

KC HEALTHY KIDS

**Independent Auditor's Report and
Financial Statements**

December 31, 2023

KC HEALTHY KIDS
DECEMBER 31, 2023
CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-12



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITORS' REPORT

KC Healthy Kids
Board of Directors
Kansas City, Kansas

Opinion

We have audited the accompanying financial statements of KC Healthy Kids (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 KC Healthy Kids as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KC Healthy Kids and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 KC Healthy Kids' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 KC Healthy Kids' 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 KC Healthy Kids' 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.

Emerick & Company, P.C.

A handwritten signature in blue ink that reads "Emerick + Company, P.C." in a cursive script.

Kansas City, Missouri
October 1, 2024

**KC HEALTHY KIDS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

Assets	
Current assets:	
Cash and cash equivalents	\$ 120,059
Contributions and grants receivable	120,879
Total current assets	<u>240,938</u>
Investments	<u>419,777</u>
Other assets:	
Right of use asset	<u>75,534</u>
Total other assets	<u>75,534</u>
Total Assets	<u><u>\$ 736,249</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 42,506
Accrued expenses	86,229
Current portion of operating lease payable	44,953
Total current liabilities	<u>173,688</u>
Non-current liabilities:	
Long-term operating lease payable	<u>30,581</u>
Total non-current liabilities	<u>30,581</u>
Total Liabilities	<u>204,269</u>
Net Assets	
Without donor restrictions	(1,610,057)
With donor restrictions	<u>2,142,037</u>
Total Net Assets	<u>531,980</u>
Total Liabilities and Net Assets	<u><u>\$ 736,249</u></u>

See Notes to Financial Statements

**KC HEALTHY KIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions and grants	\$ 271,241	\$ 1,224,190	\$ 1,495,431
Investment gain	62,380	-	62,380
Consulting fee income	7,575	-	7,575
Net assets released from donor restrictions	823,744	(823,744)	-
Total Support and Revenues	<u>1,164,940</u>	<u>400,446</u>	<u>1,565,386</u>
Expenses			
Program services	1,216,524	-	1,216,524
Management and general	411,037	-	411,037
Fundraising	102,878	-	102,878
Total Expenses	<u>1,730,439</u>	<u>-</u>	<u>1,730,439</u>
Change in net assets	(565,499)	400,446	(165,053)
Net Assets, Beginning of Year	<u>(1,044,558)</u>	<u>1,741,591</u>	<u>697,033</u>
Net Assets, End of Year	<u><u>\$ (1,610,057)</u></u>	<u><u>\$ 2,142,037</u></u>	<u><u>\$ 531,980</u></u>

See Notes to Financial Statements

**KC HEALTHY KIDS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation	\$ 554,184	\$ 260,361	\$ 75,223	\$ 889,768
Payroll taxes	42,534	18,318	5,754	66,606
Employee benefits	81,785	38,050	10,747	130,582
Awards to partners	14,702	-	-	14,702
Building rent	33,825	8,619	-	42,444
Conferences and meetings	21,103	1,257	1,367	23,727
Contract and professional fees	380,239	54,437	5,726	440,402
Dues and subscriptions	4,195	3,583	795	8,573
Insurance	8,440	2,106	-	10,546
Office supplies	4,726	7,495	-	12,221
Postage and printing	6,104	3,712	2,948	12,764
Program supplies	37,156	-	23	37,179
Telephone	1,235	5,400	-	6,635
Travel	17,945	467	295	18,707
Miscellaneous	8,351	7,232	-	15,583
Total Expenses	<u>\$ 1,216,524</u>	<u>\$ 411,037</u>	<u>\$ 102,878</u>	<u>\$ 1,730,439</u>

See Notes to Financial Statements

**KC HEALTHY KIDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash flows from operating activities	
Change in net assets	\$ (165,053)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Investment gain	(62,380)
Changes in operating assets and liabilities:	
Contributions and grants receivable	12,423
Prepaid expenses	11,230
Accounts payable	(20,738)
Accrued expenses	12,279
Net cash used in operating activities	<u>(212,239)</u>
Cash flows from investing activities	
Proceeds from sale of investments, net	<u>300,001</u>
Net cash provided by investing activities	<u>300,001</u>
Change in cash	87,762
Cash and cash equivalents, Beginning of Year	<u>32,297</u>
Cash and cash equivalents, End of Year	<u><u>\$ 120,059</u></u>

See Notes to Financial Statements

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KC Healthy Kids (the Organization) was formed to advance children's health by increasing opportunities for healthy eating and active living. In 2016, the Organization changed its name from Hartwig Legacy Foundation to KC Healthy Kids. Founded in 2005, the Organization uses its strong grasp of advocacy strategy and the political process and its broad strategic collaborations with public, private and community partners to lift up what works in neighborhoods, institutions and schools across Kansas City and the states of Kansas and Missouri. The work of those partnership results in communities with clean parks, safe playgrounds, walkable neighborhoods, bike friendly streets, school and community gardens, farm to school lunches, neighborhood grocery stores and farmers' markets.

The Organization is incorporated as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified as a public charity. The Organization is supported primarily through public and private contributions and grants.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned income in the statement of financial position.

Net Assets

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of less than three months to be cash equivalents.

