Healthy Schools Campaign

Financial Statements

Years Ended December 31, 2018 and 2017

HEALTHY SCHOOLS CAMPAIGN

WIPFLi LLP
CPAs and Consultants

WIPFLi LLP

Independent Auditor's Report

Board of Directors
Healthy Schools Campaign
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Healthy Schools Campaign (an Illinois non-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Schools Campaign as of December 31, 2018 and 2017, 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.

WIPFLi LLP

Emphasis of Matter

As discussed in Note 1 to the financial statements, Healthy Schools Campaign adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements for Not-for-Profit Entities,* as of and for the year ended December 31, 2018. The amendments have been applied on a retrospective basis.

Wipfli LLP

August 22, 2019
Lincolnshire, Illinois

Healthy Schools Campaign

Statements of Financial Position

December 31		2018		2017
Current assets:				
Cash	$	285,261	$	937,716
Accounts receivable		431,084		182,488
Prepaid expenses		31,439		7,643
Total current assets		747,784		1,127,847
Office furniture and equipment, net		2,880		5,831
Other assets		57,594		64,618
TOTAL ASSETS	$	808,258	$	1,198,296
Current liabilities:				
Accounts payable	$	38,621	$	48,762
Accrued wages and benefits		107,924		119,060
Accrued expenses		50,279		55,717
Deferred rent		8,913		9,304
Deferred revenue		108,333		455,833
Total current liabilities		314,070		688,676
Net assets:				
Without donor restrictions		494,188		509,620
TOTAL LIABILITIES AND NET ASSETS	$	808,258	$	1,198,296

See accompanying notes to financial statements.

Healthy Schools Campaign

Statements of Activities and Change in Net Assets

Years ended December 31,	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Grants and contributions	$ 2,015,157	$ -	$ 2,015,157	$ 2,119,996	$ -	$ 2,119,996
Special events, net of expenses	133,185	-	133,185	191,801	-	191,801
Program service fees	361,544	-	361,544	579,365	-	579,365
Other income	2,214	-	2,214	2,665	-	2,665
Donated goods and services	17,200	-	17,200	21,600	-	21,600
Interest income	200	-	200	20	-	20
Total support and revenue	2,529,500	-	2,529,500	2,915,447	-	2,915,447
Expenses:						
Program services	2,174,805	-	2,174,805	2,437,862	-	2,437,862
Management and general	220,819	-	220,819	266,678	-	266,678
Fund raising	149,308	-	149,308	199,394	-	199,394
Total expenses	2,544,932	-	2,544,932	2,903,934	-	2,903,934
Change in net assets	(15,432)	-	(15,432)	11,513	-	11,513
Net assets, beginning of year	509,620	-	509,620	498,107	-	498,107
Net assets, end of year	$ 494,188	$ -	$ 494,188	$ 509,620	$ -	$ 509,620

See accompanying notes to financial statements.

Healthy Schools Campaign

Statements of Functional Expenses

Years Ended December 31,	2018				2017			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Salaries and wages	$ 1,206,805	$ 143,667	$ 86,200	$ 1,436,672	$ 1,165,493	$ 143,888	$ 129,499	$ 1,438,880
Payroll taxes and fringe benefits	338,115	40,252	24,151	402,518	306,416	37,829	34,046	378,291
Accounting fees	-	11,250	-	11,250	-	11,000	-	11,000
Data services	4,158	495	297	4,950	3,110	384	346	3,840
Depreciation	2,479	295	177	2,951	3,766	465	418	4,649
Equipment	1,348	160	96	1,604	1,470	182	163	1,815
Fees and licenses	-	1,120	-	1,120	-	3,607	-	3,607
Insurance	-	4,792	-	4,792	-	4,434	-	4,434
Information technology	25,477	3,033	1,820	30,330	27,963	3,452	3,107	34,522
Meetings, trainings, and conferences	74,869	1,707	182	76,758	101,020	3,805	477	105,302
Miscellaneous	889	106	63	1,058	9,007	1,112	1,001	11,120
Occupancy	74,894	8,916	5,350	89,160	75,259	9,291	8,362	92,912
Office expenses	10,731	1,279	767	12,777	13,153	1,624	1,461	16,238
Printing and postage	28,777	352	331	29,460	33,100	648	7	33,755
Professional fees	277,235	2,397	29,406	309,038	556,655	42,305	19,956	618,916
Program materials	5,997	-	-	5,997	5,798	-	-	5,798
Subscription and dues	90	23	119	232	1,282	158	142	1,582
Telephone	3,065	364	219	3,648	3,240	400	360	4,000
Travel	119,876	611	130	120,617	131,130	2,094	49	133,273
Total	$ 2,174,805	$ 220,819	$ 149,308	$ 2,544,932	$ 2,437,862	$ 266,678	$ 199,394	$ 2,903,934

