

# Healthy Kids Running Series

Financial Statements

Years Ended December 31, 2021 and 2020



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# HEALTHY KIDS RUNNING SERIES

## CONTENTS

---

INDEPENDENT AUDITOR'S REPORT	1
<b>FINANCIAL STATEMENTS</b>	
<i>Statements of Financial Position</i>	3
<i>Statements of Activities</i>	4
<i>Statements of Functional Expenses</i>	5
<i>Statements of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7

---



## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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 of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management 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, 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 auditing standards generally accepted in the United States of America 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgement 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 on 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.

*BBD, LLP*

**Philadelphia, Pennsylvania**  
**March 27, 2023**

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 225,589	\$ 374,190
Accounts receivable	34,143	27,101
Prepaid expenses	169,096	222,205
Property and equipment, net	<u>89,458</u>	<u>35,366</u>
<b>Total assets</b>	<u>\$ 518,286</u>	<u>\$ 658,862</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 289,418	\$ 109,993
Deferred revenue	-	122,045
Notes payable	<u>150,000</u>	<u>240,617</u>
<b>Total liabilities</b>	<u>439,418</u>	<u>472,655</u>
<b>NET ASSETS (DEFICIT)</b>		
Without donor restrictions	(47,460)	49,034
With donor restrictions	<u>126,328</u>	<u>137,173</u>
<b>Total net assets</b>	<u>78,868</u>	<u>186,207</u>
<b>Total liabilities and net assets</b>	<u>\$ 518,286</u>	<u>\$ 658,862</u>

See accompanying notes

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF ACTIVITIES

Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Registration fees	\$ 1,868,841	\$ -	\$ 1,868,841	\$ 762,067	\$ -	\$ 762,067
Sponsorships and contributions	305,491	105,974	411,465	227,088	72,946	300,034
In-kind contributions	170,662	-	170,662	52,748	-	52,748
Forgiveness of debt	192,454	-	192,454	-	-	-
Miscellaneous income	20,794	-	20,794	16,157	-	16,157
Net assets released from restrictions	<u>116,819</u>	<u>(116,819)</u>	<u>-</u>	<u>58,019</u>	<u>(58,019)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>2,675,061</u>	<u>(10,845)</u>	<u>2,664,216</u>	<u>1,116,079</u>	<u>14,927</u>	<u>1,131,006</u>
<b>EXPENSES</b>						
<b>Program service</b>						
Running events	2,446,517	-	2,446,517	1,237,461	-	1,237,461
<b>Support services</b>						
Management and general	274,738	-	274,738	135,304	-	135,304
Fundraising	<u>50,300</u>	<u>-</u>	<u>50,300</u>	<u>17,643</u>	<u>-</u>	<u>17,643</u>
<b>Total expenses</b>	<u>2,771,555</u>	<u>-</u>	<u>2,771,555</u>	<u>1,390,408</u>	<u>-</u>	<u>1,390,408</u>
<b>CHANGE IN NET ASSETS</b>	(96,494)	(10,845)	(107,339)	(274,329)	14,927	(259,402)
<b>NET ASSETS (DEFICIT)</b>						
Beginning 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>
<b>End of year</b>	<u>\$ (47,460)</u>	<u>\$ 126,328</u>	<u>\$ 78,868</u>	<u>\$ 49,034</u>	<u>\$ 137,173</u>	<u>\$ 186,207</u>

See accompanying notes

## HEALTHY KIDS RUNNING SERIES

### STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2021 and 2020

	2021				2020			
	<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	\$ 687,272	\$ -	\$ -	\$ 687,272	\$ 322,237	\$ -	\$ -	\$ 322,237
T-shirts	291,856	-	-	291,856	63,805	-	-	63,805
In-kind services and materials	155,207	-	-	155,207	51,747	-	-	51,747
Registration processing fees	121,561	-	-	121,561	41,542	-	-	41,542
Medals	53,424	-	-	53,424	16,073	-	-	16,073
Site rent	57,347	-	-	57,347	8,163	-	-	8,163
Trophies	77,969	-	-	77,969	13,993	-	-	13,993
Supplies	50,473	-	-	50,473	4,838	-	-	4,838
Insurance	56,772	-	-	56,772	40,698	-	-	40,698
Shipping	70,122	-	-	70,122	31,999	-	-	31,999
Other	94,643	-	-	94,643	49,432	-	-	49,432
Payroll and related costs	474,175	129,595	9,868	613,638	433,640	68,982	12,704	515,326
Promotion and advertising	41,313	18,000	-	59,313	35,402	18,000	-	53,402
Contract labor	15,300	10,500	10,000	35,800	13,300	-	-	13,300
Travel	17,932	398	-	18,330	17,106	1,457	-	18,563
Occupancy	25,162	11,145	871	37,178	20,897	3,461	461	24,819
Professional fees	-	72,927	29,000	101,927	-	26,955	-	26,955
Information technology	73,908	9,866	-	83,774	29,354	2,637	3,840	35,831
Depreciation	22,753	-	495	23,248	18,498	-	495	18,993
Interest	-	4,487	-	4,487	-	2,406	-	2,406
Miscellaneous	59,328	17,820	66	77,214	24,737	11,406	143	36,286
	<u>\$ 2,446,517</u>	<u>\$ 274,738</u>	<u>\$ 50,300</u>	<u>\$ 2,771,555</u>	<u>\$ 1,237,461</u>	<u>\$ 135,304</u>	<u>\$ 17,643</u>	<u>\$ 1,390,408</u>

