

**HEALTHY KIDS RUNNING SERIES**  
**Financial Statements**  
**December 31, 2023**  
**With Independent Auditor's Report**

**Healthy Kids Running Series**  
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**December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Healthy Kids Running Series:

### Opinion

We have audited the financial statements of Healthy Kids Running Series (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements 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, 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 ("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 audit. 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 3 to the financial statements, the 2022 financial statements have been restated to correct a material misstatement. 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 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 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 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. 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 of 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.

*Withum Smith + Brown, PC*

March 19, 2025

**Healthy Kids Running Series**  
**Statement of Financial Position**  
**December 31, 2023**

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**Assets**

Cash	\$	228,379
Prepaid and other assets		8,990
Note receivable		100,000
Property and equipment, net		36,996
Right of use asset - operating lease		<u>145,327</u>
Total assets	\$	<u>519,692</u>

**Liabilities and Net Assets**

Liabilities

Accounts payable and accrued expenses	\$	228,635
Security deposits		56,384
Line of credit		25,000
Note payable		146,298
Operating lease liability		<u>145,327</u>
Total liabilities		<u>601,644</u>

Net assets (deficit)

Without donor restrictions		(227,740)
With donor restrictions		<u>145,788</u>
Total net assets (deficit)		<u>(81,952)</u>

Total liabilities and net assets	\$	<u>519,692</u>
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The Notes to Financial Statements are an integral part of this statement.

**Healthy Kids Running Series  
Statement of Activities  
Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Registration fees	\$ 2,007,312	\$ -	\$ 2,007,312
Contributions and sponsorships	374,743	117,034	491,777
Contributed nonfinancial assets	79,109	-	79,109
Other income	17,157	-	17,157
Net assets released from restrictions	<u>134,438</u>	<u>(134,438)</u>	<u>-</u>
Total revenue and support	<u>2,612,759</u>	<u>(17,404)</u>	<u>2,595,355</u>
<b>Expenses</b>			
Program service			
Running events	2,313,399	-	2,313,399
Supporting services			
Management and general	221,252	-	221,252
Fundraising	<u>36,594</u>	<u>-</u>	<u>36,594</u>
Total expenses	<u>2,571,245</u>	<u>-</u>	<u>2,571,245</u>
<b>Change in net assets</b>	<u>41,514</u>	<u>(17,404)</u>	<u>24,110</u>
<b>Net assets (deficit)</b>			
Beginning of year, as previously reported	(65,332)	163,192	97,860
Prior period adjustments	<u>(203,922)</u>	<u>-</u>	<u>(203,922)</u>
Beginning of year, as restated	<u>(269,254)</u>	<u>163,192</u>	<u>(106,062)</u>
End of year	<u>\$ (227,740)</u>	<u>\$ 145,788</u>	<u>\$ (81,952)</u>

The Notes to Financial Statements are an integral part of this statement.

**Healthy Kids Running Series**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2023**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>2023 Total</u>
	<u>Running Events</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Event expenses					
Community coordinator payments	\$ 797,320	\$ -	\$ -	\$ -	\$ 797,320
T-shirts	191,848	-	-	-	191,848
Contributed nonfinancial assets - food, beverages & prizes	79,109	-	-	-	79,109
Registration processing fees	147,869	-	-	-	147,869
Medals	31,553	-	-	-	31,553
Site rent	60,953	-	-	-	60,953
Trophies	72,762	-	-	-	72,762
Supplies	31,116	-	-	-	31,116
Insurance	9,877	-	-	-	9,877
Shipping	69,399	-	-	-	69,399
Other	73,330	-	-	-	73,330
Payroll and related costs	502,478	135,070	32,972	168,042	670,520
Promotion and advertising	101,905	1,120	-	1,120	103,025
Travel	13,486	796	-	796	14,282
Occupancy	39,212	10,541	2,573	13,114	52,326
Professional fees	-	52,564	-	52,564	52,564
Information technology	58,564	2,790	-	2,790	61,354
Depreciation	15,328	4,120	1,006	5,126	20,454
Interest	-	6,444	-	6,444	6,444
Miscellaneous	17,290	7,807	43	7,850	25,140
	<u>\$ 2,313,399</u>	<u>\$ 221,252</u>	<u>\$ 36,594</u>	<u>\$ 257,846</u>	<u>\$ 2,571,245</u>

The Notes to Financial Statements are an integral part of this statement.