See accompanying notes to financial statements.

Healthy Schools Campaign
Statements of Cash Flows

Years ended December 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (15,432)	$ 11,513
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,951	4,649
Changes in operating assets and liabilities:		
Accounts receivable	(248,596)	177,248
Prepaid expenses	(23,796)	(2,993)
Accounts payable	(10,139)	(19,476)
Accrued wages and benefits	(11,136)	15,452
Accrued expenses	(5,438)	(5,670)
Deferred rent	(391)	1,331
Deferred revenue	(347,500)	92,500
Net cash from operating activities	(659,477)	274,554
Cash flows from investing activities:		
Other assets	7,024	(2,174)
Net increase (decrease) in cash	(652,453)	272,380
Cash at beginning of the year	937,716	665,336
Cash at end of the year	$ 285,263	$ 937,716

See accompanying notes to financial statements.

Note 1: Organization and Activities

Healthy Schools Campaign (the "Organization") is a non-profit organization headquartered in Chicago and organized under Illinois law. The Organization is a leading advocate for policies and procedures that support healthy eating, healthy activity and healthy environments in schools. As a leading advocate at the local, state and national levels, Healthy Schools Campaign works to make sustainable and systemic changes that support the conditions of health in schools across the country. The Organization receives contributions and grants from individuals, corporations, and foundations.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States ("GAAP").

Basis of Presentation

Financial statement presentation follows GAAP for financial statement presentation for not-for-profit organizations. Such principles provide that the Organization is required to report information regarding its financial position and activities according to two classes of net assets. A definition and description of each class follows:

> **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> **Net Assets With Donor Restrictions** - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization does not have any net assets with donor restrictions.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to Healthy Schools Campaign that is, in substance, unconditional. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

> **Grant Awards that are Contributions:** Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance

> **Grant Awards that are Exchange Transactions:** Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consist primarily of amounts due from governmental and other funding sources. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history. The Organization considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Office Furniture and Equipment

Office furinture and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. The Organization capitalizes such purchases with a cost of $1,500 or more. The Organization provides for depreciation of office furniture and equipment, and computer equipment on the straight-line basis for financial accounting purposes over the estimated useful life of the respective asset. Estimated lives are as follows:

Office furniture and equipment	5 years
Computer equipment	3 years

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. The net gain or loss on property retired or otherwise disposed of its credited or charged to operating expenses and the costs and accumulated depreciation are removed from the accounts.

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing program and supporting services has been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. The Organization charges direct program expenses directly to each program. The Organization uses a salary allocation to allocate all indirect expenses to program, management and general or fundraising which is based on time and effort.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and files forms 990 in the U.S. federal jurisdiction and the State of Illinois. Consequently, no provision for income taxes appears in these financial statements.

Reclassification

Certain amounts as previously reported in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Change in Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

Note 2: Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases as well as finance leases. This new standard is effective for financial statements issued for annual periods beginning after December 15, 2020. The Organization is evaluating what impact this new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. The Organization is still evaluating the impact of the provisions of ASU Topic 958.

