

Healthy Kids Running Series

Financial Statements

Years Ended December 31, 2020 and 2019



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

HEALTHY KIDS RUNNING SERIES

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	2
<i>Statements of Activities</i>	3
<i>Statements of Functional Expenses</i>	4
<i>Statements of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	6



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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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 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 Kids Running Series as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BBD, LLP

**Philadelphia, Pennsylvania
March 24, 2021**

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 374,190	\$ 324,980
Accounts receivable	27,101	40,220
Prepaid expenses	222,205	168,135
Property and equipment, net	<u>35,366</u>	<u>48,141</u>
Total assets	<u>\$ 658,862</u>	<u>\$ 581,476</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 109,993	\$ 135,867
Deferred revenue	122,045	-
Notes payable	<u>240,617</u>	<u>-</u>
Total liabilities	<u>472,655</u>	<u>135,867</u>
NET ASSETS		
Without donor restrictions	49,034	323,363
With donor restrictions	<u>137,173</u>	<u>122,246</u>
Total net assets	<u>186,207</u>	<u>445,609</u>
Total liabilities and net assets	<u>\$ 658,862</u>	<u>\$ 581,476</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF ACTIVITIES

Years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Registration fees	\$ 762,067	\$ -	\$ 762,067	\$ 1,794,148	\$ -	\$ 1,794,148
Sponsorships and contributions	227,088	72,946	300,034	309,138	122,576	431,714
In-kind contributions	52,748	-	52,748	268,452	-	268,452
Miscellaneous income	16,157	-	16,157	3,865	-	3,865
Net assets released from restrictions	58,019	(58,019)	-	75,957	(75,957)	-
Total revenue and support	<u>1,116,079</u>	<u>14,927</u>	<u>1,131,006</u>	<u>2,451,560</u>	<u>46,619</u>	<u>2,498,179</u>
EXPENSES						
Program service						
Running events	1,237,461	-	1,237,461	2,257,019	-	2,257,019
Support services						
Management and general	135,304	-	135,304	206,053	-	206,053
Fundraising	17,643	-	17,643	7,172	-	7,172
Total expenses	<u>1,390,408</u>	<u>-</u>	<u>1,390,408</u>	<u>2,470,244</u>	<u>-</u>	<u>2,470,244</u>
CHANGE IN NET ASSETS	(274,329)	14,927	(259,402)	(18,684)	46,619	27,935
NET ASSETS						
Beginning of year	<u>323,363</u>	<u>122,246</u>	<u>445,609</u>	<u>342,047</u>	<u>75,627</u>	<u>417,674</u>
End of year	<u>\$ 49,034</u>	<u>\$ 137,173</u>	<u>\$ 186,207</u>	<u>\$ 323,363</u>	<u>\$ 122,246</u>	<u>\$ 445,609</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2020 and 2019

	2020				2019			
	<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	\$ 322,237	\$ -	\$ -	\$ 322,237	\$ 720,299	\$ -	\$ -	\$ 720,299
T-shirts	63,805	-	-	63,805	213,265	-	-	213,265
In-kind services and materials	51,747	-	-	51,747	259,719	-	-	259,719
Registration processing fees	41,542	-	-	41,542	97,047	-	-	97,047
Medals	16,073	-	-	16,073	54,661	-	-	54,661
Site rent	8,163	-	-	8,163	45,923	-	-	45,923
Trophies	13,993	-	-	13,993	59,229	-	-	59,229
Supplies	4,838	-	-	4,838	19,318	-	-	19,318
Insurance	40,698	-	-	40,698	45,420	-	-	45,420
Shipping	31,999	-	-	31,999	64,945	-	-	64,945
Other	49,432	-	-	49,432	114,960	-	-	114,960
Payroll and related costs	433,640	68,982	12,704	515,326	364,921	96,091	5,161	466,173
Promotion and advertising	35,402	18,000	-	53,402	27,652	33,526	-	61,178
Contract labor	13,300	-	-	13,300	24,900	1,405	-	26,305
Travel	17,106	1,457	-	18,563	50,326	4,110	-	54,436
Occupancy	20,897	3,461	461	24,819	23,188	4,389	480	28,057
Professional fees	-	26,955	-	26,955	195	45,083	1,000	46,278
Information technology	29,354	2,637	3,840	35,831	6,091	16,322	-	22,413
Depreciation	18,498	-	495	18,993	14,241	-	495	14,736
Interest	-	2,406	-	2,406	-	-	-	-
Miscellaneous	24,737	11,406	143	36,286	50,719	5,127	36	55,882
	<u>\$ 1,237,461</u>	<u>\$ 135,304</u>	<u>\$ 17,643</u>	<u>\$ 1,390,408</u>	<u>\$ 2,257,019</u>	<u>\$ 206,053</u>	<u>\$ 7,172</u>	<u>\$ 2,470,244</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (259,402)	\$ 27,935
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	18,993	14,736
(Increase) decrease in		
Accounts receivable	13,119	(2,470)
Prepaid expenses	(54,070)	(40,893)
Increase (decrease) in		
Accounts payable and accrued expenses	(25,874)	78,882
Deferred revenue	<u>122,045</u>	<u>(66,053)</u>
Net cash provided by (used for) operating activities	<u>(185,189)</u>	<u>12,137</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(6,218)</u>	<u>(15,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from issuance of notes payable	<u>240,617</u>	<u>-</u>
Net change in cash	49,210	(3,832)
CASH		
Beginning of year	<u>324,980</u>	<u>328,812</u>
End of year	<u>\$ 374,190</u>	<u>\$ 324,980</u>

See accompanying notes

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(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.

