HEALTHY SCHOOLS CAMPAIGN

YEARS ENDED DECEMBER 31, 2019 AND 2018

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YEARS ENDED DECEMBER 31, 2019 AND 2018

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RIPPLE
TAX & FINANCIAL SERVICES

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 (the Organization) (an Illinois nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets and cash flows for the year 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 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.

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 of America. Those standards require that we plan and perform the audit 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, 2019 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.

Adjustments to Prior Period Financial Statements

The financial statements of Healthy Schools Campaign as of December 31, 2018, were audited by other auditors whose report dated August 22, 2019, expressed an unmodified opinion on those financial statements. As discussed in Note 4 to the financial statements, the Organization has adjusted its 2018 financial statements to retrospectively apply the change in accounting for contributions received under ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to retrospectively apply the change in accounting as described in Note 4. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Healthy School Campaign's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Ripple Tax & Financial Services, Inc.

Chicago, Illinois
July 29, 2020

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF FINANCIAL POSITION

December 31,	**2019**	2018 (As restated)
ASSETS		
Current assets:		
Cash	**$ 717,086**	$ 285,261
Accounts receivable	**165,655**	538,584
Prepaid expenses	**17,317**	31,439
Total current assets	**900,058**	855,284
Property and equipment:		
Furniture and equipment	**117,934**	117,934
Less accumulated depreciation	**117,159**	115,054
Property and equipment, net	**775**	2,880
Other assets:		
Donated goods	**21,600**	19,200
Prepaid unemployment benefits	**10,377**	28,394
Security deposits		10,000
Total other assets	**31,977**	57,594
Total assets	**$ 932,810**	$ 915,758

See notes to financial statements.

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31,		**2019**		2018 (As restated)
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	**$**	**26,251**	$	38,621
Accrued wages and benefits		**99,324**		107,924
Accrued expenses		**70,061**		50,279
Deferred rent		**6,797**		8,913
Deferred revenues		**60,187**		108,333
Total current liabilities		**262,620**		314,070
Net assets:				
Without donor restrictions:				
Undesignated		**216,990**		162,523
Total net assets without donor restrictions		**216,990**		162,523
With donor restrictions:				
Purpose restricted		**288,200**		392,499
Time restricted		**165,000**		46,666
Total net assets with donor restrictions		**453,200**		439,165
Total net assets		**670,190**		601,688
Total liabilities and net assets	**$**	**932,810**	$	915,758

See notes to financial statements.

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended December 31,	2019			2018 (As restated)		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenues:						
Grants and contributions	**$ 1,413,972**	**$ 453,200**	**$ 1,867,172**	$ 1,634,742	$ 439,165	$ 2,073,907
Program service fees	**226,000**		**226,000**	361,544		361,544
Other income	**4,534**		**4,534**	2,214		2,214
Donated goods and services	**18,800**		**18,800**	17,200		17,200
Interest income	**474**		**474**	200		200
Special events, net of expenses	**66,824**		**66,824**	133,185		133,185
Net assets released from restrictions	**439,165**	**(439,165)**		426,332	(426,332)	
Total public support and revenues	**2,169,769**	**14,035**	**2,183,804**	2,575,417	12,833	2,588,250
Expenses:						
Program	**1,763,459**		**1,763,459**	2,174,805		2,174,805
Management and general	**184,638**		**184,638**	220,819		220,819
Fundraising	**167,205**		**167,205**	149,308		149,308
Total expenses	**2,115,302**		**2,115,302**	2,544,932		2,544,932
Increase (decrease) in net assets	**54,467**	**14,035**	**68,502**	30,485	12,833	43,318
Net assets, beginning of year (as restated)	**162,523**	**439,165**	**601,688**	132,038	426,332	558,370
Net assets, end of year	**$ 216,990**	**$ 453,200**	**$ 670,190**	$ 162,523	$ 439,165	$ 601,688

See notes to financial statements.

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF CASH FLOWS

Years ended December 31,	**2019**	2018 (As restated)
Cash flows from operating activities:		
Increase in net assets	**$ 68,502**	$ 43,318
Adjustments to reconcile above to cash provided by (used in) operating activities:		
Contributed goods	**(21,600)**	(21,600)
Depreciation	**2,105**	2,951
(Increase) decrease in operating assets:		
Accounts receivable	**372,929**	(307,346)
Prepaid expenses	**14,122**	(23,796)
Donated goods	**19,200**	22,400
Prepaid unemployment benefits	**18,017**	6,224
Security deposits	**10,000**	
Increase (decrease) in operating liabilities:		
Accounts payable	**(12,370)**	(10,141)
Accrued wages and benefits	**(8,600)**	(11,136)
Accrued expenses	**19,782**	(5,438)
Deferred rent	**(2,116)**	(391)
Deferred revenues	**(48,146)**	(347,500)
Cash provided by (used in) operating activities	**431,825**	(652,455)
Increase (decrease) in cash	**431,825**	(652,455)
Cash, beginning of year	**285,261**	937,716
Cash, end of year	**$ 717,086**	$ 285,261

See notes to financial statements.

