

OBESITY ACTION COALITION, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

OBESITY ACTION COALITION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Obesity Action Coalition, Inc.

Opinion

We have audited the financial statements of Obesity Action Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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.

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, 2023, 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 20, 2024

OBESITY ACTION COALITION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

Assets

Current Assets

| | |
|--------------------|---------------|
| Cash | \$ 442,098 |
| Pledges receivable | <u>58,660</u> |

Total Current Assets \$ 500,758

Operating Lease - Right-of-Use Assets, Net 168,592

Property and Equipment, Net 2,860

Other Assets 3,763

Total Assets \$ 675,973

Liabilities and Net Assets

Current Liabilities

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 89,701 |
| Deferred revenue | 261,164 |
| Current portion of lease liabilities | <u>74,268</u> |

Total Current Liabilities \$ 425,133

Operating Lease Liabilities, Net of Current Portion 99,523

Total Liabilities 524,656

Net Assets Without Donor Restrictions 151,317

Total Liabilities and Net Assets \$ 675,973

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, 2023

Support and Revenue

| | |
|--------------------------------------|---------------|
| Contributions - non-financial assets | \$ 2,564,950 |
| Grants and sponsorships | 1,144,000 |
| Membership dues | 429,562 |
| Annual meeting income | 229,441 |
| Advertising income | 75,640 |
| Contributions - financial assets | <u>54,622</u> |

Total Support and Revenue \$ 4,498,215

Expenses

| | |
|----------------------|---------------|
| Program services: | |
| Education | 4,358,078 |
| Assistance | 95,821 |
| Supporting services: | |
| Administrative | 168,074 |
| Fundraising | <u>70,603</u> |

Total Expenses 4,692,576

Change in Net Assets (194,361)

Net Assets - Beginning of Year 345,678

Net Assets - Ending of Year \$ 151,317

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, 2023

| | Program Services | | | Supporting Services | | | Total Functional Expenses |
|--|---------------------|------------------|---------------------------|---------------------|------------------|---------------------------------|---------------------------------|
| | Education | Assistance | Total Program Services | Administrative | Fundraising | Total Supporting Services | |
| Advertising | \$ 2,409,036 | \$ -- | \$ 2,409,036 | \$ -- | \$ -- | \$ -- | \$ 2,409,036 |
| Salaries | 925,192 | 28,036 | 953,228 | 112,145 | 56,072 | 168,217 | 1,121,445 |
| Publishing | 587,079 | -- | 587,079 | -- | -- | -- | 587,079 |
| Convention expense | 224,923 | -- | 224,923 | -- | -- | -- | 224,923 |
| Advocacy | 69,600 | -- | 69,600 | 13,050 | 4,350 | 17,400 | 87,000 |
| Rent | 53,753 | -- | 53,753 | 15,358 | 7,679 | 23,037 | 76,790 |
| Vitamin supplements | -- | 67,785 | 67,785 | -- | -- | -- | 67,785 |
| Office and supplies | 15,201 | -- | 15,201 | 13,680 | 1,520 | 15,200 | 30,401 |
| Board member expense and other meetings | 22,790 | -- | 22,790 | 7,597 | -- | 7,597 | 30,387 |
| Professional fees | 22,062 | -- | 22,062 | 2,451 | -- | 2,451 | 24,513 |
| Telephone and internet | 6,007 | -- | 6,007 | 2,002 | -- | 2,002 | 8,009 |
| Depreciation and amortization | 5,931 | -- | 5,931 | -- | 659 | 659 | 6,590 |
| Website | 6,171 | -- | 6,171 | -- | 323 | 323 | 6,494 |
| Postage | 5,222 | -- | 5,222 | -- | -- | -- | 5,222 |
| Insurance | 1,791 | -- | 1,791 | 1,791 | -- | 1,791 | 3,582 |
| Taxes and licenses | 3,320 | -- | 3,320 | -- | -- | -- | 3,320 |
| | <u>\$ 4,358,078</u> | <u>\$ 95,821</u> | <u>\$ 4,453,899</u> | <u>\$ 168,074</u> | <u>\$ 70,603</u> | <u>\$ 238,677</u> | <u>\$ 4,692,576</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, 2023

Cash Flows From Operating Activities

| | |
|--|-----------------|
| Change in net assets | \$ (194,361) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Amortization of operating lease right-of-use assets | 66,159 |
| Depreciation and amortization | 6,590 |
| Changes in assets and liabilities: | |
| Prepaid expense | 30,000 |
| Pledges receivable | 1,150 |
| Accounts payable and accrued expenses | 30,926 |
| Deferred revenue | 92,841 |
| Operating lease liabilities | <u>(69,736)</u> |

Net Cash Used In Operating Activities \$ (36,431)

Net Cash Used In Investing Activities

Acquisitions of property and equipment (2,050)

Net Decrease In Cash (38,481)

Cash - Beginning of Year 480,579

Cash - Ending of Year \$ 442,098

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

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – NATURE OF OPERATIONS

Obesity Action Coalition, Inc. (the “Organization”) was organized in December 2004 and is located in Tampa, Florida. The Organization educates patients, family members, and the public on obesity and severe obesity. 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 through its programs.

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. At December 31, 2023 the Organization has net assets without donor restrictions of \$151,317.

