

OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Obesity Action Coalition, Inc.

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Obesity Action Coalition, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Obesity Action Coalition, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Obesity Action Coalition, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Obesity Action Coalition, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Obesity Action Coalition, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Tampa, FL
November 7, 2022

OBESITY ACTION COALITION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

Assets

Current Assets

Cash	\$ 466,712
Prepaid expenses	<u>30,000</u>

Total Current Assets 496,712

Property and Equipment, Net 8,381

Other Assets 4,332

Total Assets \$ 509,425

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	83,895
Deferred rent expense	20,002
Deferred revenue	<u>199,178</u>

Total Current Liabilities 303,075

Net Assets Without Donor Restrictions 206,350

Total Liabilities and Net Assets \$ 509,425

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, 2021

Support and Revenue

Gifts-in-kind and contributed services (Note 4)	\$ 13,117,160
Grants and sponsorships	883,000
Membership dues	327,327
Annual meeting income	159,622
Advertising income	88,620
Contributions	54,159
Miscellaneous income	<u>2,688</u>

Total Support and Revenue 14,632,576

Expenses

Program services:	
Education	14,350,323
Assistance	91,661
Supporting services:	
Administrative	146,129
Fundraising	<u>62,121</u>

Total Expenses 14,650,234

Loss from Operations (17,658)

Other Income

Gain on forgiveness of Paycheck Protection Program loan	<u>136,900</u>
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Total Income 119,242

Net Assets - Beginning 87,108

Net Assets - Ending \$ 206,350

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, 2021

	Program Services			Supporting Services		Total Supporting Services	Total Functional Expenses
	Education	Assistance	Total Program Services	Administrative	Fundraising		
Advertising	\$ 12,995,521	\$ --	\$ 12,995,521	\$ --	\$ --	\$ --	\$ 12,995,521
Salaries	792,724	24,022	816,746	96,088	48,044	144,132	960,878
Publishing	348,910	--	348,910	--	--	--	348,910
Convention expense	19,324	--	19,324	--	--	--	19,324
Advocacy	71,200	--	71,200	13,350	4,450	17,800	89,000
Rent	50,898	--	50,898	14,542	7,271	21,813	72,711
Board member expense and other meetings	1,615	--	1,615	539	--	539	2,154
Vitamin supplements	--	67,639	67,639	--	--	--	67,639
Office and supplies	16,131	--	16,131	14,517	1,613	16,130	32,261
Postage	9,453	--	9,453	--	--	--	9,453
Professional fees	16,565	--	16,565	1,841	--	1,841	18,406
Telephone and internet	7,384	--	7,384	2,461	--	2,461	9,845
Insurance	2,791	--	2,791	2,791	--	2,791	5,582
Website	6,971	--	6,971	--	367	367	7,338
Depreciation and amortization	7,134	--	7,134	--	376	376	7,510
Taxes and licenses	3,702	--	3,702	--	--	--	3,702
	<u>\$ 14,350,323</u>	<u>\$ 91,661</u>	<u>\$ 14,441,984</u>	<u>\$ 146,129</u>	<u>\$ 62,121</u>	<u>\$ 208,250</u>	<u>\$ 14,650,234</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, 2021

Cash Flows From Operating Activities	
Change in net assets	\$ 119,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	7,510
Forgiveness of Paycheck Protection Program loan	(136,900)
Changes in assets and liabilities:	
Prepaid expense	(5,000)
Accounts payable and accrued expenses	311
Deferred rent expense	882
Deferred revenue	<u>71,551</u>
Net Cash Provided by Operating Activities	<u>57,596</u>
Cash Flows Used In Investing Activities	
Acquisitions of property and equipment	<u>(4,013)</u>
Net Increase In Cash	53,583
Cash - Beginning	<u>413,129</u>
Cash - Ending	<u><u>\$ 466,712</u></u>

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

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2021

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 treatments.

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 (GAAP). 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, 2021
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

As of December 31, 2021, the Organization has no net assets with donor restrictions.

Earnings related to net assets with donor restrictions 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 at fair value, if reasonably determined. 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.

Grants, sponsorships and contributions 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

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 membership dues received prior to the beginning of the applicable period is recorded as deferred revenue in the accompanying statement of financial position.

OBESITY ACTION COALITION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Revenue from Contracts with Customers (Continued)

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*.

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 \$7,510 for the year ended December 31, 2021. 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.

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

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, 2021.

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. There are currently no examinations pending or in progress.

NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases. The ASU requires all leases with lease terms greater than 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position 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 and changes in net assets. This ASU will be effective for the Organization for the year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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.

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2021, the Organization has \$466,712 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, 2021 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 7, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment includes the following at December 31, 2021:

Computer equipment	\$ 46,414
Computer software	1,280
Office furniture	<u>8,485</u>
	56,179
Less: Accumulated depreciation and amortization	<u>(47,798)</u>
	<u>\$ 8,381</u>

NOTE 4 - GIFTS-IN-KIND AND CONTRIBUTED SERVICES

For the year ended December 31, 2021, gifts-in-kind and contributed services recognized within the statement of activities included:

Public service announcement - television	\$ 10,622,752
Public service announcement - radio	2,259,541
Google advertisements	113,228
Pharmaceuticals	67,639
Advocacy services	<u>54,000</u>
	<u>\$ 13,117,160</u>

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - GIFTS-IN-KIND AND CONTRIBUTED SERVICES (CONTINUED)

The Organization recognized gifts-in-kind and contributed services within revenue and program expenses, including, the publication and distribution of Public Service Announcement (television and radio), Google advertisements, pharmaceuticals, and policy consulting services at a reduced rate. Unless otherwise noted, gifts-in-kind and contributed services do not have donor-imposed restrictions.

A substantial number of volunteers have donated 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.

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, 2021 are as follows:

<u>Year Ending December 31</u>	
2022	\$ 73,913
2023	76,125
2024	78,414
2025	80,781
2026	<u>20,649</u>
	<u>\$ 329,882</u>

Rental expense under the operating lease was approximately \$73,000 for the year ended December 31, 2021.

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 of \$20,002 at December 31, 2021 has been recorded as deferred rent expense.

OBESITY ACTION COALITION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CONCENTRATIONS

During the year ended December 31, 2021, the Organization received grants and membership dues from a single donor representing 49% of support and revenues not including gifts-in-kind and contributed services (approximately 6% of total support and revenue). At December 31, 2021, there were no receivables from this donor.

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, 2021 were \$27,140.

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

On April 15, 2020, the Organization entered into a Promissory Note 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.

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 Organization received forgiveness of the full amount in March of 2021.