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019	Program	Management and general	Fundraising	Total
Salaries and payroll taxes	$ 895,509	$ 111,939	$ 111,938	$ 1,119,386
Payroll taxes and fringe benefits	278,377	34,797	34,797	347,971
Accounting fees		11,000		11,000
Data services	3,840	480	480	4,800
Depreciation	1,684	210	210	2,104
Dues and subscriptions		21	195	216
Equipment expense	909	113	114	1,136
Fees and licenses		1,983		1,983
Information technology	29,309	3,664	3,664	36,637
Insurance		4,474		4,474
Meetings, trainings, and conferences	69,634	213	1,892	71,739
Miscellaneous	7,875	985	985	9,845
Occupancy	53,912	6,739	6,739	67,390
Office expenses	8,735	1,092	1,092	10,919
Printing and postage	8,105	280	443	8,828
Professional fees	346,092	6,045	2,500	354,637
Program materials	5,041			5,041
Telephone	4,058	507	507	5,072
Travel	50,379	96	1,649	52,124
Total functional expenses	$ 1,763,459	$ 184,638	$ 167,205	$ 2,115,302

See notes to financial statements.

HEALTHY SCHOOLS CAMPAIGN

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended December 31, 2018	Program	Management and general	Fundraising	Total
Salaries and payroll taxes	$ 1,206,805	$ 143,667	$ 86,200	$ 1,436,672
Payroll taxes and fringe benefits	338,115	40,252	24,151	402,518
Accounting fees		11,250		11,250
Data services	4,158	495	297	4,950
Depreciation	2,479	295	177	2,951
Dues and subscriptions	90	23	119	232
Equipment expense	1,348	160	96	1,604
Fees and licenses		1,120		1,120
Information technology	25,477	3,033	1,820	30,330
Insurance		4,792		4,792
Meetings, trainings, and conferences	74,869	1,707	182	76,758
Miscellaneous	889	106	63	1,058
Occupancy	74,894	8,916	5,350	89,160
Office expenses	10,731	1,279	767	12,777
Printing and postage	28,777	352	331	29,460
Professional fees	277,235	2,397	29,406	309,038
Program materials	5,997			5,997
Telephone	3,065	364	219	3,648
Travel	119,876	611	130	120,617
Total functional expenses	$ 2,174,805	$ 220,819	$ 149,308	$ 2,544,932

See notes to financial statements.

1. General

Healthy Schools Campaign (the "Organization") is a non-profit organization headquartered in Chicago and organized under Illinois law. The Organization's mission is to ensure that all students have equitable access to healthy school environments, including nutritious food, physical activity, safe and health-promoting outdoor spaces, health services and clean air, where they can learn and thrive. Healthy Schools Campaign focuses on issues affecting low-income students of color and strives to make equity part of the public dialogue about education, health and the environment. The Organization receives contributions and grants from individuals, corporations, and foundations.

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.

Net assets:

The Organization's net assets are classified into two classes: net assets without donor restrictions and net assets with donor restrictions, according to the existence of donor-imposed restrictions.

Net assets without donor restrictions - Net assets available to fund the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization and the environment in which it operates.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income from net assets held in perpetuity is expended primarily to support projects consistent with donor-designated guidelines. We report contributions restricted by donors 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. There were no donor-imposed restrictions that are perpetual in nature at December 31, 2019 and 2018.

2. Summary of significant accounting policies (continued)

Trade accounts receivable:

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the credit history with customers and others having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Furniture and equipment:

Equipment is stated at cost. Donated equipment is stated at the estimated fair value at the date of donation. The Organization capitalizes fixed asset additions over $1,500.

Depreciation is provided using the straight-line method over the estimated useful lives of depreciable assets. Equipment is depreciated over 3 years and furniture is depreciated over 5 years.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and contributed goods:

The Organization recognizes contributed goods and services at their estimated fair value at date of receipt. The Organization received contributed goods with an estimated fair value totaling $21,600 for each year ended December 31, 2019 and 2018.

Deferred rent:

In accordance with generally accepted accounting principles, the Organization records monthly rent expense equal to total minimum payments due over the lease term divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged to deferred rent, which is reflected as a separate line item in the statement of financial position.

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include various operating expenses which are allocated on the basis of estimates of time and effort.

2. Summary of significant accounting policies (continued)

Income tax status:

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2019 and 2018.

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 as 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.

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.

The Organization received sponsorship fees applicable to one-year periods. Income from sponsorships are deferred until earned.

Deferred revenue totaled $60,187 and $108,333 at December 31, 2019 and 2018, respectively.

2. Summary of significant accounting policies (continued)

Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

3. Revenue recognition

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.

The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. There were no changes to previously reported net assets to reflect the effect of the new guidance.

Disaggregation and significant judgments:

Sponsorship agreements provide the Organization's sponsors with sponsorship benefits during a one-year contract term. The usage of such benefits includes obligations that are either satisfied at a "point in time" or are estimated to be evenly applied throughout the contract term ("over time"). The Organization recognizes sponsorship revenues for financial reporting purposes either upon the satisfaction of each obligation at a "point in time" or based on usage "over time".

