

OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015



SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

OBESITY ACTION COALITION, INC.
YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS 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, 2016 and 2015, 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, 2016 and 2015, 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
November 15, 2017

OBESITY ACTION COALITION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 156,452	\$ 241,892
Grants receivable	19,374	23,423
Prepaid rent	5,260	5,105
	181,086	270,420
 PROPERTY AND EQUIPMENT, NET	 1,863	 4,055
 OTHER ASSETS	 3,763	 3,763
	\$ 186,712	\$ 278,238
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 52,536	\$ 57,460
Deferred rent expense	5,628	5,423
Deferred revenue	126,953	204,762
	185,117	267,645
 COMMITMENTS		
 UNRESTRICTED NET ASSETS	 1,595	 10,593
	\$ 186,712	\$ 278,238

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

OBESITY ACTION COALITION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE		
Gifts-in-kind and contributed services	\$ 4,784,082	\$ 6,921,760
Grants	684,965	546,990
Annual meeting income	208,372	225,493
Membership dues	359,901	349,964
Advertising income	132,806	129,582
Contributions	25,492	31,411
Miscellaneous income	1,691	174
TOTAL SUPPORT AND REVENUE	<u>6,197,309</u>	<u>8,205,374</u>
FUNCTIONAL EXPENSES		
Program services:		
Education	5,961,456	8,178,712
Assistance	89,315	78,622
Supporting services:		
Administrative	111,767	108,638
Fundraising	43,769	43,035
TOTAL FUNCTIONAL EXPENSES	<u>6,206,307</u>	<u>8,409,007</u>
CHANGE IN UNRESTRICTED NET ASSETS	(8,998)	(203,633)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>10,593</u>	<u>214,226</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u><u>\$ 1,595</u></u>	<u><u>\$ 10,593</u></u>

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

OBESITY ACTION COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program services			Supporting services			Total expenses
	Education	Assistance	Total	Administrative	Fundraising	Total	
Advertising	\$ 4,531,867	\$ -	\$ 4,531,867	\$ -	\$ -	\$ -	\$ 4,531,867
Salaries	564,301	17,100	581,401	68,400	34,200	102,600	684,001
Publishing	508,506	-	508,506	-	-	-	508,506
Convention expense	200,768	-	200,768	-	-	-	200,768
Vitamin supplements	-	72,215	72,215	-	-	-	72,215
Rent	43,999	-	43,999	12,571	6,286	18,857	62,856
Advocacy	24,160	-	24,160	4,530	1,510	6,040	30,200
Postage	22,515	-	22,515	-	-	-	22,515
Office and supplies	14,548	-	14,548	13,093	1,455	14,548	29,096
Board member expense and other meetings	21,673	-	21,673	7,224	-	7,224	28,897
Professional fees	11,856	-	11,856	1,317	-	1,317	13,173
Telephone and internet	5,245	-	5,245	1,748	-	1,748	6,993
Depreciation	2,639	-	2,639	147	147	294	2,933
Insurance	2,737	-	2,737	2,737	-	2,737	5,474
Taxes and licenses	3,382	-	3,382	-	-	-	3,382
Website	3,260	-	3,260	-	171	171	3,431
	<u>\$ 5,961,456</u>	<u>\$ 89,315</u>	<u>\$ 6,050,771</u>	<u>\$ 111,767</u>	<u>\$ 43,769</u>	<u>\$ 155,536</u>	<u>\$ 6,206,307</u>

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

OBESITY ACTION COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program services			Supporting services			Total expenses
	Education	Assistance	Total	Administrative	Fundraising	Total	
Advertising	\$ 6,690,537	\$ -	\$ 6,690,537	\$ -	\$ -	\$ -	\$ 6,690,537
Salaries	553,524	16,773	570,297	67,094	33,547	100,641	670,938
Publishing	585,597	-	585,597	-	-	-	585,597
Convention expense	189,158	-	189,158	-	-	-	189,158
Vitamin supplements	-	61,849	61,849	-	-	-	61,849
Rent	44,217	-	44,217	12,633	6,317	18,950	63,167
Advocacy	24,000	-	24,000	4,500	1,500	6,000	30,000
Postage	25,997	-	25,997	-	-	-	25,997
Office and supplies	12,077	-	12,077	10,869	1,208	12,077	24,154
Board member expense and other meetings	21,823	-	21,823	7,274	-	7,274	29,097
Professional fees	11,676	-	11,676	1,297	-	1,297	12,973
Telephone and internet	4,953	-	4,953	1,651	-	1,651	6,604
Depreciation	5,950	-	5,950	331	331	662	6,612
Insurance	2,989	-	2,989	2,989	-	2,989	5,978
Taxes and licenses	3,696	-	3,696	-	-	-	3,696
Website	2,518	-	2,518	-	132	132	2,650
	<u>\$ 8,178,712</u>	<u>\$ 78,622</u>	<u>\$ 8,257,334</u>	<u>\$ 108,638</u>	<u>\$ 43,035</u>	<u>\$ 151,673</u>	<u>\$ 8,409,007</u>

