

# Healthy Kids Running Series

Financial Statements

Years Ended December 31, 2019 and 2018



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# HEALTHY KIDS RUNNING SERIES

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Healthy Kids Running Series (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 audit. We conducted our audit 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 Kids Running Series as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The 2018 financial statements were reviewed by us, and our report thereon, dated August 26, 2019, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

*BBD, LLP*

**Philadelphia, Pennsylvania**  
**April 1, 2020**

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 (*Audited*) and 2018 (*Reviewed*)

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 324,980	\$ 328,812
Accounts receivable	40,220	37,750
Prepaid expenses	168,135	127,242
Property and equipment, net	<u>48,141</u>	<u>46,908</u>
<b>Total assets</b>	<u>\$ 581,476</u>	<u>\$ 540,712</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 135,867	\$ 56,985
Due to related party	<u>-</u>	<u>66,053</u>
<b>Total liabilities</b>	<u>135,867</u>	<u>123,038</u>
<b>NET ASSETS</b>		
Without donor restrictions	323,363	342,047
With donor restrictions	<u>122,246</u>	<u>75,627</u>
<b>Total net assets</b>	<u>445,609</u>	<u>417,674</u>
<b>Total liabilities and net assets</b>	<u>\$ 581,476</u>	<u>\$ 540,712</u>

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See accompanying notes

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF ACTIVITIES

Years ended December 31, 2019 (Audited) and 2018 (Reviewed)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Registration fees	\$ 1,794,148	\$ -	\$ 1,794,148	\$ 1,489,007	\$ -	\$ 1,489,007
Sponsorships and contributions	309,138	122,576	431,714	245,596	62,845	308,441
In-kind contributions	268,452	-	268,452	125,454	-	125,454
Miscellaneous income	3,865	-	3,865	5,117	-	5,117
Net assets released from restrictions	<u>75,957</u>	<u>(75,957)</u>	<u>-</u>	<u>6,344</u>	<u>(6,344)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>2,451,560</u>	<u>46,619</u>	<u>2,498,179</u>	<u>1,871,518</u>	<u>56,501</u>	<u>1,928,019</u>
<b>EXPENSES</b>						
<b>Program service</b>						
Running events	2,257,019	-	2,257,019	1,721,954	-	1,721,954
<b>Support services</b>						
Management and general	206,053	-	206,053	164,845	-	164,845
Fundraising	<u>7,172</u>	<u>-</u>	<u>7,172</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<b>Total expenses</b>	<u>2,470,244</u>	<u>-</u>	<u>2,470,244</u>	<u>1,889,799</u>	<u>-</u>	<u>1,889,799</u>
<b>CHANGE IN NET ASSETS</b>	(18,684)	46,619	27,935	(18,281)	56,501	38,220
<b>NET ASSETS</b>						
Beginning of year	<u>342,047</u>	<u>75,627</u>	<u>417,674</u>	<u>360,328</u>	<u>19,126</u>	<u>379,454</u>
<b>End of year</b>	<u>\$ 323,363</u>	<u>\$ 122,246</u>	<u>\$ 445,609</u>	<u>\$ 342,047</u>	<u>\$ 75,627</u>	<u>\$ 417,674</u>

See accompanying notes

## HEALTHY KIDS RUNNING SERIES

### STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2019 (Audited) and 2018 (Reviewed)

	2019				2018			
	<u>Program Running Events</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Program Running Events</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Event expenses								
Community coordinator payments	\$ 720,299	\$ -	\$ -	\$ 720,299	\$ 558,973	\$ -	\$ -	\$ 558,973
T-shirts	213,265	-	-	213,265	262,031	-	-	262,031
In-kind services and materials	259,719	-	-	259,719	95,262	-	-	95,262
Registration processing fees	97,047	-	-	97,047	92,835	-	-	92,835
Medals	54,661	-	-	54,661	82,102	-	-	82,102
Site rent	45,923	-	-	45,923	55,837	-	-	55,837
Trophies	59,229	-	-	59,229	51,816	-	-	51,816
Supplies	19,318	-	-	19,318	41,085	-	-	41,085
Insurance	45,420	-	-	45,420	35,547	-	-	35,547
Shipping	64,945	-	-	64,945	23,732	-	-	23,732
Other	114,960	-	-	114,960	42,174	-	-	42,174
Payroll and related costs	364,921	96,091	5,161	466,173	250,376	71,382	-	321,758
Promotion and advertising	27,652	33,526	-	61,178	27,590	51,201	-	78,791
Contract labor	24,900	1,405	-	26,305	37,434	-	-	37,434
Travel	50,326	4,110	-	54,436	25,829	6,775	-	32,604
Occupancy	23,188	4,389	480	28,057	20,371	6,085	-	26,456
Professional fees	195	45,083	1,000	46,278	2,200	13,930	3,000	19,130
Information technology	6,091	16,322	-	22,413	-	11,732	-	11,732
Depreciation	14,241	-	495	14,736	6,720	-	-	6,720
Miscellaneous	50,719	5,127	36	55,882	10,040	3,740	-	13,780
	<u>\$ 2,257,019</u>	<u>\$ 206,053</u>	<u>\$ 7,172</u>	<u>\$ 2,470,244</u>	<u>\$ 1,721,954</u>	<u>\$ 164,845</u>	<u>\$ 3,000</u>	<u>\$ 1,889,799</u>