Program service agreements identify various tasks and deliverables that must be completed and the transaction price applicable to the completion of each task and deliverable. The Organization recognizes program service revenues upon the completion of each task and deliverable.

Contract balances:

Contract liabilities include deferred revenues, which represent sponsorship fee revenues to be recognized over future franchise periods. Deferred sponsorship fee revenues totaled $12,700 as of December 31, 2019.

3. Revenue recognition (continued)

Performance obligations:

Payment for sponsorship fees is due at the start of the contract term. Billed amounts related to future periods are deferred until the expiration of such periods. The remaining performance obligations represent future periods of existing contract terms and are expected to be recognized as revenue within one year.

Payment for program services is due upon the billing of such services when completed.

4. Change in accounting principle

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. When adopted, the amendments in the ASU must be applied using one of two retrospective methods.

The Organization adopted ASC 958 using the full retrospective method, restating all prior periods, and recorded a net change to beginning total net assets totaling $107,500 as of January 1, 2019 due to the cumulative effect of adopting ASC 958. The transition adjustment includes a $107,500 impact due to the reclassification of unconditional multi-year grants to 2018 and prior, which represent the years the grants were approved. The impact to prior periods is presented below:

	As previous reported	Adjustment	As restated
Accounts receivable	$ 431,084	$ 107,500	$ 538,584
Total assets	808,258	107,500	915,758
Net assets without restrictions	494,188	(331,665)	162,523
Net assets with restrictions		439,165	439,165
Total net assets	$ 494,188	$ 107,500	$ 601,688

5. Credit risk

The Organization maintains its cash in bank accounts at a national bank. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Such accounts, at times, may exceed federally insured limits. The Organization had uninsured balances totaling approximately $467,000 and $39,000 at December 31, 2019 and 2018, respectively. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

6. Major contributors

During the year ended December 31, 2019, approximately 22% of total support revenue was from two donors.

During the year ended December 31, 2018, approximately 26% of total support revenue was from two donors.

7. Net assets with donor restrictions – time and purpose-restricted

Net assets with donor restrictions are restricted for the following purposes:

December 31,	**2019**	2018 (As restated)
Time-restricted funds	**$ 165,000**	$ 46,666
Purpose-restricted funds:		
Chicago Programs	**125,700**	230,833
Financial Stability	**30,000**	15,000
National Programs	**97,500**	106,666
Space to Grow	**35,000**	40,000
Total	**$ 453,200**	$ 439,165

Net assets with donor restrictions are available to fund programs consistent with donor-designated guidelines. Upon the satisfaction of time and purpose restrictions, funds have been reclassified to net assets without donor restrictions. During the years ended December 31, 2019 and 2018, the Organization expended $439,165 and $426,332, respectively, to fund programs. Accordingly, those amounts have been released from net assets with donor restrictions.

8. Liquidity and availability

The following represents the Organization's financial assets:

December 31,	2019	2018 (As restated)
Financial assets at year-end:		
Cash	**$ 717,086**	$ 285,261
Accounts receivable	**165,655**	538,584
Total financial assets	**882,741**	823,845
Less amounts not available to be used within one year:		
Purpose restricted net assets	**288,200**	392,499
Financial assets available to meet general expenditures within one year	**$ 594,541**	$ 431,346

The Organization manages available cash to meet general expenditures following these principles:

- Meet operating needs and contractual commitments
- Maintain adequate liquid assets
- Maintain sufficient reserves to fund program spending

The sources of liquidity available to the Organization are cash and grant and program receivables. The Organization prepares monthly budgetary projections for the upcoming year.

Program and other known expenses are considered when preparing the budget. Management monitors the bank account to maintain the reserve.

9. Line of credit

The Organization obtained a $100,000 line of credit with Chase Bank. Amounts borrowed under this agreement accrue interest at the bank's prime rate, which was 4.75% at December 31, 2019, plus 3.2%. There was no outstanding balance at December 31, 2019 and 2018.

10. Conditional promise to give

Conditional promises to give consist of promises to:

December 31,	2019	2018
Fund general operations	$ **70,000**	$ 120,000
Fund national programs	**20,000**	141,667
Fund Space to Grow		125,000
Total	$ **90,000**	$ 386,667

11. Lease commitments

The Organization entered into a lease commitment for their office space, that as amended on April 1, 2015, will expire on March 31, 2021.

The minimum future rental commitments under the terms of the lease are as follows:

Year ending December 31:	Amount
2020	$ 44,897
2021	11,283
Total	$ 56,180

Total rent expense was $64,197 and $85,557 for the years ended December 31, 2019 and 2018, respectively.

12. Retirement plan

The Organization maintains a 401(k) plan covering all eligible employees. The discretionary matching contributions made to the plan were $54,596 and $54,238 for the years ended December 31, 2019 and 2018, respectively.

13. Fundraising events

The cost of fundraising events for the years ended December 31, 2019 and 2018 was $9,839 and $79,536, respectively, and is included as a reduction in revenue from special events in the statements of activities and change in net assets.

14. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from December 31, 2019, the financial statement date, through July 29, 2020, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.