

OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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 2020 financial statements referred to above present fairly, in all material respects, the financial position of Obesity Action Coalition, Inc. as of December 31, 2020, 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.

Marcum LLP

Tampa, FL

November 11, 2021

OBESITY ACTION COALITION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

Assets

Current Assets

Cash	\$ 413,129
Prepaid expenses	<u>25,000</u>

Total Current Assets 438,129

Property and Equipment, Net 11,878

Other Assets 4,332

Total Assets \$ 454,339

Liabilities and Net Assets

Current Liabilities

U.S. Small Business Administration Paycheck Protection Program Loan	\$ 136,900
Accounts payable and accrued expenses	83,584
Deferred rent expense	19,120
Deferred revenue	<u>127,627</u>

Total Current Liabilities 367,231

Net Assets Without Donor Restrictions 87,108

Total Liabilities and Net Assets \$ 454,339

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

OBESITY ACTION COALITION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

Support and Revenue

Gifts-in-kind and contributed services	\$ 5,603,065
Grants and sponsorships	1,184,999
Membership dues	327,668
Annual meeting income	133,188
Advertising income	113,284
Contributions	52,562
Miscellaneous income	<u>3,692</u>

Total Support and Revenue 7,418,458

Expenses

Program services:	
Education	6,911,404
Assistance	53,850
Supporting services:	
Administrative	145,765
Fundraising	<u>61,145</u>

Total Expenses 7,172,164

Income from Operations 246,294

Net Assets - Beginning (159,186)

Net Assets - Ending \$ 87,108

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, 2020

	Program Services			Supporting Services			Total Functional Expenses
	Education	Assistance	Total Program Services	Administrative	Fundraising	Total Supporting Services	
Advertising	\$ 5,478,534	\$ --	\$ 5,478,534	\$ --	\$ --	\$ --	\$ 5,478,534
Salaries	786,028	23,819	809,847	95,276	47,638	142,914	952,761
Publishing	412,756	--	412,756	--	--	--	412,756
Convention expense	29,051	--	29,051	--	--	--	29,051
Advocacy	72,000	--	72,000	13,500	4,500	18,000	90,000
Rent	51,634	--	51,634	14,753	7,376	22,129	73,763
Board member expense and other meetings	17,048	--	17,048	5,683	--	5,683	22,731
Vitamin supplements	--	30,031	30,031	--	--	--	30,031
Office and supplies	10,155	--	10,155	9,140	1,016	10,156	20,311
Postage	15,031	--	15,031	--	--	--	15,031
Professional fees	13,377	--	13,377	1,486	--	1,486	14,863
Telephone and internet	6,837	--	6,837	2,279	--	2,279	9,116
Insurance	3,345	--	3,345	3,346	--	3,346	6,691
Website	5,939	--	5,939	--	313	313	6,252
Depreciation and amortization	5,434	--	5,434	302	302	604	6,038
Taxes and licenses	4,235	--	4,235	--	--	--	4,235
	<u>\$ 6,911,404</u>	<u>\$ 53,850</u>	<u>\$ 6,965,254</u>	<u>\$ 145,765</u>	<u>\$ 61,145</u>	<u>\$ 206,910</u>	<u>\$ 7,172,164</u>

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

OBESITY ACTION COALITION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities	
Change in net assets	\$ 246,294
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:	
Depreciation and amortization	6,038
Changes in assets and liabilities:	
Grants receivable	10,569
Prepaid expense	(25,000)
Other assets	(569)
Accounts payable and accrued expenses	6,641
Deferred rent expense	3,187
Deferred revenue	<u>(42,231)</u>
Net Cash Provided by Operating Activities	<u>204,929</u>
 Cash Flows Used In Investing Activities	
Acquisitions of property and equipment	<u>(7,672)</u>
 Cash Flows Provided By Financing Activities	
Proceeds from U.S. Small Business Paycheck Protection Program Loan	<u>136,900</u>
 Net Increase In Cash	334,157
 Cash - Beginning	<u>78,972</u>
 Cash - Ending	<u><u>\$ 413,129</u></u>

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

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2020

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. *Your 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 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 YEAR ENDED DECEMBER 31, 2020
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

As of December 31, 2020, 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.

REVENUE RECOGNITION

The Organization's revenue streams are comprised of gifts-in-kind and contributed services (See Note 4), grants and sponsorships, membership dues, annual meeting income, advertising income, and contributions.

