

Partnership for a Healthier America, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2024 and 2023

Partnership for a Healthier America, Inc.

Financial Statements
June 30, 2024 and 2023

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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, 2024 and 2023; 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, 2024 and 2023, 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.

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.



Vienna, Virginia
November 27, 2024

Partnership for a Healthier America, Inc.

Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 5,994,139	\$ 5,176,051
Accounts receivable	75,000	240,450
Federal grants receivable	-	101,250
Grants and contributions receivable, net	4,528,181	961,578
Prepaid expenses and other assets	57,603	42,673
Property and equipment, net	132,066	143,375
Total assets	<u>\$ 10,786,989</u>	<u>\$ 6,665,377</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 666,874</u>	<u>\$ 288,638</u>
Total liabilities	<u>666,874</u>	<u>288,638</u>
Net Assets		
Without donor restrictions	4,071,697	4,038,636
With donor restrictions	<u>6,048,418</u>	<u>2,338,103</u>
Total net assets	<u>10,120,115</u>	<u>6,376,739</u>
Total liabilities and net assets	<u>\$ 10,786,989</u>	<u>\$ 6,665,377</u>

Partnership for a Healthier America, Inc.

Statement of Activities
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants and contributions	\$ 891,982	\$ 7,021,238	\$ 7,913,220
In-kind contributions	292,554	-	292,554
Program management and evaluation fees	247,500	-	247,500
Sponsorships	139,000	-	139,000
Interest and other income	360,078	-	360,078
Released from restrictions	3,310,923	(3,310,923)	-
	<u>5,242,037</u>	<u>3,710,315</u>	<u>8,952,352</u>
Expenses			
Program services:			
Catalyzing action	2,832,847	-	2,832,847
Commitments	721,252	-	721,252
Convening	150,587	-	150,587
	<u>3,704,686</u>	<u>-</u>	<u>3,704,686</u>
Total program services	<u>3,704,686</u>	<u>-</u>	<u>3,704,686</u>
Supporting services:			
General and administrative	1,123,663	-	1,123,663
Fundraising	380,627	-	380,627
	<u>1,504,290</u>	<u>-</u>	<u>1,504,290</u>
Total supporting services	<u>1,504,290</u>	<u>-</u>	<u>1,504,290</u>
Total expenses	<u>5,208,976</u>	<u>-</u>	<u>5,208,976</u>
Change in Net Assets	33,061	3,710,315	3,743,376
Net Assets, beginning of year	<u>4,038,636</u>	<u>2,338,103</u>	<u>6,376,739</u>
Net Assets, end of year	<u>\$ 4,071,697</u>	<u>\$ 6,048,418</u>	<u>\$ 10,120,115</u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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)	-
	<u>4,481,492</u>	<u>(956,890)</u>	<u>3,524,602</u>
Expenses			
Program services:			
Catalyzing action	2,666,583	-	2,666,583
Commitments	592,678	-	592,678
	<u>3,259,261</u>	<u>-</u>	<u>3,259,261</u>
Supporting services:			
General and administrative	1,059,994	-	1,059,994
Fundraising	367,332	-	367,332
	<u>1,427,326</u>	<u>-</u>	<u>1,427,326</u>
Total expenses	<u>4,686,587</u>	<u>-</u>	<u>4,686,587</u>
Change in Net Assets	(205,095)	(956,890)	(1,161,985)
Net Assets, beginning of year	<u>4,243,731</u>	<u>3,294,993</u>	<u>7,538,724</u>
Net Assets, end of year	<u>\$ 4,038,636</u>	<u>\$ 2,338,103</u>	<u>\$ 6,376,739</u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services				Supporting Services			Total
	Catalyzing Action	Commitments	Convening	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Subgrants to food banks	\$ 790,202	\$ 15,075	\$ -	\$ 805,277	\$ 20,000	\$ -	\$ 20,000	\$ 825,277
Salaries and benefits	1,037,782	270,956	29,418	1,338,156	841,296	260,578	1,101,874	2,440,030
Communications	460,199	65,565	199	525,963	-	-	-	525,963
Industry-paid evaluations	162,081	74,845	-	236,926	-	-	-	236,926
Professional fees	59,614	23,835	-	83,449	39,613	83,164	122,777	206,226
Bad debt	-	15,450	-	15,450	-	-	-	15,450
Depreciation, insurance, and other	57,246	17,538	1,669	76,453	28,786	22,312	51,098	127,551
Information and technology	50,131	469	786	51,386	53,893	948	54,841	106,227
Meetings and events	55,996	3,548	90,387	149,931	-	-	-	149,931
Occupancy	-	-	-	-	60,167	596	60,763	60,763
Travel	55,706	27,698	25,942	109,346	31,511	11,972	43,483	152,829
Payroll service and other	6,472	8,124	1,498	16,094	41,818	835	42,653	58,747
Office	2,864	149	688	3,701	6,579	222	6,801	10,502
In-kind contributions	94,554	198,000	-	292,554	-	-	-	292,554
Total Expenses	\$ 2,832,847	\$ 721,252	\$ 150,587	\$ 3,704,686	\$ 1,123,663	\$ 380,627	\$ 1,504,290	\$ 5,208,976

