

Partnership for a Healthier America, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2023 and 2022

Partnership for a Healthier America, Inc.

Financial Statements
June 30, 2023 and 2022

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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 statements of financial position as of June 30, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHA as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, PHA adopted Financial Accounting Standards Board Accounting Standards Update 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia
October 17, 2023

Partnership for a Healthier America, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 5,176,051	\$ 6,004,747
Accounts receivable	240,450	307,555
Federal grants receivable	101,250	-
Grants and contributions receivable, net	961,578	1,577,960
Prepaid expenses and other assets	42,673	35,442
Property and equipment, net	143,375	230,971
Total assets	<u>\$ 6,665,377</u>	<u>\$ 8,156,675</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 288,638</u>	<u>\$ 617,951</u>
Total liabilities	<u>288,638</u>	<u>617,951</u>
Net Assets		
Without donor restrictions	4,038,636	4,243,731
With donor restrictions	<u>2,338,103</u>	<u>3,294,993</u>
Total net assets	<u>6,376,739</u>	<u>7,538,724</u>
Total liabilities and net assets	<u>\$ 6,665,377</u>	<u>\$ 8,156,675</u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 367,826	\$ 2,050,100	\$ 2,417,926
Federal grants	476,941	-	476,941
In-kind contributions	68,182	-	68,182
Program management and evaluation fees	445,450	-	445,450
Sponsorships	5,000	-	5,000
Interest and other income	111,103	-	111,103
Released from restrictions	3,006,990	(3,006,990)	-
Total revenue and support	4,481,492	(956,890)	3,524,602
Expenses			
Program services:			
Catalyzing action	2,666,583	-	2,666,583
Commitments	592,678	-	592,678
Total program services	3,259,261	-	3,259,261
Supporting services:			
General and administrative	1,059,994	-	1,059,994
Fundraising	367,332	-	367,332
Total supporting services	1,427,326	-	1,427,326
Total expenses	4,686,587	-	4,686,587
Change in Net Assets	(205,095)	(956,890)	(1,161,985)
Net Assets , beginning of year	4,243,731	3,294,993	7,538,724
Net Assets , end of year	\$ 4,038,636	\$ 2,338,103	\$ 6,376,739

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 Functional Expenses
For the Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	Catalyzing Action	Commitments	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Subgrants to food banks	\$ 1,167,163	\$ 25,000	\$ 1,192,163	\$ -	\$ -	\$ -	\$ 1,192,163
Salaries and benefits	677,002	291,423	968,425	777,013	130,234	907,247	1,875,672
Communications	248,108	49,286	297,394	-	16,904	16,904	314,298
Industry-paid evaluations	106,953	4,217	111,170	-	-	-	111,170
Professional fees	226,385	17,261	243,646	106,893	193,087	299,980	543,626
Bad debt	-	140,000	140,000	-	-	-	140,000
Depreciation, insurance, and other	94,640	43,424	138,064	-	26,661	26,661	164,725
Information and technology	34,812	-	34,812	47,249	-	47,249	82,061
Meetings and events	5,359	3,932	9,291	-	-	-	9,291
Occupancy	-	-	-	56,880	-	56,880	56,880
Travel	35,860	16,883	52,743	32,428	70	32,498	85,241
Payroll service and other	1,649	1,252	2,901	35,242	275	35,517	38,418
Office	470	-	470	4,289	101	4,390	4,860
In-kind contributions	68,182	-	68,182	-	-	-	68,182
Total Expenses	\$ 2,666,583	\$ 592,678	\$ 3,259,261	\$ 1,059,994	\$ 367,332	\$ 1,427,326	\$ 4,686,587

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	166,321	83,500	249,821	380,545
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
In-kind contributions	-	-	-	-	10,156	-	10,156	10,156
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.

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,161,985)	\$ (7,987,080)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in discount to net present value	(5,228)	12,103
Bad debt expense	140,000	143,505
Depreciation and amortization	103,039	78,821
Loss on disposal of property and equipment	-	1,119
Gain on extinguishment of debt	-	(401,800)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	67,105	(54,818)
Federal grants receivable	(101,250)	-
Grants and contributions receivable	481,610	4,837,660
Prepaid expenses and other assets	(7,231)	28,960
Increase (decrease) in:		
Accounts payable and accrued expenses	(329,313)	(125,718)
Deferred program management and evaluation fees	-	(8,299)
Deferred rent	-	(20,767)
Net cash used in operating activities	<u>(813,253)</u>	<u>(3,496,314)</u>
Cash Flows from Investing Activity		
Purchases of property and equipment	<u>(15,443)</u>	<u>(220,996)</u>
Net cash used in investing activity	<u>(15,443)</u>	<u>(220,996)</u>
Net Decrease in Cash and Cash Equivalents	(828,696)	(3,717,310)
Cash and Cash Equivalents, beginning of year	<u>6,004,747</u>	<u>9,722,057</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 5,176,051</u></u>	<u><u>\$ 6,004,747</u></u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, no allowance for doubtful receivables is recorded, as management believes that all receivables are fully collectible.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Federal Grants Receivable

Federal grants receivable consist primarily of amounts to be reimbursed to PHA for expenses incurred under agreements with federal agencies. PHA uses the allowance method to account for amounts that are considered to be uncollectible, based on historical experience and management's current estimates of potentially uncollectible amounts. No allowance for doubtful federal grants receivable is recorded at June 30, 2023 and 2022, as management believes that all amounts 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.

