

Partnership for a Healthier America, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2022 and 2021

Partnership for a Healthier America, Inc.

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Partnership for a Healthier America, Inc. (PHA), which comprise the statement of financial position as of June 30, 2022; 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 PHA as of June 30, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PHA 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 PHA's 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 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, including omissions, 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 PHA's 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 PHA's 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.

Other Matter

The financial statements of PHA as of June 30, 2021, were audited by other auditors whose report, dated December 17, 2021, expressed an unmodified opinion on those statements.

Handwritten signature of Rogers & Company PLLC in black ink.

Vienna, Virginia
October 13, 2022

Partnership for a Healthier America, Inc.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,004,747	\$ 9,722,057
Accounts receivable	307,555	252,737
Grants and contributions receivable, net	1,577,960	6,571,228
Prepaid expenses and other assets	35,442	64,402
Property and equipment, net	230,971	89,915
Total assets	<u>\$ 8,156,675</u>	<u>\$ 16,700,339</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 617,951	\$ 743,669
Deferred program management and evaluation fees	-	8,299
Loan payable – Paycheck Protection Program	-	401,800
Deferred rent	-	20,767
Total liabilities	<u>617,951</u>	<u>1,174,535</u>
Net Assets		
Without donor restrictions	4,243,731	4,905,567
With donor restrictions	3,294,993	10,620,237
Total net assets	<u>7,538,724</u>	<u>15,525,804</u>
Total liabilities and net assets	<u>\$ 8,156,675</u>	<u>\$ 16,700,339</u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 512,265	\$ 6,144,494	\$ 6,656,759
In-kind contributions	10,156	-	10,156
Program management and evaluation fees	602,100	-	602,100
Sponsorships	12,500	-	12,500
Interest and other income	3,488	-	3,488
Released from restrictions	13,469,738	(13,469,738)	-
Total operating revenue and support	14,610,247	(7,325,244)	7,285,003
Expenses			
Program services:			
Catalyzing action	11,166,912	-	11,166,912
Commitments	3,332,296	-	3,332,296
Convening	64,289	-	64,289
Total program services	14,563,497	-	14,563,497
Supporting services:			
General and administrative	970,083	-	970,083
Fundraising	140,303	-	140,303
Total supporting services	1,110,386	-	1,110,386
Total expenses	15,673,883	-	15,673,883
Change in operating net assets	(1,063,636)	(7,325,244)	(8,388,880)
Non-Operating Activity			
Gain on extinguishment of debt	401,800	-	401,800
Total non-operating activity	401,800	-	401,800
Change in Net Assets	(661,836)	(7,325,244)	(7,987,080)
Net Assets, beginning of year	4,905,567	10,620,237	15,525,804
Net Assets, end of year	\$ 4,243,731	\$ 3,294,993	\$ 7,538,724

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 311,348	\$ 14,581,211	\$ 14,892,559
Program management and evaluation fees	551,680	-	551,680
Sponsorships	310,000	-	310,000
Interest and other income	4,816	-	4,816
Released from restrictions	5,096,679	(5,096,679)	-
Total operating revenue and support	6,274,523	9,484,532	15,759,055
Expenses			
Program services:			
Catalyzing action	4,178,012	-	4,178,012
Commitments	1,329,398	-	1,329,398
Convening	65,395	-	65,395
Total program services	5,572,805	-	5,572,805
Supporting services:			
General and administrative	813,587	-	813,587
Fundraising	114,887	-	114,887
Total supporting services	928,474	-	928,474
Total expenses	6,501,279	-	6,501,279
Change in operating net assets	(226,756)	9,484,532	9,257,776
Non-Operating Activity			
Gain on extinguishment of debt	401,800	-	401,800
Total non-operating activity	401,800	-	401,800
Change in Net Assets	175,044	9,484,532	9,659,576
Net Assets , beginning of year	4,730,523	1,135,705	5,866,228
Net Assets , end of year	\$ 4,905,567	\$ 10,620,237	\$ 15,525,804

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services				Supporting Services			Total
	Catalyzing Action	Commitments	Convening	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Subgrants to food banks	\$ 8,848,459	\$ 2,125,000	\$ -	\$ 10,973,459	\$ -	\$ -	\$ -	\$ 10,973,459
Salaries and benefits	1,266,026	366,938	20,475	1,653,439	632,192	40,646	672,838	2,326,277
Communications	657,689	124,116	2,000	783,805	133	5,607	5,740	789,545
Industry-paid evaluations	171,022	491,911	-	662,933	-	-	-	662,933
Professional fees	79,717	50,007	1,000	130,724	176,477	83,500	259,977	390,701
Bad debt	-	143,505	-	143,505	-	-	-	143,505
Depreciation, insurance, and other	86,009	23,576	1,843	111,428	18,377	10,550	28,927	140,355
Information and technology	26,033	-	-	26,033	41,575	-	41,575	67,608
Meetings and events	14,261	-	38,971	53,232	-	-	-	53,232
Occupancy	-	-	-	-	50,429	-	50,429	50,429
Travel	14,920	6,523	-	21,443	16,368	-	16,368	37,811
Payroll service and other	591	502	-	1,093	28,698	-	28,698	29,791
Office	2,185	218	-	2,403	4,715	-	4,715	7,118
Loss on disposal	-	-	-	-	1,119	-	1,119	1,119
Total Expenses	\$ 11,166,912	\$ 3,332,296	\$ 64,289	\$ 14,563,497	\$ 970,083	\$ 140,303	\$ 1,110,386	\$ 15,673,883

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total
	Catalyzing Action	Commitments	Convening	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Subgrants to food banks	\$ 2,496,980	\$ 183,200	\$ -	\$ 2,680,180	\$ -	\$ -	\$ -	\$ 2,680,180
Salaries and benefits	436,302	828,754	6,962	1,272,018	632,265	31,435	663,700	1,935,718
Communications	749,432	840	2,049	752,321	20	683	703	753,024
Industry-paid evaluations	48,802	59,731	-	108,533	-	-	-	108,533
Professional fees	121,124	139,983	-	261,107	25,169	60,000	85,169	346,276
Bad debt	-	-	-	-	50,000	-	50,000	50,000
Depreciation, insurance, and other	62,218	23,985	2,180	88,383	23,789	10,616	34,405	122,788
Information and technology	49,327	13,548	2,145	65,020	9,853	1,847	11,700	76,720
Meetings and events	6,000	285	45,255	51,540	-	-	-	51,540
Occupancy	178,437	68,870	6,261	253,568	50,088	9,391	59,479	313,047
Travel	4,581	4,187	-	8,768	506	-	506	9,274
Payroll service and other	14,190	5,515	498	20,203	21,321	847	22,168	42,371
Office	10,619	500	45	11,164	576	68	644	11,808
Total Expenses	\$ 4,178,012	\$ 1,329,398	\$ 65,395	\$ 5,572,805	\$ 813,587	\$ 114,887	\$ 928,474	\$ 6,501,279

See accompanying notes.

Partnership for a Healthier America, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (7,987,080)	\$ 9,659,576
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in discount to net present value	12,103	(2,246)
Bad debt expense	143,505	50,000
Depreciation and amortization	78,821	70,353
Loss on disposal of property and equipment	1,119	-
Gain on extinguishment of debt	(401,800)	(401,800)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(54,818)	(88,517)
Grants and contributions receivable, net	4,837,660	(5,688,026)
Prepaid expenses and other assets	28,960	276
Increase (decrease) in:		
Accounts payable and accrued expenses	(125,718)	513,764
Deferred program management and evaluation fees	(8,299)	1,490
Deferred rent	(20,767)	3,770
Net cash (used in) provided by operating activities	<u>(3,496,314)</u>	<u>4,118,640</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of certificate of deposits	-	2,500,005
Purchases of property and equipment	<u>(220,996)</u>	<u>(25,276)</u>
Net cash (used in) provided by investing activities	<u>(220,996)</u>	<u>2,474,729</u>
Cash Flows from Financing Activity		
Proceeds from loan payable – Paycheck Protection Program	<u>-</u>	<u>401,800</u>
Net cash provided by financing activity	<u>-</u>	<u>401,800</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(3,717,310)	6,995,169
Cash and Cash Equivalents, beginning of year	<u>9,722,057</u>	<u>2,726,888</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 6,004,747</u></u>	<u><u>\$ 9,722,057</u></u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

1. Nature of Operations

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 transforming the food landscape in pursuit of health equity. PHA's vision is that all children, families, and adults – especially those disproportionately affected – will live healthier lives free from diet-related diseases, such as obesity, diabetes, heart disease, and other chronic conditions. PHA leverages the power of the private sector to transform the food landscape in pursuit of health equity.

PHA employs its vast convening power, diverse network, and thought leadership to develop and spotlight the top programs and practices with the greatest potential to create positive change in the U.S. food landscape. PHA works with organizations across the supply chain – food producers, manufacturers, distributors, and retailers – to improve the nutritional profile of foods and beverages wherever consumers are – resulting in a greater volume of healthier options for all. PHA also collaborates with other nonprofit organizations, including food banks, who understand the importance of, not just providing any food to communities in need, but providing the right food to children and families who suffer the most from health disparities caused by lack of access to healthier food options.

The following are PHA's main programs:

Catalyzing Action: PHA's programs make healthier choices easier to access and encourage Americans to make those healthier choices. PHA's programs are designed to remind everyone, especially busy parents and families, about healthy options. From social media to traditional advertising, PHA highlights the actions of its partners to provide healthy options and encourage people to choose healthy options.