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.

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,743,376	\$ (1,161,985)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in discount to net present value	91,034	(5,228)
Bad debt expense	15,450	140,000
Depreciation and amortization	71,792	103,039
Write of off property and equipment	11,748	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	165,450	67,105
Federal grants receivable	101,250	(101,250)
Grants and contributions receivable	(3,673,087)	481,610
Prepaid expenses and other assets	(14,930)	(7,231)
Increase (decrease) in:		
Accounts payable and accrued expenses	378,236	(329,313)
Net cash provided by (used in) operating activities	<u>890,319</u>	<u>(813,253)</u>
Cash Flows from Investing Activity		
Purchases of property and equipment	<u>(72,231)</u>	<u>(15,443)</u>
Net cash used in investing activity	<u>(72,231)</u>	<u>(15,443)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	818,088	(828,696)
Cash and Cash Equivalents, beginning of year	<u>5,176,051</u>	<u>6,004,747</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 5,994,139</u></u>	<u><u>\$ 5,176,051</u></u>

See accompanying notes.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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: Bringing together leaders from across the public, private, nonprofit, and philanthropic sectors is critical to ensuring that everyone in the United States, no matter their zip code, has access to foods that build health. PHA brings people together to challenge our current food system and shift the paradigm towards good food and healthier communities with all of our events, but in particular through our annual Summit. Indirect costs, such as personnel costs and occupancy, related to the planning of these events are expensed as incurred.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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 recorded at net realizable value, are all due within one year, and are generated from income earned on project management and evaluation fees. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, PHA has historically had insignificant write-offs due to bad debts.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 uncollectible are charged directly to bad debt expense, which totaled \$15,450 and \$140,000 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023

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.

Federal grants and contracts are conditioned upon certain performance requirements and incurrence of allowable qualifying expenses. Amounts received are recognized as revenue upon incurring the expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position. No amounts have been received in advance under federal grants at June 30, 2024 and 2023.

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, 2024 and 2023

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 are associated with agreements made by PHA with various industry partners aimed at promoting healthy choices, such as reducing calorie intake in restaurant meals or endorsing healthy products. As part of these agreements, PHA engages in monitoring activities periodically to ensure partners are fulfilling their commitments. Partners pay annual fees and/or evaluation fees to receive feedback from PHA regarding the success of their efforts. Revenue recognition occurs after performance obligations have been met, with revenue recognized at the time of invoicing the partners. These agreements typically have a one-year term, renewable annually, aligned with PHA's fiscal year end, and can be terminated by either party with due notice as stipulated in the agreement terms. Fees paid by partners are non-refundable, as they receive access to content and logo usage rights for one year. PHA considers all deliverables as a bundled set of performance obligations earned upon execution of the agreement.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of donated fresh food credits and advertisements. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Subgrant Expenses

Subgrant expenses represent costs incurred by PHA in fulfilling its obligations under grant agreements and are recognized in the statements of activities in the period in which the related services are performed or expenses incurred, consistent with the timing of recognition of grant revenue. Subgrant expenses include direct costs such as personnel expenses, food supplies, and other expenses directly attributable to grant-funded programs, as well as indirect costs reasonably allocable to grant activities. Indirect costs are allocated to grant programs based on a reasonable and consistently applied methodology. PHA evaluates grant expenses on an ongoing basis to ensure alignment with grant objectives and compliance with grant requirements.