Management believes that all grants and contributions receivable are fully collectible at June 30, 2023 and 2022, 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 \$140,000 and \$143,505 for the years ended June 30, 2023 and 2022, 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 are 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.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Leases

PHA records a right-of-use asset and liability for its operating lease at the lease commencement date. The right-of-use asset is amortized over the shorter of the lease term or the economic life of the leased asset. The associated lease liability represents the net present value of the future amounts due under the lease, calculated using a risk-free rate of return selected based on the term of the lease. For real estate leases, non-lease components are separated from the lease components for accounting purposes. PHA does not apply the recognition requirements under Accounting Standards Codification (ASC) Topic 842, *Leases*, to short-term leases and membership agreements.

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.

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.

Partnership for a Healthier America, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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 years ended June 30, 2023 and 2022 totaled \$68,182 and \$10,156, respectively.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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 \$140,113 and \$63,443 for the years ended June 30, 2023 and 2022, 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.

Adopted 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*, which 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. PHA has implemented ASU 2020-07 in fiscal year 2023. There were no changes as a result of the implementation. The implementation had no impact on previously reported net assets.

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 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 17, 2023, 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.

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:

	2023	2022
Cash and cash equivalents	\$ 5,176,051	\$ 6,004,747
Accounts receivable	240,450	307,555
Federal grants receivable	101,250	-
Grants and contributions receivable, net	961,578	1,577,960
Less: restricted by donors with purpose or time restrictions	(2,338,103)	(3,294,993)
Total available for general expenditures	<u>\$ 4,141,226</u>	<u>\$ 4,595,269</u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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). The uninsured portions of these accounts are backed solely by the asset of the underlying financial institution. Therefore, the failure of an underlying institution could result in financial loss of PHA. At June 30, 2023 and 2022, PHA's balances exceed federally insured limits by approximately \$4,850,000 and \$4,815,000 respectively.

Revenue Risk

For the years ended June 30, 2023 and 2022, a substantial portion of PHA's revenue was generated from a small number of donors. Three donors accounted for 66% and 59% of PHA's total operating revenue for both years ended June 30, 2023 and 2022, respectively.

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:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 768,453	\$ 1,175,866
Receivable in one to five years	<u>200,000</u>	<u>414,197</u>
Total contributions receivable	968,453	1,590,063
Less: present value discount (3.56% and 3.0% respectively)	<u>(6,875)</u>	<u>(12,103)</u>
Grants and contributions receivable, net	<u><u>\$ 961,578</u></u>	<u><u>\$ 1,577,960</u></u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Website software and development	\$ 678,590	\$ 678,590
Furniture and equipment	28,009	12,566
Total property and equipment	706,599	691,156
Less: accumulated depreciation and amortization	(563,224)	(460,185)
Property and equipment, net	<u>\$ 143,375</u>	<u>\$ 230,971</u>

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 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.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

8. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Fresh Food Fund	\$ 1,744,989	\$ 2,825,579
Good Food for All	-	467,414
Time restricted:		
General operating grants	<u>593,114</u>	<u>2,000</u>
Total net assets with donor restrictions	<u><u>\$ 2,338,103</u></u>	<u><u>\$ 3,294,993</u></u>

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Fresh Food Fund	\$ 1,510,818	\$ 7,219,722
Good Food for All	560,345	677,981
Healthy Hunger Relief (previously, Food Banks)	-	2,389,632
Pass the Love	-	2,033,397
Transforming Regional Food Systems	-	113,822
Time restrictions:		
General operating grants	<u>935,827</u>	<u>1,035,184</u>
Total net assets released from donor restrictions	<u><u>\$ 3,006,990</u></u>	<u><u>\$ 13,469,738</u></u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements June 30, 2023 and 2022

9. Commitments and Contingencies

Operating Lease

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 statement of financial position at June 30, 2021. This lease was terminated on January 10, 2022, with a settlement payment in the amount of \$215,000.

Membership Agreement

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. This shared office location was closed during 2022 and on October 27, 2022, PHA entered into a new membership agreement for a different shared office space in Washington, DC, commencing on December 1, 2022, with a term of 13 months and a base monthly rate of \$2,848. PHA does not apply the recognition requirements under ASC Topic 842, *Leases*, to short-term leases and membership agreements. Rent expense for the years ended June 30, 2023 and 2022 was \$48,619 and \$24,129, respectively.

Federal 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.

Partnership for a Healthier America, Inc.

Notes to Financial Statements

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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 \$61,081 and \$76,521 for the years ended June 30, 2023 and 2022, 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.

12. Income Taxes

PHA is exempt from payment of taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2023 and 2022, 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.