See accompanying notes

# HEALTHY KIDS RUNNING SERIES

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (107,339)	\$ (259,402)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	23,248	18,993
Forgiveness of debt	(192,454)	-
(Increase) decrease in		
Accounts receivable	(7,042)	13,119
Prepaid expenses	53,109	(54,070)
Increase (decrease) in		
Accounts payable and accrued expenses	179,425	(25,874)
Deferred revenue	(122,045)	122,045
<b>Net cash provided by (used for) operating activities</b>	<u>(173,098)</u>	<u>(185,189)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(77,340)</u>	<u>(6,218)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from issuance of notes payable	<u>101,837</u>	<u>240,617</u>
<b>Net change in cash</b>	(148,601)	49,210
<b>CASH</b>		
Beginning of year	<u>374,190</u>	<u>324,980</u>
<b>End of year</b>	<u>\$ 225,589</u>	<u>\$ 374,190</u>

See accompanying notes



# HEALTHY KIDS RUNNING SERIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

---

### (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 and 5 to the financial statements, HKRS took decisive actions to maintain financial liquidity until its programs returned to a more normal, post-pandemic state. HKRS received Paycheck Protection Program loans of \$90,617 in April 2020 and \$101,837 in February 2021, both of which were 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 2022.

# HEALTHY KIDS RUNNING SERIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

---

### **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 \$59,313 in 2021 and \$53,402 in 2020.

### **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, 2021 and 2020

### Reclassifications

Certain items in the 2020 financial statements have been reclassified to conform with the presentation in the 2021 financial statements.

### (3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicle and other	\$ 30,018	\$ 25,778
Software	<u>123,137</u>	<u>50,037</u>
	153,155	75,815
Less accumulated depreciation	<u>(63,697)</u>	<u>(40,449)</u>
	<u>\$ 89,458</u>	<u>\$ 35,366</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, 2021 and 2020.

### (5) NOTES PAYABLE

	<u>2021</u>	<u>2020</u>
Notes payable consisted of the following at December 31, 2021 and 2020:		
Paycheck Protection Program	\$ -	\$ 90,617
Economic Injury Disaster Loan Program	<u>150,000</u>	<u>150,000</u>
	<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. Under the terms of the Paycheck Protection Program, the loan was forgiven in March 2021 and the proceeds are included in "**forgiveness of debt**" in the accompanying 2021 statement of activities.

In February 2021, HKRS received a second loan in the amount of \$101,837 under the Paycheck Protection Program. The loan was forgiven in October 2021 and the proceeds are included in "**forgiveness of debt**" in the accompanying 2021 statement of activities.

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.

Scheduled principal payments on the notes payable at December 31, 2021 are as follows:

#### Year ending December 31,

2022	\$ -
2023	3,702
2024	3,805
2025	3,911
2026	4,020
Thereafter	<u>134,562</u>
	<u>\$150,000</u>

# HEALTHY KIDS RUNNING SERIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### (6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>December 31, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2021</u>
<b><u>Purpose restrictions</u></b>				
Local program improvement fund	\$ 53,872	\$ 48,346	\$ (65,433)	\$ 36,785
Underserved communities and registration assistance fund	52,451	57,628	(20,536)	89,543
<b><u>Time restrictions</u></b>				
Sponsorships for future events	<u>30,850</u>	<u>-</u>	<u>(30,850)</u>	<u>-</u>
	<u>\$137,173</u>	<u>\$105,974</u>	<u>\$(116,819)</u>	<u>\$126,328</u>
	<u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2020</u>
<b><u>Purpose restrictions</u></b>				
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
<b><u>Time restrictions</u></b>				
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>

### (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 \$26,748 in 2021 and \$21,493 in 2020. The minimum annual lease commitment is \$44,268 for 2022.

### (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 \$10,340 for 2021 and \$6,097 for 2020.

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

Donated sites, services and materials received during 2021 and 2020 are included in in-kind contributions in the accompanying statements of activities and consisted of the following:

	<u>2021</u>	<u>2020</u>
Sites for various running events	\$ 15,455	\$ 1,000
Services primarily for professional photographers at the various running events	54,053	6,100
Materials primarily for food, beverages and prizes at the various running events	<u>101,154</u>	<u>45,648</u>
	<u>\$170,662</u>	<u>\$52,748</u>

## HEALTHY KIDS RUNNING SERIES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

---

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, 2021 and 2020 and the amounts that are available within one year.

	<u>2021</u>	<u>2020</u>
Cash	\$ 225,589	\$ 374,190
Accounts receivable	<u>34,143</u>	<u>27,101</u>
Total financial assets	259,732	401,291
Less amounts with donor restrictions	<u>(126,328)</u>	<u>(137,173)</u>
Financial assets available within one year	<u>\$ 133,404</u>	<u>\$ 264,118</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 27, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that require recognition or disclosure in the financial statements.