	<u>\$ 3,000</u>	<u>\$ 1,889,799</u>

See accompanying notes and independent accountant's review report

HEALTHY KIDS RUNNING SERIES

STATEMENT OF CASH FLOWS

Year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 38,220
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation expense	6,720
(Increase) decrease in	
Accounts receivable	(28,600)
Inventory	19,656
Prepaid expenses	(5,226)
Increase (decrease) in	
Accounts payable and accrued expenses	25,931
Due to related party	<u>66,053</u>
Net cash provided by operating activities	122,754

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(53,628)</u>
Net change in cash	69,126

CASH

Beginning of year	<u>259,686</u>
End of year	<u>\$ 328,812</u>

See accompanying notes and independent accountant's review report

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(1) NATURE OF OPERATIONS

Healthy Kids Running Series ("**HKRS**") is a national, community-based nonprofit organization that provides a fun, inclusive five-week running series for ages 2-14, designed for kids to get active, feel accomplished, and lay the foundation for a healthy lifestyle. HKRS was founded in 2009 to combat increasing rates of childhood obesity in America. HKRS designed a running program that provides a fun environment and builds self-esteem with the belief that the program would encourage kids 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 two classes of net assets as follows:

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 statement of activities as "***net assets released from restrictions***". Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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 and accounts 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 consist of sponsorships that are expected to be collected in 2019.

Inventory

Inventory consists primarily of t-shirts provided to race participants as well as materials and supplies used in conducting the running series. Inventory is valued at lower of cost or market on the first-in, first-out method.

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, 2018

Revenue and Support

Registration fees are recognized in the period the race occurs.

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 contributions are recognized as revenue when the related promise to give is received. Conditional 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 require 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 \$78,791 in 2018.

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 upon estimates of time and effort.

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.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. HKRS has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the HKRS's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

- A statement of functional expenses was added providing an analysis of expenses by functional and natural expense classifications.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 8**).

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Vehicle	\$25,778
Software	<u>27,850</u>
	53,628
Less accumulated depreciation	<u>(6,720)</u>
	<u>\$46,908</u>

(4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

	<u>December 31,</u> <u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2018</u>
<u>Purpose restrictions</u>				
Local program improvement fund	\$19,126	\$17,310	\$(6,344)	\$30,092
Underserved communities and registration assistance fund	-	6,105	-	6,105
<u>Time restrictions</u>				
Sponsorships for 2019 events	<u>-</u>	<u>39,430</u>	<u>-</u>	<u>39,430</u>
	<u>\$19,126</u>	<u>\$62,845</u>	<u>\$(6,344)</u>	<u>\$75,627</u>

(5) RELATED PARTY TRANSACTIONS

HKRS has a payable of \$66,053 at December 31, 2018 for expenses incurred by a related party on HKRS' behalf. HKRS and the related party have common management personnel.

(6) OPERATING LEASES

HKRS leases its office space pursuant to a lease that renews for one year terms unless terminated by HKRS or the lessor with proper notification. Rent expense for the office space was \$20,210 in 2018 .

(7) DONATED SITES, SERVICES AND MATERIALS

Donated sites, services and materials received during 2018 are included in in-kind contributions in the accompanying statement of activities and consisted of the following:

Sites for various running events	\$ 30,192
Services primarily for professional photographers at the various running events	11,250
Materials primarily for food, beverages and prizes at the various running events	<u>84,012</u>
	<u>\$125,454</u>

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December 31, 2018

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

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the HKRS' financial assets as of December 31, 2018 and the amounts that are available within one year.

Cash	\$328,812
Accounts receivable	<u>37,750</u>
Total financial assets	366,562
Less amounts with donor purpose restrictions	<u>(36,197)</u>
Financial assets available within one year	<u>\$330,365</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.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements.