

OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 2019 financial statements referred to above present fairly, in all material respects, the financial position of Obesity Action Coalition, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of Obesity Action Coalition, Inc., as of and for the year ended December 31, 2018, were audited by Skoda Minotti & Co., whose practice was combined with Marcum LLP as of December 1, 2019, and whose report dated September 20, 2019 expressed an unmodified opinion on those financial statements.

Marcum LLP

Tampa, FL
November 9, 2020

OBESITY ACTION COALITION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash	\$ 78,972	\$ 95,021
Grants receivable	<u>10,569</u>	<u>139,922</u>
Total Current Assets	89,541	234,943
Property and Equipment, Net	10,244	6,330
Other Assets	<u>3,763</u>	<u>3,763</u>
Total Assets	<u>\$ 103,548</u>	<u>\$ 245,036</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 76,943	\$ 87,575
Deferred rent expense	15,933	315
Deferred revenue	<u>169,858</u>	<u>115,929</u>
Total Current Liabilities	262,734	203,819
Net Assets Without Donor Restrictions	<u>(159,186)</u>	<u>41,217</u>
Total Liabilities and Net Assets	<u>\$ 103,548</u>	<u>\$ 245,036</u>

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

OBESITY ACTION COALITION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Support and Revenue		
Gifts-in-kind and contributed services	\$ 5,722,012	\$ 4,119,044
Grants	718,679	968,157
Membership dues	322,089	250,511
Annual meeting income	213,603	209,253
Advertising income	124,316	132,966
Contributions	84,691	77,751
Miscellaneous income	50	481
Total Support and Revenue	<u>7,185,440</u>	<u>5,758,163</u>
Expenses		
Program services:		
Education	7,135,523	5,628,518
Assistance	52,108	54,366
Supporting services:		
Administrative	140,711	136,891
Fundraising	57,501	54,445
Total Expenses	<u>7,385,843</u>	<u>5,874,220</u>
Loss from Operations	(200,403)	(116,057)
Net Assets - Beginning	<u>41,217</u>	<u>157,274</u>
Net Assets - Ending	<u>\$ (159,186)</u>	<u>\$ 41,217</u>

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

OBESITY ACTION COALITION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			Total Expenses
	Education	Assistance	Total Program Services	Administrative	Fundraising	Total Supporting Services	
Advertising	\$ 5,631,981	\$ --	\$ 5,631,981	\$ --	\$ --	\$ --	\$ 5,631,981
Salaries	728,530	22,077	750,607	88,307	44,153	132,460	883,067
Publishing	370,590	--	370,590	--	--	--	370,590
Convention expense	190,321	--	190,321	--	--	--	190,321
Advocacy	72,000	--	72,000	13,500	4,500	18,000	90,000
Rent	50,438	--	50,438	14,411	7,205	21,616	72,054
Board member expense and other meetings	22,677	--	22,677	7,559	--	7,559	30,236
Vitamin supplements	--	30,031	30,031	--	--	--	30,031
Office and supplies	11,851	--	11,851	10,666	1,185	11,851	23,702
Postage	23,287	--	23,287	--	--	--	23,287
Professional fees	13,172	--	13,172	1,464	--	1,464	14,636
Telephone and internet	5,822	--	5,822	1,941	--	1,941	7,763
Insurance	2,638	--	2,638	2,639	--	2,639	5,277
Website	4,436	--	4,436	--	234	234	4,670
Depreciation and amortization	4,029	--	4,029	224	224	448	4,477
Taxes and licenses	3,751	--	3,751	--	--	--	3,751
	<u>\$ 7,135,523</u>	<u>\$ 52,108</u>	<u>\$ 7,187,631</u>	<u>\$ 140,711</u>	<u>\$ 57,501</u>	<u>\$ 198,212</u>	<u>\$ 7,385,843</u>

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

OBESITY ACTION COALITION, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			Total Expenses
	Education	Assistance	Total Program Services	Administrative	Fundraising	Total Supporting Services	
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
Office and supplies	12,049	--	12,049	10,844	1,205	12,049	24,098
Postage	23,927	--	23,927	--	--	--	23,927
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
Website	4,540	--	4,540	--	239	239	4,779
Depreciation and amortization	1,811	--	1,811	101	101	202	2,013
Taxes and licenses	4,325	--	4,325	--	--	--	4,325
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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (200,403)	\$ (116,057)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,477	2,013
Bad debt expense	--	2,005
Changes in assets and liabilities:		
Grants receivable	129,353	(125,126)
Accounts payable and accrued expenses	(10,632)	26,880
Deferred rent expense	15,618	(3,621)
Deferred revenue	53,929	10,154
Net Cash Used In Operating Activities	<u>(7,658)</u>	<u>(203,752)</u>
Cash Flows Used In Investing Activities		
Acquisitions of property and equipment	<u>(8,391)</u>	<u>(4,669)</u>
Net Decrease In Cash	(16,049)	(208,421)
Cash - Beginning	<u>95,021</u>	<u>303,442</u>
Cash - Ending	<u>\$ 78,972</u>	<u>\$ 95,021</u>

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

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of cash flows.

