



OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017



SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

OBESITY ACTION COALITION, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	PAGE NO.	2
STATEMENTS OF FINANCIAL POSITION		3
STATEMENTS OF ACTIVITIES		4
STATEMENTS OF FUNCTIONAL EXPENSES		5 - 6
STATEMENTS OF CASH FLOWS		7
NOTES TO THE FINANCIAL STATEMENTS		8 - 12

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND MANAGEMENT OF
OBESITY ACTION COALITION, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of Obesity Action Coalition, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Obesity Action Coalition, Inc. as of December 31, 2018 and 2017, 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.

SKODA MINOTTI & CO.



Tampa, Florida
September 20, 2019

OBESITY ACTION COALITION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 95,021	\$ 303,442
Grants receivable	139,922	16,801
	234,943	320,243
PROPERTY AND EQUIPMENT, NET	6,330	3,674
OTHER ASSETS	3,763	3,763
	\$ 245,036	\$ 327,680
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 87,575	\$ 60,695
Deferred rent expense	315	3,936
Deferred revenue	115,929	105,775
	203,819	170,406
NET ASSETS WITHOUT DONOR RESTRICTIONS	41,217	157,274
	\$ 245,036	\$ 327,680

The accompanying notes are an integral part of these financial statements.

OBESITY ACTION COALITION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE		
Gifts-in-kind and contributed services	\$ 4,119,044	\$ 6,532,815
Grants	968,157	955,000
Membership dues	250,511	302,003
Annual meeting income	209,253	212,715
Advertising income	132,966	135,695
Contributions	77,751	45,531
Miscellaneous income	481	-
TOTAL SUPPORT AND REVENUE	<u>5,758,163</u>	<u>8,183,759</u>
FUNCTIONAL EXPENSES		
Program services:		
Education	5,628,518	7,792,556
Assistance	54,366	69,436
Supporting services:		
Administrative	136,891	119,535
Fundraising	54,445	46,553
TOTAL FUNCTIONAL EXPENSES	<u>5,874,220</u>	<u>8,028,080</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(116,057)	155,679
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	<u>157,274</u>	<u>1,595</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 41,217</u>	<u>\$ 157,274</u>

The accompanying notes are an integral part of these financial statements.

OBESITY ACTION COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program services			Supporting services			Total expenses
	Education	Assistance	Total	Administrative	Fundraising	Total	
Advertising	\$ 4,025,719	\$ -	\$ 4,025,719	\$ -	\$ -	\$ -	\$ 4,025,719
Salaries	694,357	21,041	715,398	84,165	42,082	126,247	841,645
Publishing	475,781	-	475,781	-	-	-	475,781
Convention expense	218,873	-	218,873	-	-	-	218,873
Advocacy	72,000	-	72,000	13,500	4,500	18,000	90,000
Rent	44,228	-	44,228	12,636	6,318	18,954	63,182
Board member expense and other meetings	27,680	-	27,680	9,227	-	9,227	36,907
Vitamin supplements	-	33,325	33,325	-	-	-	33,325
Postage	23,927	-	23,927	-	-	-	23,927
Office and supplies	12,049	-	12,049	10,844	1,205	12,049	24,098
Professional fees	12,216	-	12,216	1,357	-	1,357	13,573
Telephone and internet	5,921	-	5,921	1,974	-	1,974	7,895
Insurance	3,086	-	3,086	3,087	-	3,087	6,173
Taxes and licenses	4,325	-	4,325	-	-	-	4,325
Website	4,540	-	4,540	-	239	239	4,779
Depreciation and amortization	1,811	-	1,811	101	101	202	2,013
Bad debt expense	2,005	-	2,005	-	-	-	2,005
	<u>\$ 5,628,518</u>	<u>\$ 54,366</u>	<u>\$ 5,682,884</u>	<u>\$ 136,891</u>	<u>\$ 54,445</u>	<u>\$ 191,336</u>	<u>\$ 5,874,220</u>

The accompanying notes are an integral part of these financial statements.

OBESITY ACTION COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program services			Supporting services			Total expenses
	Education	Assistance	Total	Administrative	Fundraising	Total	
Advertising	\$ 6,420,331	\$ -	\$ 6,420,331	\$ -	\$ -	\$ -	\$ 6,420,331
Salaries	559,409	16,952	576,361	67,807	33,904	101,711	678,072
Publishing	416,882	-	416,882	-	-	-	416,882
Convention expense	187,412	-	187,412	-	-	-	187,412
Advocacy	75,600	-	75,600	14,175	4,725	18,900	94,500
Rent	44,217	-	44,217	12,633	6,317	18,950	63,167
Board member expense and other meetings	18,900	-	18,900	6,300	-	6,300	25,200
Vitamin supplements	-	52,484	52,484	-	-	-	52,484
Postage	20,917	-	20,917	-	-	-	20,917
Office and supplies	13,636	-	13,636	12,272	1,364	13,636	27,272
Professional fees	11,946	-	11,946	1,327	-	1,327	13,273
Telephone and internet	5,853	-	5,853	1,951	-	1,951	7,804
Insurance	2,999	-	2,999	2,999	-	2,999	5,998
Taxes and licenses	5,458	-	5,458	-	-	-	5,458
Website	3,263	-	3,263	-	172	172	3,435
Depreciation and amortization	1,270	-	1,270	71	71	142	1,412
Bad debt expense	4,463	-	4,463	-	-	-	4,463
	<u>\$ 7,792,556</u>	<u>\$ 69,436</u>	<u>\$ 7,861,992</u>	<u>\$ 119,535</u>	<u>\$ 46,553</u>	<u>\$ 166,088</u>	<u>\$ 8,028,080</u>