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. At December 31, 2023, the Organization has no net assets with donor restrictions.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

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 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. 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 and changes in net assets 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 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. The Organization has deferred revenue of \$261,164 as of December 31, 2023.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 has deposits with financial institutions that insure its deposits with the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor per financial institution. At times, the amount of the deposits exceed the FDIC limit. The portions of deposits in excess of FDIC limits represent a credit risk to the Organization. The Organization has not experienced any losses on its deposits with financial institutions.

PROPERTY AND EQUIPMENT

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.

The Organization capitalizes property and equipment in excess of \$250. Lesser amounts are expensed. 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, 2023.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The Organization follows FASB ASC 842, *Leases* (“ASC 842”), and determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Organization will not recognize right-of-use assets or lease liabilities on the statement of financial position. The Organization generally does not have access to the rate implicit in the lease, and therefore the Organization utilizes a risk-free rate as the discount rate. See Note 7.

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 Organization, however, is required to report unrelated business income to the Internal Revenue Service (IRS). The Organization did not incur unrelated business income tax expense for the years ended December 31, 2023 and 2022. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

The income tax positions taken by the Organization for any years open under the various statutes of limitations are that the Organization continues to be exempt from income taxes and that the Organization has properly reported unrelated business income, if any, that is subject to income taxes. The Organization believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of the Organization’s federal or state income tax returns have examinations pending or in progress.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2023, the Organization has \$500,758 consisting of cash of \$442,098 and pledges receivable of \$58,660 available for general expenditures within one year of the statement of financial position date. There are no financial assets as of December 31, 2023 that are subject to donor restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2024, 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, NET

Property and equipment includes the following at December 31, 2023:

| | | |
|---|----|-----------------|
| Computer equipment | \$ | 51,829 |
| Phone equipment | | 3,158 |
| Office furniture | | 8,485 |
| Computer software | | <u>400</u> |
| | | 63,872 |
| Less: Accumulated depreciation and amortization | | <u>(61,012)</u> |
| | \$ | <u>2,860</u> |

Depreciation and amortization expense was \$6,590 for the year ended December 31, 2023.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - CONTRIBUTED SERVICES – NON-FINANCIAL ASSETS

For the year ended December 31, 2023, contributed services of non-financial assets recognized within the statement of activities and changes in net assets included:

| | |
|--|---------------------|
| Public service announcement - television | \$ 2,402,313 |
| Pharmaceuticals | 101,914 |
| Google advertisements | 6,723 |
| Advocacy services | <u>54,000</u> |
| | <u>\$ 2,564,950</u> |

The Organization recognizes contributed services of non-financial assets within revenue and program expenses, including, the publication and distribution of public service announcements (television and radio), Google advertisements, pharmaceuticals, and policy consulting services. Unless otherwise noted, contributed services of non-financial assets do not have donor-imposed restrictions. Contributed services of non-financial assets are valued as follows:

Public service announcements and Google advertisements: third-party valuations and estimates based on impressions of media provided and price per impressions.

Pharmaceuticals: difference between amounts paid by the Organization and wholesale price of the products distributed.

Policy consulting services: standard industry pricing for similar services based on time incurred and hourly rates.

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 - CONCENTRATIONS

During the year ended December 31, 2023, the Organization received grants and membership dues from two donors, representing 35% and 27% of support and revenues, not including contributed services (approximately 15% and 11%, respectively, of total support and revenue). At December 31, 2023, there were no pledges receivable from these donors.

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) 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, 2023 were \$30,761.

NOTE 7 – LEASES

The Organization leases office space under a non-cancelable operating lease agreement with an unrelated party that expires in March 2026 with payments that escalate each February by 3.00%. The monthly payment for January 2023 was \$6,174 and monthly payments from February 2023 through December 2023 were \$6,359.

The Organization leases office equipment under a non-cancelable operating lease agreement with an unrelated party that expires in August 2024. Monthly payments are \$24 with no escalations.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2023:

| | |
|---|-------------------|
| Operating lease right-of-use assets | <u>\$ 168,592</u> |
| Current portion of operating lease liabilities | \$ 74,268 |
| Operating lease liabilities, net of current portion | <u>99,523</u> |
| Total operating lease liabilities | <u>\$ 173,791</u> |

The total cost related to operating leases for the year ended December 31, 2023 was approximately \$70,000.

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

| | |
|--|-----------|
| Operating cash flows from operating leases | \$ 69,736 |
|--|-----------|

Weighted average lease term and discount rate are as follows at December 31, 2023:

OBESITY ACTION COALITION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 7 - LEASES (CONTINUED)

| | |
|---|------------|
| Weighted average remaining lease term - operating | 2.25 years |
| Weighted average discount rate - operating | 3.25% |

The Organization's operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

| For the Years Ending | Operating |
|--|-------------------------|
| 2024 | \$ 78,606 |
| 2025 | 80,781 |
| 2026 | <u>20,648</u> |
| | 180,035 |
| Less: Amounts representing interest | <u>(6,244)</u> |
| Present value of future minimum lease payments | 173,791 |
| Less: Current portion | <u>(74,268)</u> |
| Long-term lease liabilities | <u><u>\$ 99,523</u></u> |