Audited Financial Statements

PARTNERSHIP FOR A HEALTHIER AMERICA, INC.

December 31, 2010

Contents

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&
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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Partnership for a Healthier America, Inc. (PHA) as of December 31, 2010, and the related statements of activities and cash flows for the period from inception (January 13, 2010) through December 31, 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 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 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 audit provides 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, 2010, and the changes in its net assets and its cash flows for the period from inception (January 13, 2010) through December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
June 24, 2011

Partnership for a Healthier America, Inc.

Statement of Financial Position

December 31, 2010

Assets		
Cash - Note B	**$**	**2,186,900**
Grants receivable - Note C		**3,634,500**
Promises to give - Note D		**1,460,990**
Prepaid expenses		**6,819**
Property and equipment - Note E		**14,273**
Total assets	**$**	**7,303,482**
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	**$**	**81,913**
Total liabilities		**81,913**
Commitments and contingencies - Note H		**-**
Net assets		
Unrestricted		**2,030,605**
Temporarily restricted - Note F		**5,190,964**
Total net assets		**7,221,569**
Total liabilities and net assets	**$**	**7,303,482**

Partnership for a Healthier America, Inc.

Statement of Activities

For the Period from Inception (January 13, 2010) Through December 31, 2010

Unrestricted activities		
Revenue and support		
In-kind contributions - Note D	**$**	**593,280**
Interest income		**9,306**
		602,586
Net assets released from restriction -		
satisfaction of time or program restrictions - Note F		**2,292,026**
Total revenue and support		**2,894,612**
Expense		
Program services		
Chef's Move!		**159,694**
Program development		**194,934**
Communications		**155,837**
Other programs		**24,237**
Total program services		**534,702**
Supporting services		
General and administrative		**320,262**
Fund raising		**9,043**
Total supporting services		**329,305**
Total expense		**864,007**
Change in unrestricted net assets		**2,030,605**
Temporarily restricted activities		
Contributions - Notes B & F		**6,022,000**
In-kind contributions - Note D		**1,460,990**
Net assets released from restriction - Note F		**(2,292,026)**
Change in temporarily restricted net assets		**5,190,964**
Change in net assets		**7,221,569**
Net assets, January 13, 2010		**-**
Net assets, December 31, 2010	**$**	**7,221,569**

See notes to the financial statements.

Partnership for a Healthier America, Inc.

Statement of Cash Flows

For the Period from Inception (January 13, 2010) Through December 31, 2010

Cash flows from operating activities		
Change in net assets	**$**	**7,221,569**
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		**2,900**
Discount on grants receivable		**28,000**
Changes in assets and liabilities:		
Grants receivable		**(3,662,500)**
Promises to give		**(1,460,990)**
Prepaid expenses		**(6,819)**
Accounts payable and accrued expenses		**81,913**
Total adjustments		**(5,017,496)**
Net cash provided by operating activities		**2,204,073**
Cash flows from investing activities		
Purchases of property and equipment		**(17,173)**
Net cash used in investing activities		**(17,173)**
Net increase in cash		**2,186,900**
Cash, January 13, 2010		**-**
Cash, December 31, 2010	**$**	**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. 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 any income tax positions taken. Therefore, management has not identified any uncertain income tax positions. The tax year for the period from inception (January 13, 2010) through December 31, 2010 is 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 of non-cash contributions of goods for the Chef's Move! Program (see Note D). Promises to give are expected to be received within one year and, therefore, have been recorded at net realizable value equal to the estimated fair value of the goods. 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 was recorded.

Net assets: For financial statement purposes, net assets are as follows:

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 consist of contributions which either have an implied time restriction or have been restricted by donors for a specified program (see Note F).

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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

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.

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.

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 24, 2011.

B. CONCENTRATIONS

Credit risk: PHA maintains an operating account and a 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, PHA's largest source of revenue, consists of grants from PHA's five founding funders. Contribution revenue amounted to approximately 70% of total revenue during the period from inception (January 13, 2010) through December 31, 2010. 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 five multi-year commitments to provide contributions to PHA from its founding funders: 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 was 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, 2010:

Receivable in less than one year	$ 2,262,500
Receivable in one to five years	1,400,000
	3,662,500
Less discount to net present value	(28,000)
	$ 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. The two conditional grants receivable total $2,750,000 at December 31, 2010.

D. In-Kind Contributions

Recorded amounts: Contributions of services and goods 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. Donated goods consist of cookware for the Chef's Move! program and have been recorded as non-cash promises to give at the estimated fair value of the items provided by the donors.

In-kind contributions consist of the following for the period from inception (January 13, 2010) through December 31, 2010:

Donated services provided		
Legal	$	509,207
Consulting		50,023
Advertising		30,800
Accounting		3,250
Subtotal		593,280
Donated goods promised		1,460,990
	$	**2,054,270**

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: website – 3 years; and computer equipment – 3 years.

Property and equipment consists of the following at December 31, 2010:

Website	$	10,990
Computer equipment		6,183
		17,173
Less accumulated depreciation and amortization		(2,900)
	$	**14,273**

F. Temporarily Restricted Net Assets

Temporarily restricted net assets include those net assets whose use has been restricted either by an implied time restriction or by donors for specified programs. Temporarily restricted net assets consist of the following as of and for the period from inception (January 13, 2010) through December 31, 2010:

	Beginning	Additions	Releases	Ending
Time restricted	$ -	$ 5,922,000	$ (2,259,500)	$ 3,662,500
Chef's Move!	-	1,560,990	(32,526)	1,528,464
	$ -	**$ 7,482,990**	**$ (2,292,026)**	**$ 5,190,964**

G. Retirement Plan

During March 2011, PHA established a 401(k) savings plan which is available to all employees meeting certain eligibility requirements as defined by the plan document. Under the plan, PHA will make matching contributions equal to the participants' contributions up to a limit of 4% of compensation.

H. Commitments and Contingencies

Operating lease – 1301 K Street: During January 2011, PHA signed an operating lease for office space which was terminated April 2011 without penalty for early termination. During the term of the lease, PHA paid a monthly license fee of approximately $1,875.

Operating lease – 2001 L Street: During May 2011, PHA signed 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 also contains an escalation provision which increases annual base rentals. Generally accepted accounting principles (GAAP) require that the scheduled rent increases resulting from the escalation of base rentals be recorded beginning in 2011 as a liability and amortized ratably over the term of the lease so that rent expense will be recorded on a straight-line basis.

Future minimum lease payments for both operating leases are as follows:

Year Ending December 31,	Amount
2011	$ 98,700
2012	192,900
2013	114,800
	$ 406,400

H. Commitments and Contingencies - Continued

Hotel contract: PHA entered into an agreement with a hotel to provide conference facilities and room accommodations for a 2011 meeting. The agreement contains an attrition clause whereby PHA may be liable for liquidated damages of up to $145,000 in the event of cancellation or lower than anticipated attendance. However, PHA's management does not believe that any material losses will be incurred under this hotel contract.

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.