Audited Financial Statements

PARTNERSHIP FOR A HEALTHIER AMERICA, INC.

December 31, 2011

Contents

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Independent Auditor's Report

To the Board of Directors
Partnership for a Healthier America, Inc.

We have audited the accompanying statements of financial position of Partnership for a Healthier America, Inc. (PHA) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years December 31, 2011 and 2010. These financial statements are the responsibility of PHA's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partnership for a Healthier America, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
June 20, 2012

Partnership for a Healthier America, Inc.

Statements of Financial Position

December 31,	2011	2010
Assets		
Cash - Note B	**$ 2,146,481**	$ 2,186,900
Grants receivable - Note C	**2,003,042**	3,634,500
Promises to give - Note D	**280,526**	1,460,990
Prepaid expenses and other assets	**45,894**	6,819
Property and equipment - Note E	**55,335**	14,273
Total assets	**$ 4,531,278**	$ 7,303,482
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$ 239,895**	$ 81,913
Deferred rent - Note H	**34,748**	-
Total liabilities	**274,643**	81,913
Commitments and contingencies - Note H	**-**	-
Net assets - Note F		
Unrestricted	**1,675,266**	2,030,605
Temporarily restricted	**2,581,369**	5,190,964
Total net assets	**4,256,635**	7,221,569
Total liabilities and net assets	**$ 4,531,278**	$ 7,303,482

See notes to the financial statements.

Statements of Activities

Year Ended December 31,	2011	2010
Unrestricted activities		
Revenue and support		
Summit	$ 376,450	$ -
Contributions - Note B	40,863	-
In-kind contributions - Note D	11,084	593,280
Interest income	8,798	9,306
	437,195	602,586
Net assets released from restrictions - Note F	3,057,595	2,292,026
Total revenue and support	3,494,790	2,894,612
Expense		
Program services		
Chef's Move!	1,255,313	159,694
Summit	931,206	-
Program development	389,402	194,934
Other programs	297,669	24,237
Communications	217,462	155,837
Total program services	3,091,052	534,702
Supporting services		
General and administrative	759,077	320,262
Fund raising	-	9,043
Total supporting services	759,077	329,305
Total expense	3,850,129	864,007
Change in unrestricted net assets	(355,339)	2,030,605
Temporarily restricted activities		
Contributions - Note B	448,000	6,022,000
In-kind contributions - Note D	-	1,460,990
Net assets released from restrictions - Note F	(3,057,595)	(2,292,026)
Change in temporarily restricted net assets	(2,609,595)	5,190,964
Change in net assets	(2,964,934)	7,221,569
Net assets, beginning of year	7,221,569	-
Net assets, end of year	$ 4,256,635	$ 7,221,569

See notes to the financial statements.

Statements of Cash Flows

Year Ended December 31,	2011	2010
Cash flows from operating activities		
Change in net assets	**$ (2,964,934)**	$ 7,221,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**15,492**	2,900
Discount on grants receivable	**(23,000)**	28,000
Changes in assets and liabilities:		
Grants receivable	**1,654,458**	(3,662,500)
Promises to give	**1,180,464**	(1,460,990)
Prepaid expenses and other assets	**(39,075)**	(6,819)
Accounts payable and accrued expenses	**157,982**	81,913
Deferred rent	**34,748**	-
Total adjustments	**2,981,069**	(5,017,496)
Net cash provided by operating activities	**16,135**	2,204,073
Cash flows from investing activities		
Purchases of property and equipment	**(56,554)**	(17,173)
Net (decrease) increase in cash	**(40,419)**	2,186,900
Cash, beginning of year	**2,186,900**	-
Cash, end of year	**$ 2,146,481**	$ 2,186,900

See notes to the financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Partnership for a Healthier America, Inc. (PHA) was incorporated on January 13, 2010 in the state of Delaware as a nonprofit corporation. For purposes of this report, the prior year information will be referred to as the year ended December 31, 2010.