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets (Deficit) Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

As of December 31, 2019 and 2018, the Organization has no net assets with donor restrictions.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state or federal laws.

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.

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 \$322,089 and \$250,511 for the years ended December 31, 2019 and 2018, respectively. Membership dues of \$169,858 and \$115,929 are shown as deferred revenue on the accompanying statements of financial position at December 31, 2019 and 2018, 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, 2019 and 2018.

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 CREDIT 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.

PROPERTY AND EQUIPMENT

Purchased property and equipment are recorded at 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 \$4,477 and \$2,013 for the years ended December 31, 2019 and 2018, 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.

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. Management has stated there are currently no examinations pending or in progress.

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2019 and 2018, the Organization has \$89,541 and \$234,943 consisting of cash plus grants receivable, 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, 2019 and 2018 that are subject to donor restrictions that make them unavailable for general expenditures within one year of the statements of financial position dates.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2020, the date the financial statements were available to be issued. Except as disclosed below, there were no subsequent events that require recognition or disclosure in these financial statements.

On March 11, 2020, the World Health Organization declared the coronavirus to be a pandemic. The Organization derives a significant portion of its revenues from contributions and fundraising. As a result of the coronavirus, the Organization needs to continually evaluate its services to ensure the safety of staff and the public. Due to the unknown duration and extent of the pandemic, the Organization is unable to determine the impact the pandemic might have on future operations and financial performance.

In April 2020, the Organization received approval for a loan under the CARES Act Paycheck Protection Program from the Small Business Administration in the amount of approximately \$135,000. The Organization anticipates meeting the loan requirements to qualify resulting in this loan being forgiven, thus recognizing it as grant revenue subsequent to 2019. However, there can be no assurances the Organization will be able to meet the criteria for loan forgiveness.

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment includes the following at December 31, 2019 and 2018:

	2019	2018
Computer equipment	\$ 34,789	\$ 27,434
Computer software	1,220	1,220
Office furniture	<u>8,485</u>	<u>7,449</u>
	44,494	36,103
Less: Accumulated depreciation and amortization	<u>(34,250)</u>	<u>(29,773)</u>
	<u>\$ 10,244</u>	<u>\$ 6,330</u>

NOTE 4 - 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 \$5,692,000 and \$4,086,000 for the years ended December 31, 2019 and 2018, respectively, and is included in gifts-in-kind and contributed services revenue and program expenses on the accompanying statements of activities and changes in net assets. Additionally, the Organization received donated pharmaceuticals for the Recover program amounting to approximately \$30,000 and \$33,000 for the years ended December 31, 2019 and 2018, respectively. These amounts have been included in gifts-in-kind and contributed services revenue and program expenses on the accompanying statements of activities and changes in net assets.

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.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - 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.

Future minimum lease payments due under this lease as of December 31, 2019 are as follows:

<u>Year Ending December 31</u>	
2020	\$ 69,673
2021	71,755
2022	73,913
2023	76,125
2024	78,414
Thereafter	<u>101,429</u>
	<u>\$ 471,309</u>

Rental expense under the operating lease was \$72,054 and \$63,182 for the years ended December 31, 2019 and 2018, 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 \$15,933 and \$315 at December 31, 2019 and 2018, respectively, and has been recorded as deferred rent expense.

NOTE 6 - CONCENTRATIONS

During the year ended December 31, 2019 the Organization received contributions from one donor representing 59% of total support and revenues (not including in-kind contributions). At December 31, 2019, there were no receivables from this donor. During the year ended December 31, 2018 the Organization received contributions from two donors representing 66% of total support and revenues (not including in-kind contributions). At December 31, 2018, receivables from these donors accounted for approximately 75% of grants receivable.

OBESITY ACTION COALITION, INC.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - 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, 2019 and 2018 were \$25,336 and \$20,864, respectively.