Commitments: PHA negotiates commitments from industry partners to ensure they increase access to healthy options for Americans. For example, PHA asks industry partners to reformulate food or enhance physical activity programs. As part of their commitment agreements, PHA monitors the efforts of its industry partners.

Convening: PHA brings together leaders from the private sector, government, and nonprofit organizations to help end childhood obesity through convening opportunities, including PHA's marquis event Building a Healthier Future Summit. Indirect costs, such as personnel costs and occupancy, related to the planning of these events are expensed as incurred. Through convening opportunities at the Summit and other events, PHA leverages these opportunities to bring together leaders and partners to showcase the work that PHA does.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

PHA's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

PHA considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Accounts Receivable

Accounts receivable are all due in less than one year and are recorded at net realizable value. PHA writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based on management's best estimate of the outstanding uncollectible accounts. At June 30, 2022 and 2021, no allowance for doubtful receivables is recorded, as management believes that all receivables are fully collectible.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to PHA. Grants and contributions receivable are reflected at their net realizable value. Grants and contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable (continued)

Management believes that all grants and contributions receivable are fully collectible at June 30, 2022 and 2021, and accordingly, no allowance for doubtful receivables is recorded.

Management periodically reviews the status of all grants and contributions receivable balances for collectability. Each receivable balance 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, grants and contributions receivable balances deemed to be uncollectable are charged directly to bad debt expense, which totaled \$143,505 and \$50,000 for the years ended June 30, 2022 and 2021, respectively. Management believes that the use of the direct write-off method approximates the results that would have been presented if an allowance for doubtful accounts had been recorded.

Property and Equipment

Property and equipment purchased with a cost of \$1,000 or more and with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Repairs and maintenance costs are expensed as incurred.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. PHA reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of PHA's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Sponsorships that are nonreciprocal are recognized as contributions. Typically, sponsorship agreements contain a right of return or right of release from obligation, should the sponsored event not take place. As such, PHA recognizes revenue for these conditional contributions when the related event is conducted.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when PHA satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration PHA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, PHA combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, PHA recognizes revenue as follows:

Program management and evaluation fees relates to agreements with various industry partners who plan to promote healthy choices such as reducing the number of calories in meals at a restaurant or promoting healthy products over unhealthy ones. In relation to these commitments, PHA engages in monitoring activities at various points over the life of the agreements to ensure the industry partners are fulfilling their commitment to promoting healthy choices. PHA's industry partners pay an annual fee and/or an evaluation fee in order to get a report or other feedback from PHA on the success of their efforts. Upon delivery of this feedback, PHA considers whether performance obligations were met so that revenue is recognized after performance obligations have been met. Payments received in advance that were applicable to the following year are included in deferred program management and evaluation fees in the accompanying statements of financial position.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donated goods and services are recorded as in-kind contributions in the accompanying statements of activities, at their estimated fair value at the date of receipt. Donated services are only recognized to the extent they create or enhance nonfinancial assets or require specialized skills that PHA would otherwise purchase from qualified individuals. Donated goods and services received for the year ended June 30, 2022 totaled \$10,156. There were no donated goods or services received for the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Costs

PHA expenses advertising costs as incurred. Advertising expenses were \$63,443 and \$224,390 for the years ended June 30, 2022 and 2021, respectively.

Measure of Operations

Gain on extinguishment of debt is considered a non-operating activity. PHA does not consider this item to be part of normal operating activities and, accordingly, separately identifies it in the accompanying statements of activities.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. This ASU will be effective for PHA beginning in fiscal year 2023.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, PHA has evaluated events and transactions for potential recognition or disclosure through October 13, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

PHA operates under an investment policy that describes the investment philosophies and investment management procedures that should be utilized for managing the financial assets of PHA to ensure liquidity where appropriate to meet necessary cash flow requirements as well as its long-term goals. PHA structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of this liquidity management, PHA invests cash in excess of daily requirements in various cash equivalents.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

3. Liquidity and Availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 6,004,747	\$ 9,722,057
Accounts receivable	307,555	252,737
Grants and contributions receivable, net	1,577,960	6,571,228
Less: restricted by donors with purpose or time restrictions	(3,294,993)	(10,620,237)
Total available for general expenditures	<u>\$ 4,595,269</u>	<u>\$ 5,925,785</u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject PHA to significant concentrations of credit risk consist of cash and cash equivalents. PHA maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). PHA has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of this financial institution and believes that the risk of any credit loss is minimal.

