

# Healthy Kids/ Brighter Future

**Consolidated Financial Report**

**June 30, 2018**

## **CONTENTS**

<b>Independent Auditors' Report</b>	<b>1</b>
<b>Consolidated Statement of Financial Position</b>	<b>2</b>
<b>Consolidated Statement of Activities</b>	<b>3</b>
<b>Consolidated Statement of Functional Expenses</b>	<b>4</b>
<b>Consolidated Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Consolidated Financial Statements</b>	<b>6</b>
<b>Independent Auditors' Report on Supplementary Information</b>	<b>10</b>
<b>Consolidating Schedule of Financial Position</b>	<b>11</b>
<b>Consolidating Schedule of Activities</b>	<b>12</b>

**Independent Auditors' Report**

Board of Directors  
Healthy Kids Brighter Future  
Brunswick, Maine

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Healthy Kids Brighter Future which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Healthy Kids Brighter Future as of June 30, 2018, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



South Portland, Maine  
December 11, 2018

**Consolidated Schedule of Financial Position**

June 30, 2018

	2018
<b>ASSETS</b>	
Cash	\$ 334,262
Pledges receivable	86,700
Prepaid expenses	8,402
Refundable deposits	1,377
Property and equipment	6,404
<b>Total Assets</b>	<b><u>437,145</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable	\$ 3,567
Accrued payroll	1,922
<b>Total Liabilities</b>	<b><u>5,489</u></b>
 <b>Net Assets</b>	
Unrestricted	344,956
Temporarily restricted	86,700
<b>Total Net Assets</b>	<b><u>431,656</u></b>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 437,145</u></b>

See independent auditors' report.

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

## Consolidated Schedule of Activities

Year Ended June 30, 2018

	2018		
	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>			
Contributions	\$ 40,808	\$ 6,700	\$ 47,508
Grants	572,833	80,000	652,833
Gain on currency translation	9,577		9,577
Interest	1,473		1,473
Net assets released from restrictions	1,402	\$ (1,402)	
<b>Total Revenue</b>	<u>626,093</u>	<u>85,298</u>	<u>711,391</u>
<b>Expenses</b>			
Program	229,447		229,447
Administrative	71,843		71,843
Fundraising	7,641		7,641
<b>Total Expenses</b>	<u>308,931</u>		<u>308,931</u>
<b>Change in Net Assets</b>	<u>317,162</u>	<u>85,298</u>	<u>402,460</u>
<b>Net Assets, Beginning of Year</b>	<u>27,794</u>	<u>1,402</u>	<u>29,196</u>
<b>Net Assets, End of Year</b>	<u>\$ 344,956</u>	<u>\$ 86,700</u>	<u>\$ 431,656</u>

See independent auditors' report.

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

## Consolidated Schedule of Functional Expenses

Year Ended June 30, 2018

	Program	Supporting Services		2018
		Administrative	Fundraising	Total
Salaries, taxes and benefits	\$ 73,776	\$ 36,018	\$ 3,946	\$ 113,740
Travel	17,552	15,167	1,115	33,834
Equipment	26,826			26,826
Materials & supplies	17,082	4,505		21,587
Conference hire & catering	20,785			20,785
Consultants & subcontractors	16,661			16,661
Facilities & maintenance	15,500			15,500
Staff housing	13,401			13,401
Vehicle expenses	8,320			8,320
Stipends	6,772			6,772
Performance based incentives	6,090			6,090
Insurance		6,077		6,077
Professional fees		2,565	1,193	3,758
Communication		3,355		3,355
Printing	3,345			3,345
Subscriptions	1,162	1,384		2,546
Depreciation	1,705			1,705
Staff development & training		1,496		1,496
Fundraising expenses			1,387	1,387
Bank service fees		1,027		1,027
Meetings	470			470
Postage		249		249
	<u>\$ 229,447</u>	<u>\$ 71,843</u>	<u>\$ 7,641</u>	<u>\$ 308,931</u>

See independent auditors' report.

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

## Consolidated Schedule of Cash Flows

Year Ended June 30, 2018

	2018
<b>Cash flows from operating activities</b>	
Change in net assets	<u>\$ 402,460</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,705
Increase in :	
Pledges receivable	(86,700)
Prepaid expenses	(8,402)
Refundable deposits	(1,377)
Increase in:	
Accounts payable	3,567
Accrued payroll	1,911
Total adjustments	<u>(89,296)</u>
<b>Net cash flows from operating activities</b>	<u>313,164</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(4,205)</u>
<b>Net cash flows from investing activities</b>	<u>(4,205)</u>
<b>Net change in cash</b>	308,959
<b>Cash at beginning of year</b>	<u>25,303</u>
<b>Cash at end of year</b>	<u><u>\$ 334,262</u></u>

See independent auditors' report.

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

## Notes to Consolidated Financial Statements

June 30, 2018

### NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

#### Nature of Activities

Healthy Kids/Brighter Future is a 501(c)(3) tax-exempt nonprofit corporation in the United States; Healthy Kids/Brighter Future Limited is a tax-exempt nonprofit organization registered and operating in Zambia (hereinafter collectively called HK/BF). These two entities represent a humanitarian group whose mission is “to improve the health of low-income school-aged children.” The U.S. organization was founded in 2014 and the Zambian organization in 2015.

Zambia is a vibrant Southern African country of almost 17 million people. Currently, HK/BF serves the most vulnerable children in poor communities in the capital city of Lusaka, a city of about 1.7 million people. Despite a growing middle class, over half of its citizens live in poverty.

Though Zambia has a school registration rate of between 80% and 90%, many children cannot excel because they are sick. Healthcare in Zambia is available and free. But because most health programs prioritize children under five years old and because additional obstacles like unfamiliarity with and mistrust of local health services, as well as a lack of guardian support, school-aged children often do not access care and have become a critically neglected population. Nearly 40% of Lusaka’s poorest school children regularly suffer from easily treatable illnesses and 36% show signs of stunting that hinders their development.

Identifying the problem as essentially the misdistribution of resources – that available healthcare was not getting to the people who needed it – HK/BF found that by training a teachers as frontline health workers and by building strong links between the local schools and primary health facilities, the Organization could promote significantly better care for school-aged children, while at the same time improving school attendance, and all at an annual incremental cost of around \$5 per child.

Specifically, in partnership with the Ministries of Health and Education, HK/BF recruits, trains, and equips selected teachers as school health workers to provide health education, basic medical care, health surveillance, referral of sick children to government health facilities and follow-up on students who are absent more than a few days. In addition, by training administrators and recruiting PTA leaders to manage the program, HK/BF helps ensure support throughout the culture of the schools, health centers, and community. To provide both space and a symbolic focus for the operation of the program, HK/BF is building sick bays in each school.

#### Consolidation

The accompanying consolidated financial statements include the accounts of Healthy Kids Brighter Future and Healthy Kids Brighter Future Limited, all of which are under common control. Material intercompany transactions and balances have been eliminated in the consolidation.

#### Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. HK/BF is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of HK/BF and/or the passage of time.



## Notes to Consolidated Financial Statements

June 30, 2018

### NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Basis of Presentation – Continued

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by HK/BF.

#### Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Property and Equipment

Property and equipment are stated at cost or, in the case of donated property, at estimated fair value at the date of receipt. HK/BF capitalizes property and equipment with at least a cost, or estimated fair value, of \$2,500, if acquired in the United States or Zambia. Depreciation on furniture, fixtures and equipment, and vehicles is calculated on a straight-line basis using estimated useful lives of three to eight years. Buildings and land improvements are depreciated on a straight-line basis over 10 to 20 years. All capitalized property, plant, and equipment is located in Zambia.

#### Grants and Contributions

Grants and contributions are recognized when the grantor or donor makes an award or promise to give to HK/BF that is, in substance, unconditional. HK/BF reports grants and contributions received as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any grantor or donor restrictions. When a donor 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.

#### Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

#### Foreign Currency Translation

The Zambian Kwacha is the functional currency for HK/BF's programs. All amounts in these consolidated financial statements are reflected in U.S. dollars. All financial position accounts have been translated using an exchange rate representative of the exchange rate in effect at the financial position dates. The foreign currency translation adjustment is recorded in the consolidated statement of activities. The approximate accumulated foreign currency translation adjustments amounted to \$9,577 at June 30, 2018.

## Notes to Consolidated Financial Statements

June 30, 2018

### NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Income Taxes

HK/BF is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, while HK/BF Ltd is exempt from income taxes in Zambia.

Management has evaluated HK/BF's tax positions and concluded that, as of June 30, 2018, HK/BF does not have any tax liabilities. HK/BF is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended 2015 through 2018.

#### Use of Estimates

The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

### NOTE 2 – CASH AND CASH EQUIVALENTS

HK/BF maintains its cash-in-bank deposit accounts located in the United States and Zambia. Cash maintained in accounts located in the United States, at times, may exceed federally insured limits. HK/BF has not experienced any losses in such accounts. HK/BF believes it is not exposed to any significant credit risk from cash and cash equivalents.

### NOTE 3 – PLEDGES RECEIVABLE

Unconditional pledges receivable at June 30, 2018 are, as follows:

	2018
Amounts due in:	
Less than one year	\$ 86,700
One to five years	-
Total	<u>\$ 86,700</u>

### NOTE 4 – COMMITMENTS AND CONTINGENCIES

#### Leases

During the year ended June 30, 2018, HK/BF entered into an operating lease for office space located in Lusaka, Zambia under the terms of a non-cancelable lease. The original term of this lease agreement is one year, with an additional yearly renewal option available thereafter. The lease calls for monthly payments of rent of \$1,377 per month during the term of the lease, payable six months in advance.