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Contributions and Grants Receivable

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of allowance for uncollectible amounts, if applicable, are initially reported at fair value, estimated by discounting to present value at a risk-adjusted rate. Amortization of discount is recorded as additional contribution revenue.

No allowance for doubtful accounts is considered necessary.

Functional Allocation of Expenses

The costs related to supporting various programs and activities have been allocated by function in the statement of activities. Expenses that can be directly tied to a specific program or support service are classified accordingly based on the nature of the expense. Shared expenses, which apply to multiple functions, are allocated based on management's estimates of the resources used by each program or service. Such expenses are primarily wages, payroll taxes and employee benefits are allocated based on the time employees spend on specific grants or programs, as tracked through employee time reporting. Other expenses are allocated based on the percentage of total expenses spent on each program or service. These include rent, insurance, contract and professional expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP require 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 the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with restrictions to net assets without restrictions at that time. There were no donated assets recorded for the year ended December 31, 2023.

Donated Services

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services recorded for the year ended December 31, 2023.

Unpaid volunteers have donated significant amounts of time to the Organization's programs and supporting services, although these services did not meet the criteria for recognition in the financial statements. Donated supplies received from individuals are recorded at fair value.

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Tax Status

No provision for income taxes has been recorded, as the Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the IRC. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization has no unrelated business income which could be subject to taxation. The Organization's tax returns are subject to possible examination by tax authorities. The tax returns remain open for examination for a period of three years after the filing deadlines.

Subsequent Events

Subsequent events have been evaluated through October 1, 2024 which is the date the financial statements were available to be issued

NOTE 2: AVAILABILITY AND LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts that are not available to meet general expenditures because of contractual restrictions.

Financial assets at year end:	
Cash and cash equivalents	\$ 120,059
Contributions and grants receivable	120,879
Investments	<u>419,777</u>
Total financial assets	660,715
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>2,142,037</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>(1,481,322)</u>

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3: LEASES

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) asset and lease liability in the statement of financial position. The ROU asset and lease liability reflects the present value of future minimum lease payments over the lease terms, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization has made an accounting policy election to use a risk-free rate at inception of the lease for the rate applied to calculate lease liabilities as of December 31, 2023. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2023, was 3.8%. The weighted average remaining lease term for operating leases was approximately two years.

Office space

The Organization leases office space under a lease agreement requiring monthly base rent of \$3,490 for July 1, 2022 through June 30, 2023 and monthly base rent of \$3,584 for the period July 1, 2023 through June 30, 2024 and monthly base rent of \$3,681 for the period July 1, 2024 through June 30, 2025 with an extension available. Office space rent expense for the year ended December 31, 2023 was \$42,444.

Copier

The Organization leases a copier which expires in April 2028. The monthly base rent is \$245. Copier rent expense for the year ended December 31, 2023 was \$2,978.

Future maturities of operating lease obligations are presented in the following table, for years ending December 31:

2024	\$ 46,536
2025	25,032
2026	2,946
2027	2,946
2028	<u>734</u>
	78,194
Less: discount to present value	<u>2,660</u>
Total lease obligations	\$ <u>75,534</u>

NOTE 4: CONCENTRATIONS

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash deposits. The Organization maintains cash with a major financial institution, where accounts up to \$250,000 are insured by the Federal Deposit Insurance Corporation. The balances in these accounts occasionally exceed federally insured limits.

Two donors accounted for 75% of receivables as of December 31, 2023. One donor contributed 30% of revenue for the year ended December 31, 2023.

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, net assets with donor restrictions were as follows:

Program	\$ 520,393
Consultant	58,147
Trauma Informed Care	597,830
Policy	274,813
Walking Detective	918
Farm to Institution	107,409
Champions for Health	11,007
Healthy Kids Bright Future	476,574
SPINE *	84,317
Missouri Coordinated School Health	<u>10,629</u>
	<u>\$2,142,037</u>

During the year ended December 31, 2023, net assets were released from donor restrictions by satisfying the restricted purposes as follows:

Program	\$ 238,828
Consultant	26,379
Trauma Informed Care	223,647
Policy	4,250
Walking Detective	91,673
Farm to Institution	89,685
Healthy Kids Bright Future	70,061
SPINE *	<u>79,221</u>
	<u>\$ 823,744</u>

*State Partnerships Improving Nutrition and Equity

NOTE 6: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value for certain assets and liabilities. These provisions establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels of fair value hierarchy are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**KC HEALTHY KIDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6: FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis were as follows at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 10,327	\$ -	\$ -	\$ 10,327
Equities	207,775	-	-	207,775
Fixed income	153,412	-	-	153,412
Commodities	<u>11,307</u>	-	-	<u>11,307</u>
	<u>\$ 382,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,821</u>
Investments measured at net asset value (NAV)				<u>36,956</u>
				<u>\$ 419,777</u>

Investments measured at NAV

This class includes investments measured at net asset value per share (or its equivalent) and have not been classified in the fair value hierarchy.

Cash and cash equivalents, equities, fixed income funds, and commodities

The fair value of money market funds, equity securities, mutual funds, fixed income funds, and commodities is determined using quoted market prices in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 7: UNCERTAINTIES

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

NOTE 8: SUBSEQUENT EVENT

In March 2024, the Organization was awarded a \$1,000,000 unrestricted grant from Yield Giving.