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 \$109,854 and \$140,113 for the years ended June 30, 2024 and 2023, respectively.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for PHA beginning in fiscal year 2024. Management is evaluating the potential impact of this update on PHA’s financial statements.

Subsequent Events

In preparing these financial statements, PHA has evaluated events and transactions for potential recognition or disclosure through November 27, 2024, 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, 2024 and 2023

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,994,139	\$ 5,176,051
Accounts receivable	75,000	240,450
Federal grants receivable	-	101,250
Grants and contributions receivable, net	4,528,181	961,578
Less: restricted by donors with purpose or time restrictions	<u>(6,048,418)</u>	<u>(2,338,103)</u>
Total available for general expenditures	<u>\$ 4,548,902</u>	<u>\$ 4,141,226</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). 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, 2024 and 2023, PHA's balances exceed federally insured limits by approximately \$5,450,000 and \$4,850,000, respectively.

Revenue Risk

For the years ended June 30, 2024 and 2023, a substantial portion of PHA's revenue was generated from a small number of donors. Two and three donors accounted for 67% and 66% of PHA's total operating revenue for the years ended June 30, 2024 and 2023, respectively.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 2,554,681	\$ 768,453
Receivable in one to five years	<u>2,071,409</u>	<u>200,000</u>
Total contributions receivable	4,626,090	968,453
Less: present value discount (4.94% to 5.15%)	<u>(97,909)</u>	<u>(6,875)</u>
Grants and contributions receivable, net	<u>\$ 4,528,181</u>	<u>\$ 961,578</u>

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Website software and development	\$ 728,843	\$ 678,590
Furniture and equipment	<u>38,239</u>	<u>28,009</u>
Total property and equipment	767,082	706,599
Less: accumulated depreciation and amortization	<u>(635,016)</u>	<u>(563,224)</u>
Property and equipment, net	<u>\$ 132,066</u>	<u>\$ 143,375</u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

7. In-Kind Contributions

Contributed non-financial assets recognized within the statements of activities include the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Fresh food credits	\$ 198,000	\$ -
Advertising	<u>94,554</u>	<u>68,182</u>
Total in-kind contributions	<u>\$ 292,554</u>	<u>\$ 68,182</u>

Contributed fresh food credits are valued using estimated principal market prices of identical or similar products. Contributed fresh food credits are used for program services.

Contributed advertising is valued using estimated principal market prices of identical or similar products. Contributed advertising is used for program services.

All donated non-financial assets for the years ended June 30, 2024 and 2023 were unrestricted.

8. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Purpose restricted:		
Fresh Food Fund	\$ 803,296	\$ 1,744,989
Good Food for Cities	4,520,122	-
Time restricted:		
General operating grants	<u>725,000</u>	<u>593,114</u>
Total net assets with donor restrictions	<u>\$ 6,048,418</u>	<u>\$ 2,338,103</u>

Partnership for a Healthier America, Inc.

Notes to Financial Statements
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8. Net Assets With Donor Restrictions (continued)

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

	<u>2024</u>	<u>2023</u>
Purpose restrictions:		
Fresh Food Fund	\$ 948,568	\$ 1,510,818
Good Food for All	313,000	560,345
Good Food for Cities	1,381,241	-
Time restrictions:		
General operating grants	<u>668,114</u>	<u>935,827</u>
Total net assets released from donor restrictions	<u>\$ 3,310,923</u>	<u>\$ 3,006,990</u>

9. Commitments and Contingencies

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. On October 31, 2024, this agreement was amended and extended to November 30, 2025, with a monthly rate of \$2,850. This shared location was closed during February 2024 and on February 15, 2024, PHA entered into a new membership agreement for a different office space in Washington DC, commencing on February 15, 2024, with a term of 12 months and at a rate of \$806 for the first four months and \$405 for the subsequent eight months starting July 1, 2024. 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, 2024 and 2023 was \$51,089 and \$48,619, respectively.

Partnership for a Healthier America, Inc.

Notes to Financial Statements
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9. Commitments and Contingencies (continued)

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.

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 \$77,527 and \$61,081 for the years ended June 30, 2024 and 2023, 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
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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 IRC 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, 2024 and 2023, 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.