See accompanying notes

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 (Audited) and 2018 (Reviewed)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 27,935	\$ 38,220
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	14,736	6,720
(Increase) decrease in		
Accounts receivable	(2,470)	(28,600)
Prepaid expenses	(40,893)	14,430
Increase (decrease) in		
Accounts payable and accrued expenses	78,882	25,931
Due to related party	<u>(66,053)</u>	<u>66,053</u>
<b>Net cash provided by operating activities</b>	12,137	122,754
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(15,969)</u>	<u>(53,628)</u>
<b>Net change in cash</b>	(3,832)	69,126
<b>CASH</b>		
Beginning of year	<u>328,812</u>	<u>259,686</u>
End of year	<u>\$ 324,980</u>	<u>\$ 328,812</u>

See accompanying notes



# HEALTHY KIDS RUNNING SERIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 (*Audited*) and 2018 (*Reviewed*)

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### (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 following classes of net assets:

##### ***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 statements of activities as "***net assets released from restrictions***".

#### **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 2020.

#### **Prepaid Expenses**

Prepaid expenses consists primarily of t-shirts and other materials and supplies used in conducting the running series.

#### **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, 2019 (*Audited*) and 2018 (*Reviewed*)

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### **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 sponsorships and contributions are recognized as revenue when the related promise to give is received. Conditional sponsorships and 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 \$61,178 in 2019 and \$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 primarily 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 May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. HKRS adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method approach.

# HEALTHY KIDS RUNNING SERIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 (Audited) and 2018 (Reviewed)

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HKRS performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 had no impact on the amount of revenue recognized since revenue continues to be recognized in the period the races occur as described above.

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*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. HKRS adopted ASU 2018-08 on January 1, 2019.

### **Reclassifications**

Certain items in the 2018 financial statements have been reclassified to conform with the presentation in the 2019 financial statements.

### **(3) PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Vehicle	\$ 25,778	\$25,778
Software	<u>43,819</u>	<u>27,850</u>
	69,597	53,628
Less accumulated depreciation	<u>(21,456)</u>	<u>(6,720)</u>
	<u>\$ 48,141</u>	<u>\$46,908</u>

### **(4) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	<u>December 31,</u> <u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2019</u>
<b><u>Purpose restrictions</u></b>				
Local program improvement fund	\$30,092	\$ 51,352	\$(33,904)	\$ 47,540
Underserved communities and registration assistance fund	6,105	29,499	(2,623)	32,981
<b><u>Time restrictions</u></b>				
Sponsorships for future events	<u>39,430</u>	<u>41,725</u>	<u>(39,430)</u>	<u>41,725</u>
	<u>\$75,627</u>	<u>\$122,576</u>	<u>\$(75,957)</u>	<u>\$122,246</u>

## HEALTHY KIDS RUNNING SERIES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2019 (Audited) and 2018 (Reviewed)

	<u>December 31,</u> <u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2018</u>
<b><u>Purpose restrictions</u></b>				
Local program improvement fund	\$19,126	\$17,310	\$(6,344)	\$30,092
Underserved communities and registration assistance fund	-	6,105	-	6,105
<b><u>Time restrictions</u></b>				
Sponsorships for future events	-	<u>39,430</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 had 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. This payable was repaid in full during 2019.

#### (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 \$20,867 in 2019 and \$20,210 in 2018.

#### (7) DONATED SITES, SERVICES AND MATERIALS

Donated sites, services and materials received during 2019 and 2018 are included in in-kind contributions in the accompanying statements of activities and consisted of the following:

	<u>2019</u>	<u>2018</u>
Sites for various running events	\$ 8,733	\$ 30,192
Services primarily for professional photographers at the various running events	28,800	11,250
Materials primarily for food, beverages and prizes at the various running events	<u>230,919</u>	<u>84,012</u>
	<u>\$268,452</u>	<u>\$125,454</u>

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, 2019 and 2018 and the amounts that are available within one year.

	<u>2019</u>	<u>2018</u>
Cash	\$ 324,980	\$328,812
Accounts receivable	<u>40,220</u>	<u>37,750</u>
Total financial assets	365,200	366,562
Less amounts with donor restrictions	<u>(122,246)</u>	<u>(75,627)</u>
Financial assets available within one year	<u>\$ 242,954</u>	<u>\$290,935</u>

## HEALTHY KIDS RUNNING SERIES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2019 (*Audited*) and 2018 (*Reviewed*)

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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.

#### **(9) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 1, 2020, the date on which the financial statements were available to be issued.

The recent international outbreak of the COVID-19 coronavirus has resulted in various restrictions around public gatherings throughout the United States. As a result, HKRS is offering other options for the registered participants of its Spring 2020 running series, including facilitating virtual races, deferring registrations to the Fall 2020 series, and offering registration refunds in extenuating circumstances even though the HKRS registration fees are nonrefundable. These other options could result in an adverse impact on HKRS' operating results and financial position; however, HKRS is unable to reasonably estimate those impacts at this time.