The accompanying notes are an integral part of these financial statements.

OBESITY ACTION COALITION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (116,057)	\$ 155,679
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Add back items not affecting cash:		
Bad debt expense	2,005	4,463
Depreciation and amortization	2,013	1,412
Changes in operating assets and liabilities:		
Grants receivable	(125,126)	(1,890)
Prepaid rent	-	5,260
Accounts payable and accrued expenses	26,880	8,159
Deferred rent expense	(3,621)	(1,692)
Deferred revenue	10,154	(21,178)
Net cash provided by (used in) operating activities	<u>(203,752)</u>	<u>150,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	<u>(4,669)</u>	<u>(3,223)</u>
NET INCREASE (DECREASE) IN CASH	(208,421)	146,990
CASH - BEGINNING OF YEAR	<u>303,442</u>	<u>156,452</u>
CASH - END OF YEAR	<u>\$ 95,021</u>	<u>\$ 303,442</u>

The accompanying notes are an integral part of these financial statements.

OBESITY ACTION COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Obesity Action Coalition, Inc. (the "Organization") was organized in December 2004 to educate patients, family members, and the public on obesity and severe obesity. In addition, the Organization aims to increase obesity education, improve access to medical treatments for obesity, advocate for safe and effective treatments, and eliminate the negative stigma associated with all types of obesity. All of the Organization's programs contribute to this goal. The Organization is supported primarily through grants and the national office is located in Tampa, Florida.

The Organization produces magazines, newsletters and blogs for those with obesity-related issues. *Weight Matters Magazine* is a quarterly educational and advocacy magazine and the Organization's newsletters and blog can be found at its education web site, www.obesityaction.org. The Organization also generates several educational brochures, videos, and posters covering various topics including details on obesity and its consequences and how to seek obesity treatment.

Additionally, the Organization administers a financial assistance program to provide free vitamin supplements for bariatric surgery patients. These patients medically require such supplementation for a lifetime after the surgical alteration of their digestive system.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting and accordingly, reflects all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization has presented its financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions are those currently available at the discretion of the Board of Directors for use in the Organization's operations, and those resources invested in land, buildings, and equipment. These assets are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.
- Net assets with donor restrictions are those that are restricted by donors for specific purposes that may become unrestricted by actions taken by the Organization or the passage of time or that must be retained and permanently invested by the Organization. As of December 31, 2018 and 2017, the Organization has no net assets with donor restrictions.

Contributions and Grants

Contributions and grants are recognized as revenue in the period received or promised and are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor-imposed stipulations.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as without donor restrictions.

Membership Dues

The Organization sells memberships to individuals affected by obesity and their families, healthcare professionals, medical practices and institutions, corporations, and members of the public affected by obesity. Membership terms last one year. Significant membership dues are recognized as support and revenue in the period incurred and small, generally individual, memberships (less than \$1,000) are recognized when collected. Membership dues amounted to \$250,511 and \$302,003 for the years ended December 31, 2018 and 2017, respectively. Membership dues of \$115,929 and \$105,775 are shown as deferred revenue on the accompanying statements of financial position at December 31, 2018 and 2017, respectively.

Grants Receivable

Grants receivable are stated net of an allowance for doubtful accounts. The Organization evaluates the adequacy of the allowance for doubtful accounts regularly to determine if any account balances will potentially be uncollectible. Accounts are written off when, in management's judgment, they are considered uncollectible. Historically, write-offs of grants receivable have not been significant. The Organization's receivables are deemed fully collectible, thus there is no allowance for doubtful accounts at December 31, 2018 and 2017.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state corporate income tax under applicable Florida Statutes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization has no unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

Property and Equipment

Purchased property and equipment are recorded at historical cost and include expenditures which substantially increase the useful lives of existing property and equipment. Donations of property and equipment are recorded as contributions at their estimated fair value and are reported as with or without donor restrictions based on the restrictions placed on the asset by the donor. Routine maintenance and repairs are charged to operations when incurred.