PHA is devoted to working with the private sector to ensure the health of our nation's youth by solving the childhood obesity crisis. PHA brings together public, private and nonprofit leaders to broker meaningful commitments and develop strategies to end childhood obesity. Most importantly, PHA ensures that commitments made are commitments kept by working with unbiased, third parties to monitor and publicly report on the progress our partners are making to show everyone the progress we can make when we all work together.

Income taxes: PHA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

PHA believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. Tax returns related to the years ended December 31, 2011 and 2010 remain open for examination by taxing authorities.

Basis of accounting: PHA prepares its financial statements on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense is recognized when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Promises to give: Promises to give are unconditional and consist entirely of either non-cash contributions of goods for the Chef's Move! Program. Promises to give are expected to be received within one year and, therefore, have been recorded at net realizable value. Management periodically reviews the status of all promises to give for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the promise to give balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful promises had been recorded.

Contributions: Contributions are recognized when unconditionally promised to or received by, PHA. Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when a time restriction expires or when the purpose restriction is satisfied.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Program services: Program services descriptions are as follows:

Chef's Move!: The Chef's Move! program teaches young people about nutrition and making balanced and healthy choices about the food they eat. The program pairs chefs with interested schools in their communities so together they can create healthy meals that meet the school's dietary guidelines and budgets, while teaching young people about nutrition and making balanced and healthy choices. As part of the program, cooking materials were donated from several partnering organizations and distributed to participating schools. This program is part of First Lady Michelle Obama's *Let's Move!* campaign.

Summit: The Summit brought together leaders from the private sector, government, and non-profit organizations to help end childhood obesity.

Program development: Program development includes development and implementation of a strategic plan to guide organizational decision-making and long term sustainability.

Other programs: Other programs include PHA's efforts relating to the creation and development of a Founder's Committee, Blueprint for Action, and methodology for evaluation and performance metrics.

Communications: The communications program establishes PHA as a well-known organization and brand focused on brokering commitments with the private sector. The program also includes the creation of a website and related public relations and marketing materials.

Supporting services: Supporting services descriptions are as follows:

General and administrative: General and administrative includes activities necessary for the administrative processes and managing the financial responsibilities of PHA.

Fund raising: Fund raising includes activities that encourage and secure financial support for PHA.

Functional allocation of expense: The costs of providing various program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through June 20, 2012, which is the date the financial statements were available to be issued.

B. Concentrations

Credit risk: PHA maintains a non-interest bearing operating account and an interest bearing money market account with a reputable financial institution. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of the underlying institution could result in financial loss to PHA. However, PHA has not experienced any such losses, and does not believe it is exposed to any significant financial risk on its cash balances.

Contribution revenue: Contribution revenue, one of PHA's largest sources of revenue, includes grants from PHA's five founding funders. Contribution revenue amounted to approximately 55% and 70% of total revenue during the years ended December 31, 2011 and 2010, respectively. Should one of the founding funders discontinue or decrease its promised support, PHA could face a significant decrease in net assets. However, management considers the risk of such of one of the founding funders withdrawing support from its current grant commitments to be minimal.

C. Grants Receivable

Unconditional: Unconditional grants receivable consist of several multi-year commitments to provide contributions to PHA from its founding funders which include The California Endowment, Kaiser Permanente, The W.K. Kellogg Foundation, Nemours, and The Robert Wood Johnson Foundation. Management periodically reviews the status of all receivable balances for collectability which is assessed based on management's knowledge of the donor, PHA's relationship with the donor, and the age of the receivable balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful promises had been recorded.

Amounts expected to be collected in less than one year are recorded at net realizable value. Amounts expected to be collected in one to five years are recorded at the present value of their estimated future cash flows. The discount to net present value was calculated using a risk adjusted discount rate of 2%.

Unconditional grants receivable consist of the following at December 31,:

	2011	2010
Receivable in less than one year	$ 1,758,042	$ 2,262,500
Receivable in one to five years	250,000	1,400,000
	2,008,042	3,662,500
Less discount to net present value	(5,000)	(28,000)
	$ 2,003,042	**$ 3,634,500**

Conditional: Conditional grants receivable consist of two additional grants from PHA's founding funders which both include a requirement that PHA comply with a reapplication process. In accordance with generally accepted accounting principles, conditional grants receivable and the related contribution revenue are not recorded until the conditions have been met. PHA has two conditional grants receivable totaling $1,250,000 and $2,750,000 at December 31, 2011 and 2010, respectively.