During the year ended June 30, 2017, HK/BF entered into an operating lease for employee housing in Lusaka, Zambia under the terms of a non-cancelable lease. The original term of this lease agreement was one year, with an additional term renewal option available thereafter, which was exercised in 2018, with monthly lease payments of \$782 through January 31, 2018, and an increase thereafter to \$813 through January 31, 2019, which calls for quarterly payments in advance.

## Notes to Consolidated Financial Statements

June 30, 2018

### NOTE 4 – COMMITMENTS AND CONTINGENCIES – CONTINUED

#### Leases – Continued

HK/BF is responsible for utilities and repairs and maintenance on the properties. Rental expense was \$19,973 for the year ended June 30, 2018.

The future minimum rental payments under non-cancelable operating leases having an initial or remaining term in excess of one year as of June 30, 2018 are, as follows:

Year ending June 30,

2019	\$ 13,954
	<u>\$ 13,954</u>

### NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 consist of pledges receivable for the general operations of HK/BF.

### NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2018, the date the consolidated financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the consolidated financial statements.

**Independent Auditors' Report on Supplementary Information**

Board of Directors  
Healthy Kids Brighter Future  
Brunswick, Maine

We have audited the consolidated financial statements of Healthy Kids Brighter Future as of and for the year ended June 30, 2018, and our report thereon dated December 11, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules, on pages 11 - 12, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

*Wipfli LLP*

South Portland, Maine  
December 11, 2018

**Consolidating Schedule of Financial Position**

**June 30, 2018**

	<b>HK/BF - US</b>	<b>HK/BF - Zambia</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>				
Cash	\$ 215,043	\$ 119,219	\$ -	\$ 334,262
Pledges receivable	86,700			86,700
Prepaid expenses	130	8,272		8,402
Refundable deposits		1,377		1,377
Property and Equipment		6,404		6,404
<b>Total Assets</b>	<u>301,873</u>	<u>135,272</u>	<u>\$ -</u>	<u>437,145</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 3,567	\$ -	\$ 3,567
Accrued payroll		1,922		1,922
<b>Total Liabilities</b>	<u>-</u>	<u>5,489</u>	<u>-</u>	<u>5,489</u>
<b>Net Assets</b>				
Unrestricted	215,173	129,783		344,956
Temporarily restricted	86,700			86,700
<b>Total Net Assets</b>	<u>301,873</u>	<u>129,783</u>	<u>-</u>	<u>431,656</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 301,873</u>	<u>\$ 135,272</u>	<u>\$ -</u>	<u>\$ 437,145</u>

**Consolidating Schedule of Activities**

**Year Ended June 30, 2018**

	HK/BF - US	HK/BF - Zambia	Eliminations	Consolidated
<b>Revenue</b>				
Contributions	\$ 46,404	\$ 1,104		\$ 47,508
Grants	571,850	80,983		652,833
Gain (loss) on currency translation		(213)	\$ 9,790	9,577
Transfers from US		282,790	(282,790)	
Interest income	655	818		1,473
<b>Total Revenue</b>	<b>618,909</b>	<b>365,482</b>	<b>(273,000)</b>	<b>711,391</b>
Payroll expenses	23,240	90,500		113,740
Travel	15,921	17,914		33,835
Equipment	13,565	13,261		26,826
Materials & supplies		21,586		21,586
Conference hire & catering		20,785		20,785
Consultants & subcontractors		16,661		16,661
Facilities & maintenance		15,500		15,500
Staff housing	2,135	11,266		13,401
Vehicle expenses		8,320		8,320
Stipends		6,772		6,772
Performance based incentives		6,090		6,090
Insurance	1,937	4,140		6,077
Professional fees	2,245	1,513		3,758
Communication	80	3,275		3,355
Printing		3,345		3,345
Subscriptions	2,046	500		2,546
Depreciation		1,705		1,705
Staff development & training	1,277	219		1,496
Fundraising expenses	1,387			1,387
Bank service fees	380	647		1,027
Meetings		470		470
Postage	129	120		249
Zambia funding	273,000		(273,000)	
<b>Total Expense</b>	<b>337,342</b>	<b>244,589</b>	<b>(273,000)</b>	<b>308,931</b>
<b>Change in Net Assets</b>	<b>281,567</b>	<b>120,893</b>		<b>402,460</b>
<b>Net Assets, Beginning of Year</b>	<b>20,306</b>	<b>8,890</b>		<b>29,196</b>
<b>Net Assets, End of Year</b>	<b>\$ 301,873</b>	<b>\$ 129,783</b>	<b>\$ -</b>	<b>\$ 431,656</b>