Grants, Sponsorships and Contributions

Grants, sponsorships and contributions 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.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. This ASU outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration. The standard also requires expanded disclosures regarding the Organization's revenue recognition policies and significant judgments employed in the determination of revenue. Effective January 1, 2020 the Organization adopted this ASU. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Revenue from Contract with Customers (continued)

No changes were required to previously reported revenues as a result of the adoption; therefore, the adoption of this ASU did not have a material impact on the financial statements and did not result in a prior period adjustment.

The Organization's revenue streams that fall within the scope of this ASU are revenue derived from membership dues, annual meeting income, and advertising income.

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. Revenue from membership dues is recognized over the term of the membership as the performance obligation is satisfied ratably throughout the membership period. Revenue from dues received prior to the beginning of the applicable period is recorded as deferred revenue in the accompanying statement of financial position. Annual meeting income is recognized at the point in time of the event when the associated performance obligation is satisfied. Revenue from advertising is recognized at a single point in time on a quarterly basis upon issuance of the Organization's periodical, *Your Weight Matters*.

Amounts received for these revenue streams within the scope of this ASU are recorded as deferred revenue on the accompanying statement of financial position until the respective performance obligations are satisfied.

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.

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$6,038 for the year ended December 31, 2020. 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.

The Organization evaluates long-lived assets for impairment when indicators of impairment are present and undiscounted cash flows estimated to be generated by these assets are less than carrying value. There was no impairment recorded during the year ended December 31, 2020.

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.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-08, "*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*". This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Organization adopted ASU 2018-08 as of January 1, 2020, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for the Organization's contributions.

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COVID-19 PANDEMIC

The novel coronavirus (“COVID-19”) outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact the Organization’s financial condition or results of operations is uncertain.

FUNCTIONAL EXPENSES

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, 2020, the Organization has \$413,129 consisting of cash financial assets available for general expenditures within one year of the statement of financial position dates. There are no financial assets as of December 31, 2020 that are subject to donor restrictions that make them unavailable for general expenditures within one year of the statement 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 11, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 8, there were no other subsequent events that require recognition or disclosure in these financial statements.

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2020

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment includes the following at December 31, 2020:

Computer equipment	\$ 42,461
Computer software	1,220
Office furniture	<u>8,485</u>
	52,166
Less: Accumulated depreciation and amortization	<u>(40,288)</u>
	<u>\$ 11,878</u>

NOTE 4 - GIFTS-IN-KIND AND CONTRIBUTED SERVICES

Gifts-in-kind and contributed services are recognized as unconditional contributions at their fair value, if reasonably determined. The contributions of services are recognized if the service requires specialized skills, the service is provided by individuals or corporations who possess those skills, and the service would need to be purchased.

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 \$5,382,000 for the year ending December 31, 2020, and is included in gifts-in-kind and contributed services revenue and program expenses on the accompanying statement of activities and changes in net assets. Additionally, the Organization received donated pharmaceuticals for the Recover program amounting to approximately \$34,000 for the year ending December 31, 2020 which are also included in gifts-in-kind and contributed services revenue and program expenses.

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 YEAR ENDED DECEMBER 31, 2020

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS

OPERATING LEASES

The Organization leases its office under an operating lease beginning February 1, 2019 and ending March 31, 2026.

Future minimum lease payments due under this lease as of December 31, 2020 are as follows:

<u>Year Ending December 31</u>	
2021	\$ 69,673
2022	71,755
2023	73,913
2024	76,125
2025	78,414
Thereafter	<u>101,429</u>
	<u>\$ 471,309</u>

Rental expense under the operating lease was approximately \$74,000 for the year ended December 31, 2020.

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 statement of financial position. This liability was \$19,120 at December 31, 2020 and has been recorded as deferred rent expense.

NOTE 6 - CONCENTRATIONS

During the year ended December 31, 2020, the Organization received grants and membership dues from a single donor representing 63% of support and revenues not including gifts-in-kind and contributed services (approximately 15% of total support and revenue). At December 31, 2020, there were no receivables from this donor.

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2020

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 Code annual limits. The Organization makes discretionary matching contributions. Contributions made by the Organization to the plan for the year ended December 31, 2020 were \$28,411.

NOTE 8 – U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, the Company entered into a Promissory Note evidencing an unsecured \$136,900 loan (the “PPP Loan”) under the Paycheck Protection Program (the “PPP”). The PPP was established under the congressionally approved Coronavirus Aid, Relief, and Economic Security Act (“The CARES Act”) and is administered by the U.S. Small Business Administration. The PPP Loan to the Company was funded through Truist Bank.

The term of the PPP Loan is two years. The interest rate on the PPP Loan is 1.00% and payments are deferred for the first seven months of the term of the loan. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for eligible payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. The Company applied for, and was approved for, forgiveness of the full amount in March of 2021.