Revenue Risk

For the years ended June 30, 2022 and 2021, a substantial portion of PHA's revenue was generated from a small number of donors. Three and one donors accounted for 59% and 56% of PHA's total operating revenue for the years ended June 30, 2022 and 2021, respectively.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

5. Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from individual and corporate donors, as well as foundations, and are due as follows at June 30:

	2022	2021
Receivable in less than one year	\$ 1,175,866	\$ 6,496,228
Receivable in one to five years	414,197	75,000
Total contributions receivable	1,590,063	6,571,228
Less: present value discount (3.0%)	(12,103)	-
Grants and contributions receivable, net	<u>\$ 1,577,960</u>	<u>\$ 6,571,228</u>

Present value discount of long-term grants and contributions receivable at June 30, 2021 was trivial and therefore not recorded.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Website software and development	\$ 678,590	\$ 457,594
Furniture and equipment	12,566	176,528
Leasehold improvements	-	41,133
Total property and equipment	691,156	675,255
Less: accumulated depreciation and amortization	(460,185)	(585,340)
Property and equipment, net	<u>\$ 230,971</u>	<u>\$ 89,915</u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

7. Loan Payable – Paycheck Protection Program

PHA applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which PHA qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness.

The first PPP loan was granted to PHA on April 30, 2020 in the amount of \$401,800. This loan was officially fully forgiven by the SBA during May 2021, and the related amount was recognized as gain on extinguishment of debt in the accompanying statement of activities for the year ended June 30, 2021.

The second PPP loan was granted to PHA on March 2, 2021 in the amount of \$401,800. This loan was officially fully forgiven by the SBA in November 2021 and the related amount was recognized as gain on extinguishment of debt in the accompanying statement of activities for the year ended June 30, 2022.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2022	2021
Purpose restricted:		
Fresh Food Fund	\$ 2,825,579	\$ 6,802,550
Good Food for All	467,414	-
Healthy Hunger Relief (previously, Food Banks)	-	2,389,724
Pass the Love	-	1,301,142
Transforming Regional Food Systems	-	113,821
Time restricted:		
General operating grants	2,000	13,000
Total net assets with donor restrictions	<u>\$ 3,294,993</u>	<u>\$ 10,620,237</u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

8. Net Assets With Donor Restrictions (continued)

Net assets released from donor restrictions consisted of the following for the years ended June 30:

	2022	2021
Purpose restrictions:		
Fresh Food Fund	\$ 7,219,722	\$ 1,546,250
Good Food for All	677,981	-
Healthy Hunger Relief (previously, Food Banks)	2,389,632	155,453
Pass the Love	2,033,397	2,183,803
Transforming Regional Food Systems	113,822	314,194
Fruits N Veggies	-	260,000
Time restrictions:		
General operating grants	1,035,184	636,979
Total net assets released from donor restrictions	<u>\$ 13,469,738</u>	<u>\$ 5,096,679</u>

9. Commitments and Contingencies

Operating Leases

In June 2018, PHA entered into an operating lease for office space, which expired in March 2022. In accordance with the terms of the office lease, PHA paid a security deposit totaling \$45,304, which was included in prepaid expenses and other assets in the statements of financial position at June 30, 2021. The terms of the lease included a rent abatement equal to the first two months of the lease term and an escalation clause. Rent was recognized on a straight-line basis over the term of the lease. The difference between lease expense and the required lease payments was reflected as deferred rent in the accompanying statements of financial position at June 30, 2021.

During 2021, while the terms of the office lease were re-negotiated, PHA did not pay the base rental amounts that were due under the terms of the office lease. However, PHA recorded a liability related to amounts due under the office lease related to the year ended June 30, 2021. The rent liability, which was included in accounts payable and accrued expenses in the statements of financial position, totaled \$238,619 at June 30, 2022. On January 10, 2022, this lease was terminated with a settlement payment in the amount of \$215,000.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

9. Commitments and Contingencies (continued)

Operating Leases (continued)

On December 8, 2021, PHA entered into a new membership agreement for a shared office space in Washington, DC, commencing on January 1, 2022, with a commencement term of 12 months and a base monthly rate of \$2,847.

Rent expense for the years ended June 30, 2022 and 2021 was \$24,129 and \$293,063, respectively.

Government Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

Employment Agreement

PHA has an employment agreement with the President and CEO, which contains terms that require payments upon the occurrence of certain contractual events.

10. 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 \$76,521 and \$64,824 for the years ended June 30, 2022 and 2021, respectively.

11. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, professional fees, communications, occupancy, travel, office expense, information and technology, depreciation, insurance, and other, which are allocated on the basis of estimates of time and effort.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2022 and 2021

12. Income Taxes

PHA is exempt from payment of taxes under Internal Revenue Code (IRC) Section 501(c)(3) on income other than net unrelated business income. PHA has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1). Contributions to PHA are deductible as provided in IRC Section 170(b)(1)(A)(vi). For the years ended June 30, 2022 and 2021, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Management has evaluated PHA's tax positions and concluded that the financial statements do not include any uncertain tax positions.