D. In-Kind Contributions

Recorded amounts: Contributions of services are recognized as in-kind contributions in accordance with generally accepted accounting principles. Donated services are recognized at fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased by PHA. In-kind contributions of services consist of the following for the years ended December 31,:

	2011	2010
Accounting	$ 11,084	$ 3,250
Legal	-	509,207
Consulting	-	50,023
Advertising	-	30,800
	$ 11,084	**$ 593,280**

In-kind contributions of donated goods consist of cookware for the Chef's Move! program and were recorded as non-cash promises to give at the estimated fair value of the items provided by the donor. Donated goods, which were included in promises to give and in-kind contributions, totaled $1,460,990 at December 31, 2010 and for the year then ended. During the year ended December 31, 2011, donated goods were received and, as a result, promises to give were reduced by the amount of goods received. Therefore, donated goods promised totaled $280,526 at December 31, 2011.

Unrecorded amounts: PHA relies on contributions of both time and expertise from its pool of volunteers. In particular, volunteers work on PHA's programs and fund raising activities. PHA's volunteers donate hundreds of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of PHA. These volunteer services have not been reflected in the accompanying financial statements because the volunteer services provided do not meet the criteria necessary for recognition.

E. Property and Equipment

Acquisitions of property and equipment greater than $1,000 are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: furniture and equipment – 5 to 7 years; computer equipment - 3 years; website – 3 years; and leasehold improvements - lesser of the useful life of the asset or the remaining term of the lease.

Property and equipment consists of the following at December 31, 2011:

	2011	2010
Furniture and equipment	$ 31,069	$ -
Computer equipment	20,164	6,183
Leasehold improvements	11,504	-
Website	10,990	10,990
	73,727	17,173
Less accumulated depreciation and amortization	(18,392)	(2,900)
	$ 55,335	**$ 14,273**

F. Net Assets

Unrestricted: Net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. However, PHA has no board designated funds.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use has been restricted either by an implied time restriction or by donors for a specified program. Temporarily restricted net assets consist of the following at December 31,:

	2011	2010
Time restricted	$ 1,933,042	$ 3,662,500
Purpose restricted	648,327	1,528,464
	$ 2,581,369	**$ 5,190,964**

Net assets are released from restrictions either as a result of the expiration of a time restriction or due to the satisfaction of a purpose restriction. Net assets released from restrictions consist of the following for the years ended December 31,:

	2011	2010
Time restriction	$ 1,777,458	$ 2,259,500
Purpose restriction	1,280,137	32,526
	$ 3,057,595	**$ 2,292,026**

G. Retirement Plan

PHA sponsors a defined 401(k) savings plan which is available to all employees meeting certain eligibility requirements as defined by the plan document. Under the plan PHA makes contributions to the plan equal to employee contributions up to a limit of 4% of participant compensation. PHA's contributions totaled $30,663 for the year ended December 31, 2011. Because PHA established the plan during March 2011, there were no contributions during the year ended December 31, 2010.

H. Commitments and Contingencies

Office lease: PHA has an operating lease for office space which expires July 2013. Under the terms of the lease, PHA paid a security deposit of $15,620 which equals the first monthly base rental fee. The lease stipulates escalating base rental payments. Under generally accepted accounting principles (GAAP), rent expense is recognized on a straight-line basis over the term of the lease. The difference between the straight-line rent expense and the cash payments is reported as deferred rent in the accompanying financial statements. Rent expense totaled $122,784 for the year ended December 31, 2011. PHA did not have office space during the year ended December 31, 2010.

Future minimum rental payments required under the office lease are as follows:

Year Ending December 31,	Amount
2012	$ 192,900
2013	114,800
	$ 307,700

Employment agreement: PHA has signed an employment agreement with a key employee. Under the terms of the agreement, should PHA terminate the employee without cause, it would be obligated to pay severance, the terms of which are stipulated in the employment agreement.