**Healthy Kids Running Series**  
**Statement of Cash Flows**  
**Year Ended December 31, 2023**

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**Operating activities**

Change in net assets	\$ 24,110
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	20,454
Loss on disposal of property and equipment	3,710
Amortization of right of use asset - operating lease	35,602
Change in	
Accounts receivable	17,655
Prepaid expenses	3,440
Change in	
Accounts payable and accrued expenses	30,707
Security deposits	56,384
Operating lease liability	<u>(35,602)</u>
Net cash provided by operating activities	<u>156,460</u>

**Financing activities**

Proceeds from line of credit	(25,000)
Principal payments on note payable	<u>(3,702)</u>
Net cash used in financing activities	<u>(28,702)</u>

Net change in cash 127,758

**Cash**

Beginning of year	<u>100,621</u>
End of year	<u>\$ 228,379</u>

**Supplemental cash flow disclosure**

Interest paid	<u>\$ 6,444</u>
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The Notes to Financial Statements are an integral part of this statement.



# Healthy Kids Running Series

## Notes to Financial Statements

### December 31, 2023

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#### 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 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, 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 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.

##### **Accounting Estimates**

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the net realizable value of accounts receivable and contributed nonfinancial assets, net present value of the right of use asset and liability and the allocation of functional expenses.

##### **Concentration of Credit Risk**

HKRS has significant cash balances at financial institutions which throughout the year could exceed the amounts insured by either the Federal Deposit Insurance Corporation for up to \$250,000 or the Securities Investor Protection Corporation. Any loss incurred or lack of access to such funds could have a significant adverse impact on HKRS' financial condition, change in net assets, and cash flows.

##### **Note Receivable**

Note receivable represents unsecured, noninterest bearing obligations due within normal payment terms and are carried at original invoice amounts less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying troubled accounts and performing a historical and future looking analysis. Receivables are written off when deemed uncollectible. Any uncollectible amounts would not be material to the financial statements.

# Healthy Kids Running Series

## Notes to Financial Statements

### December 31, 2023

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#### **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, which range from 3 to 10 years. Maintenance and repairs are expensed as incurred.

#### **Leases**

In accordance with Accounts Standards Update 2016-02, *Leases* (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842), HKRS categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. 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. HKRS had no finance leases during 2023.

Operating lease assets represent HKRS' right to use an underlying asset for the lease term (including the estimated purchase option exercise term) and lease liabilities represent its obligation to make lease payments (including the estimated purchase option) 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. HKRS uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, HKRS uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the leases.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

#### **Revenue and Support**

Registration fees are recognized based on point in time when 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. There was no deferred revenue or accounts receivable at December 31, 2023 for registration fees.

HKRS recognizes contributions and sponsorships 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 or release – are not recognized until the conditions on which they depend have been substantially met. Contributions and sponsorships of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions and sponsorships received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and sponsorships whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

#### **Contributed Nonfinancial Assets**

HKRS records donated services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. HKRS records the value of donations when there is an objective basis available to measure their value.

**Healthy Kids Running Series  
Notes to Financial Statements  
December 31, 2023**

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Contributed nonfinancial assets are included as support and revenue in the accompanying statement of activities and statement of functional expenses at their estimated values based on the market price of comparable items (See note 11).

**Functional Allocation of Expenses**

The costs of providing the 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 on estimates of time and effort, such as payroll and related costs and occupancy.

**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.

GAAP requires 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.

**3. PRIOR PERIOD ADJUSTMENTS**

During the year ended December 31, 2023, management determined that its inventory balance at December 31, 2021 was overstated. As a result, an adjustment was made to decrease net assets without donor restrictions and decrease inventory at January 1, 2023 by \$106,348.