It is the Organization's policy to capitalize property and equipment in excess of \$250 and all software purchases regardless of costs. Lesser amounts are expensed. Depreciation and amortization expense was \$2,013 and \$1,412 for the years ended December 31, 2018 and 2017, respectively. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, which are generally three to five years.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity

At December 31, 2018 and 2017, the Organization has \$234,943 and \$320,243, respectively, of financial assets available for general expenditures within one year of the statements of financial position dates. There are no financial assets as of December 31, 2018 and 2017 that are subject to donor restrictions that make them unavailable for general expenditures within one year of the statements of financial position dates.

Expense Classification

The financial statements report certain categories of expenses that are attributable to program services or supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising, salaries, and advocacy which are allocated on the basis of estimated time spent in each category and rent expense which is allocated based on headcount.

Concentration of Risk

The Organization places its cash with regulated financial institutions. Balances with the financial institutions may exceed insured limits. The Organization believes that there is no significant risk with respect to these deposits. The Organization has not experienced any losses on its deposits with financial institutions.

Subsequent Events

The Organization evaluated subsequent events through September 20, 2019, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

New Accounting Pronouncements

On May 28 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This ASU will be effective for the Organization for the year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY AND EQUIPMENT

Property and equipment includes the following at December 31, 2018 and 2017:

	2018	2017
Computer equipment	\$ 27,434	\$ 22,765
Computer software	1,220	1,220
Office furniture	7,449	7,449
	<u>36,103</u>	<u>31,434</u>
Less: Accumulated depreciation and amortization	<u>(29,773)</u>	<u>(27,760)</u>
	<u>\$ 6,330</u>	<u>\$ 3,674</u>

3. GIFTS-IN-KIND AND CONTRIBUTED SERVICES

The Organization records gifts-in-kind and contributed services in accordance with the FASB Accounting Standards Codification 958-605, *Revenue Recognition*. This pronouncement requires the fair value of contributed services to be recognized in the financial statements if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. The fair value of gifts-in-kind and contributed services are recognized when there is an objective basis available to measure their value.

The Organization receives donations of contributed services that include policy consulting services at a reduced rate, the publication and distribution of a Public Service Announcement (television and radio), and a series of online and other media events. The estimated fair value of these services amounted to approximately \$4,086,000 and \$6,481,000 for the years ended December 31, 2018 and 2017, respectively, and is included in gifts-in-kind and contributed services on the accompanying statements of activities. Additionally, the Organization received donated pharmaceuticals for the Recover program amounting to approximately \$33,000 and \$52,000 for the years ended December 31, 2018 and 2017, respectively. These amounts have been included in gifts-in-kind and contributed services on the accompanying statements of activities.

A substantial number of volunteers have donated significant amounts of their time to support the Organization in operating its program functions. The services rendered from these volunteers include article and brochure writing and reviewing, exhibiting and distributing materials, sharing information with elected officials, and serving as speakers at Organization events. These volunteer services are deemed not to meet the criteria for recognition as contributed services, and thus have not been recognized in the accompanying financial statements.

4. COMMITMENTS

Operating Leases

The Organization leases its office under an operating lease beginning February 1, 2014 and ending January 31, 2019. The Organization renewed the lease agreement under substantially the same terms as the existing lease beginning February 1, 2019 and ending March 31, 2026.

OBESITY ACTION COALITION, INC.
NOTES TO THE FINANCIAL STATEMENTS

Future minimum lease payments due under this lease as of December 31, 2018 are as follows:

<u>Year Ending December 31</u>	
2019	\$ 56,435
2020	69,673
2021	71,755
2022	73,913
2023	76,125
Thereafter	<u>179,843</u>
	<u>\$ 527,744</u>

Rental expense under the operating lease is \$63,182 and \$63,167 for the years ended December 31, 2018 and 2017, respectively.

In accordance with GAAP, the Organization recognizes rental expense for the lease, which contains a predetermined fixed escalation clause, on a straight-line basis over the expected term of the lease. The difference between the amounts charged to expense and the contractual minimum lease payment is recorded as a liability in the accompanying statements of financial position. This liability was \$315 and \$3,936 at December 31, 2018 and 2017, respectively, and has been recorded as deferred rent expense.

5. CONCENTRATIONS

During the year ended December 31, 2018 the Organization received contributions from two donors representing 79% of total support and revenues (not including in-kind contributions or advertising income). At December 31, 2018, receivables from these donors accounted for approximately 75% of grants receivable. During the year ended December 31, 2017 the Organization received contributions from one donor representing 70% of total support and revenues (not including in-kind contributions or advertising income). At December 31, 2017, receivables from this donor accounted for approximately 31% of grants receivable. These contributions are included in grants, annual meeting income, and membership dues on the accompanying statements of activities for the years ended December 31, 2018 and 2017.

6. EMPLOYEE BENEFIT PLAN

The Organization maintains a 401(k) plan covering substantially all employees. The plan allows employees to make contributions of their compensation, subject to Internal Revenue Service annual limits. The Organization makes discretionary matching contributions. Contributions made by the Organization to the plan for the years ended December 31, 2018 and 2017 were \$20,864 and \$15,622, respectively.