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

OBESITY ACTION COALITION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (8,998)	\$ (203,633)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Add back items not affecting cash:		
Depreciation	2,933	6,612
Cash provided by (used in) changes in the following items:		
(Increase) decrease in grants receivable	4,049	(9,873)
Increase in prepaid rent	(155)	(5,105)
Increase (decrease) in accounts payable and accrued expenses	(4,924)	17,815
Increase in deferred rent expense	205	2,053
Increase (decrease) in deferred revenue	<u>(77,809)</u>	<u>116,891</u>
Net cash used in operating activities	<u>(84,699)</u>	<u>(75,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	<u>(741)</u>	<u>(951)</u>
NET DECREASE IN CASH	(85,440)	(76,191)
CASH - BEGINNING OF YEAR	<u>241,892</u>	<u>318,083</u>
CASH - END OF YEAR	<u>\$ 156,452</u>	<u>\$ 241,892</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 obese patients, advocate for safe and effective treatments, and strives to 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 a magazine and three newsletters for those with obesity-related issues. *Your Weight Matters Magazine* is a quarterly educational and advocacy magazine and *The Obesity Action Alert*, *Your Weight Matters Weekly*, and *Members Make a Difference* are monthly electronic newsletters. 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted amounts 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.
- Temporarily restricted amounts are those restricted by donors for specific purposes that may become unrestricted by actions taken by the Organization or the passage of time. As of December 31, 2016 and 2015, the Organization has no temporarily restricted net assets.
- Permanently restricted amounts are those that are restricted by donors that must be retained and permanently invested by the Organization. As of December 31, 2016 and 2015, the Organization has no permanently restricted net assets.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Grants

Contributions and grants are recorded when awarded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from 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 \$359,901 and \$349,964 for the years ended December 31, 2016 and 2015, respectively. Membership dues of \$126,953 and \$204,762 are shown as deferred revenue on the accompanying statements of financial position at December 31, 2016 and 2015, 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 classified as unrestricted and are deemed fully collectible, thus there is no allowance for doubtful accounts at December 31, 2016 and 2015.

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.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 restricted or unrestricted 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 expense was \$2,933 and \$6,612 for the years ended December 31, 2016 and 2015, respectively. Depreciation is 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.

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.

During the year ended December 31, 2016 the Organization received contributions from two donors representing 64% and 10% of total support and revenues (not including in-kind contributions or advertising income). During the year ended December 31, 2015 the Organization received contributions from two donors representing 49% and 12% of total support and revenues (not including in-kind contributions or advertising income). These contributions are included in grants, annual meeting income, and membership dues on the accompanying statements of activities for the years ended December 31, 2016 and 2015.

Subsequent Events

The Organization evaluated subsequent events through November 15, 2017, 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.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY AND EQUIPMENT

Property and equipment is made up of the following at December 31, 2016 and 2015:

	2016	2015
Computer equipment	\$ 20,072	\$ 20,072
Computer software	1,220	479
Office furniture	6,919	6,919
	<u>28,211</u>	<u>27,470</u>
Less accumulated depreciation	<u>(26,348)</u>	<u>(23,415)</u>
	<u>\$ 1,863</u>	<u>\$ 4,055</u>

3. GIFTS-IN-KIND AND CONTRIBUTED SERVICES

The Organization records gifts-in-kind and contributed services in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 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 \$4,711,000 and \$6,860,000 for the years ended December 31, 2016 and 2015, 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 \$72,000 and \$62,000 for the years ended December 31, 2016 and 2015, 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.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

4. COMMITMENTS

Operating Leases

The Organization leases its office under an operating lease beginning February 1, 2014 and ending January 31, 2019.

Future minimum lease payments due under this lease as of December 31, 2016 are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	
2017	\$ 64,859
2018	66,787
2019	<u>5,579</u>
	<u>\$ 137,225</u>

Rental expense under the operating lease is \$62,856 and \$63,167 for the years ended December 31, 2016 and 2015, 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 \$5,628 and \$5,423 at December 31, 2016 and 2015, respectively, and has been recorded as deferred rent expense.

5. 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. There were no contributions made by the Organization to the plan for the years ended December 31, 2016 and 2015.