Also, during the year ended December 31, 2023, management determined that community coordinator expenses that were incurred in 2022 but were not recorded as expenses in 2022. As a result, an adjustment was made to decrease net assets without donor restrictions by \$97,574 at January 1, 2023.

The combined impact of the prior period adjustments decreases net assets without donor restrictions at January 1, 2023 by \$203,922. The impact on change in net assets for the year ended December 31, 2022 was a decrease in net assets without donor restrictions by \$97,574.

**4. 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. Interest income received was \$11,189 for the year ended December 31, 2023.

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following at December 31, 2023:

Vehicle and other	\$ 26,225
Software	<u>123,137</u>
	149,362
Less: Accumulated depreciation	<u>(112,366)</u>
Total property and equipment, net	<u>\$ 36,996</u>

**Healthy Kids Running Series  
Notes to Financial Statements  
December 31, 2023**

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**6. LINE OF CREDIT**

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 is an outstanding balance of \$25,000 at December 31, 2023. Interest expense was \$2,454 for the year ended December 31, 2023.

**7. NOTE PAYABLE**

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. Interest expense was \$3,990 for the year ended December 31, 2023.

Scheduled principal payments on the note payable at December 31, 2023 are as follows:

2024	\$	3,805
2025		3,911
2026		4,020
2027		4,132
2028		4,247
Thereafter		<u>126,183</u>
	\$	<u>146,298</u>

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
<b><u>Purpose restrictions</u></b>				
Local program improvement fund assistance fund	\$ 34,617	\$ 64,670	\$ (49,013)	\$ 50,274
Underserved communities and registration	<u>128,575</u>	<u>52,364</u>	<u>(85,425)</u>	<u>95,514</u>
	<u>\$ 163,192</u>	<u>\$ 117,034</u>	<u>\$ (134,438)</u>	<u>\$ 145,788</u>

**Healthy Kids Running Series  
Notes to Financial Statements  
December 31, 2023**

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**9. OPERATING LEASE**

HKRS leases its office and storage space pursuant to a five-year lease that expires October 2027. Rent expense was \$35,698 in 2023.

The maturities of the operating lease liability as of December 31, 2023 were as follows:

2024	\$ 40,204
2025	41,410
2026	42,653
2027	<u>36,428</u>
	160,695
Less: Interest	<u>(15,368)</u>
Present value of operating lease liability	<u>\$ 145,327</u>

The remaining lease term at December 31, 2023 is 4 years and the discount rate used to determine the present value of the lease payments at December 31, 2023 was 4% and based on the risk free rate.

**10. 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. There were no contributions to the plan during 2023.

**11. CONTRIBUTED NONFINANCIAL ASSETS – FOOD, BEVERAGES, PRIZES AND SERVICES**

Contributed nonfinancial assets received during 2023 are included in contributed nonfinancial assets in the accompanying statement of activities and total \$79,109. There were no donor restrictions on the contributed nonfinancial assets. The expenses related to contributed nonfinancial were allocated entirely to program service expense and consisted of the following:

Beverages	\$ 5,931
Food	25,655
Prizes	37,003
Services	<u>10,520</u>
Total	<u>\$ 79,109</u>

**12. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table reflects the HKRS' financial assets as of December 31, 2023 and the amounts that are available within one year.

Cash	\$ 228,379
Accounts receivable	<u>608</u>
Total financial assets	228,987
Less: Amounts with donor restrictions	<u>(145,788)</u>
Financial assets available within one year	<u>\$ 83,199</u>

**Healthy Kids Running Series**  
**Notes to Financial Statements**  
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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.

**13. MANAGEMENT'S PLANS TO CONTINUE AS A GOING CONCERN**

HKRS had a net deficit in its net assets without donor restrictions of approximately \$224,000 at December 31, 2023. During 2024 and 2025, management has made efforts to decrease expenses and increase unrestricted revenue in order to increase net assets without donor restrictions.

**14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 19, 2025, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that require recognition or disclosure in the financial statements.