The 2020 financial results for HKRS reflect the adverse impacts of the COVID-19 pandemic on HKRS' operations. Following the actions of federal, state, municipal and school district guidelines, all of the Spring 2020 in-person programming and most of the Fall 2020 in-person running events were either cancelled entirely or replaced with a virtual format which significantly reduced participation, resulting in significantly reduced revenue and support and a negative change in net assets for the year. As disclosed in Notes 4, 5 and 11 to the financial statements, HKRS took decisive actions to maintain financial liquidity until its programs return to a more normal, post-pandemic state. HKRS received Paycheck Protection Program loans of \$90,617 in 2020 and \$101,837 in February 2021, both of which are expected to be forgiven and recognized as revenue in 2021. In addition, in 2020 HKRS also received an Economic Injury Disaster Loan of \$150,000 and established a line of credit with its bank of \$150,000.

(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 primarily of sponsorships that are expected to be collected in 2021.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Prepaid Expenses

Prepaid expenses consist 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.

Revenue and Support

Registration fees are recognized in the year 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.

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 \$53,402 in 2020 and \$61,178 in 2019.

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.

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform with the presentation in the 2020 financial statements.

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Vehicle	\$ 25,778	\$ 25,778
Software	<u>50,037</u>	<u>43,819</u>
	75,815	69,597
Less accumulated depreciation	<u>(40,449)</u>	<u>(21,456)</u>
	<u>\$ 35,366</u>	<u>\$ 48,141</u>

(4) LINE OF CREDIT

In June 2020, HKRS obtained a \$150,000 bank line of credit. Advances under the credit line are due on demand; bear interest at the bank's prime rate plus .74%, with a floor of 3.25%; and are secured by substantially all of HKRS' assets. There were no advances outstanding at December 31, 2020.

(5) NOTES PAYABLE

Notes payable consisted of the following at December 31, 2020

Paycheck Protection Program	\$ 90,617
Economic Injury Disaster Loan Program	<u>150,000</u>
	<u>\$240,617</u>

In April 2020, the Organization received a loan of \$90,617 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is payable in 24 monthly installments from August 2021 to July 2023, bears interest at 1%, is unsecured, is guaranteed by the Small Business Administration, and may be forgiven in its entirety upon meeting certain requirements.

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 360 monthly installments from July 2021 to June 2051, bears interest at 2.75%, and is secured by substantially all of HKRS' assets.

Scheduled principal payments on the notes payable at December 31, 2020 are as follows:

<u>Year ending December 31,</u>	
2021	\$ 20,256
2022	48,395
2023	29,840
2024	3,325
2025	3,430
Thereafter	<u>135,371</u>
	<u>\$240,617</u>

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2020</u>
<u>Purpose restrictions</u>				
Local program improvement fund	\$ 47,540	\$19,927	\$(13,595)	\$ 53,872
Underserved communities and registration assistance fund	32,981	22,169	(2,699)	52,451
<u>Time restrictions</u>				
Sponsorships for future events	<u>41,725</u>	<u>30,850</u>	<u>(41,725)</u>	<u>30,850</u>
	<u>\$122,246</u>	<u>\$72,946</u>	<u>\$(58,019)</u>	<u>\$137,173</u>
	<u>December 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2019</u>
<u>Purpose restrictions</u>				
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
<u>Time restrictions</u>				
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>

(7) 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 \$21,493 in 2020 and \$20,867 in 2019.

(8) 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. HKRS' contributions to the plan were \$6,097 for 2020.

(9) DONATED SITES, SERVICES AND MATERIALS

Donated sites, services and materials received during 2020 and 2019 are included in in-kind contributions in the accompanying statements of activities and consisted of the following:

	<u>2020</u>	<u>2019</u>
Sites for various running events	\$ 1,000	\$ 8,733
Services primarily for professional photographers at the various running events	6,100	28,800
Materials primarily for food, beverages and prizes at the various running events	<u>45,647</u>	<u>230,919</u>
	<u>\$52,747</u>	<u>\$268,452</u>

HEALTHY KIDS RUNNING SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

(10) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the HKRS' financial assets as of December 31, 2020 and 2019 and the amounts that are available within one year.

	<u>2020</u>	<u>2019</u>
Cash	\$ 374,190	\$ 324,980
Accounts receivable	<u>27,101</u>	<u>40,220</u>
Total financial assets	401,291	365,200
Less amounts with donor restrictions	<u>(137,173)</u>	<u>(122,246)</u>
Financial assets available within one year	<u>\$ 264,118</u>	<u>\$ 242,954</u>

As part of HKRS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. HKRS invests its excess cash in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, HKRS maintains a \$150,000 line of credit.

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2021, the date on which the financial statements were available to be issued. Except as disclosed below, no material subsequent events have occurred since December 31, 2020 that require recognition or disclosure in the financial statements.

In February 2021, HKRS received a second loan in the amount of \$101,837 under the Paycheck Protection Program described in Note 5. The loan is payable in 60 monthly installments, bears interest at 1%, is unsecured, is guaranteed by the Small Business Administration, and may be forgiven in its entirety upon meeting certain requirements.