Subsequent Events

Management evaluated all activity of the Organization through August 22, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occured that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

Note 3: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

December 31,	2018	2017
Cash	$ 285,261	$ 937,716
Accounts receivable	431,084	182,488
Financial assets available to meet general expenditures within one year	$ 716,345	$ 1,120,204

The Organization's management has a practice whose objective is to maintain highly liquid assets. To manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of $100,000, which it coud draw upon.

Note 4: Concentration of Credit Risk

The Organization maintains its cash balances at a nationally known bank. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization believes that it is not exposed to any significant credit risk resulting from cash balances in excess of FDIC insurance limits at December 31, 2018.

Note 5: Concentration of Contributions or Grants

Approximately 26% of the Organization's revenue is provided from grants or contracts from two funders for the year ended December 31, 2018. In 2017, approximately 39% of the Organization's revenue was provided from grants or contracts from two funders.

Note 6: Office Furniture and Equipment

A summary of office furniture and equipment is as follows as of:

December 31,	2018	2017
Office furniture and equipment	$ 95,011	$ 95,011
Computer equipment	22,923	22,923
Less: accumulated depreciation	(115,054)	(112,103)
Net office furniture and equipment	$ 2,880	$ 5,831

During the years ended December 31, 2018 and 2017, depreciation expense amounted to $2,951 and $4,648, respectively.

Note 7: Line of Credit

The Organization maintains a revolving line of credit with Chase Bank in the amount of $100,000 with interest at the prime rate plus 3.2%. The line of credit is collateralized by substantially all the assets of the Organization. The line of credit was not used during 2018 and 2017.

Note 8: Deferred Revenue

The Organization has received corporate sponsorships and foundation grants in which the grants state or management has determined that the revenue is to be used in future periods. This amount totals $108,333 at December 31, 2018 and $455,833 at December 31, 2017 which has been reflected as deferred revenue in the accompanying statements of financial position. The revenue will be recognized as income in 2019 and was recognized as income in 2018, respectively.

Note 9: Contributions In-Kind

The Organization records various types of in-kind support, including services, books, materials, and other tangible assets. Contributed in-kind support is recognized in accordance with the FASB requirement as described in ASC 958, Not-for-Profit Entities, which specifies that professional services received be recognized if such services (a)

Note 9: Contributions In-Kind (Continued)

create or enhance long-lived assets or (b) require specialized skills, is provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2018 and 2017, $17,200 and $21,600 was recognized as contributed in-kind support and has been reflected in the statement of activities and change in net assets as donated goods and services. The amounts reflected as "donated goods and services" are offset by like amounts included in allocated expense accounts.

Note 10: Operating Lease

The Organization leases its administrative facilities under a lease that as amended in January 2015 will expire on March 31, 2021. The lease contains provisions for future rent increases, rent free periods, and periods in which rent payments are reduced. The total amount of rental payments due over the lease term is being reflected as rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is Deferred rent which is included in current liabilities in the accompanying statement of financial position.

Minimum rentals for the remaining lease term are as follows:

Year ended December 31,		
2019	$	80,548
2020		82,272
2021		22,566
Total	$	185,386

The Organization is also responsible for real estate taxes, insurance, and building operating costs on the property, as stipulated in the terms of the lease agreement. Total rent charged to operations for the years ended December 31, 2018 and 2017 was $85,557 and $89,416, respectively, and has been allocated to the programs benefited.

Note 11: Employee Benefit Plan

The Organization sponsors a 401(k) plan that covers substantially all domestic employees who meet certain eligibility requirements. Employees may elect to have pre-tax dollars deducted from their check for contributions to the 401(k) retirement plan. The Organization makes discretionary matching and nonelective contributions which are allocated to employees based upon employee deferrals and compensation. The Organization's discretionary matching contributions for the years ended December 31, 2018 and 2017 was $54,238 and $57,935, respectively.

Note 12: Cost of Fundraising Events

The cost of fundraising events for the years ended December 31, 2018 and 2017 was $79,536 and $96,517, respectively, and is included as a reduction in revenue from special events in the statements of activities and change in net asses.