GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Alliance for a Healthier Generation

Financial Statements and Other Information
as of and for the Years Ended June 30, 2016 and 2015
and Report of Independent Accountants

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Year in Review

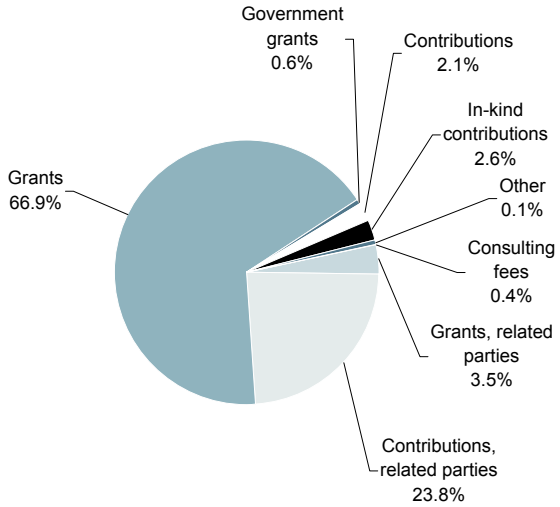
July 1, 2015 - June 30, 2016

Total Revenues	$16.8 million
Operating Revenues [1]	$16.5 million
Total Program Service Costs	$13.3 million
Total Supporting Service Costs	$3.2 million
Total Assets	$17.7 million
Total Expendable Net Assets	$13.0 million

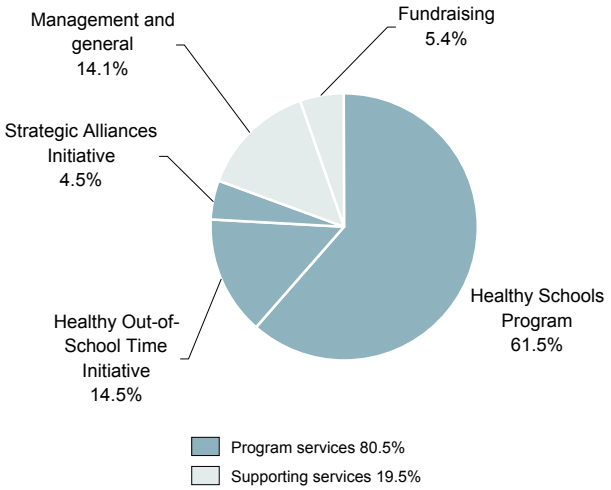
[1] Excludes release of restrictions of $129,239 for capital purposes.

Funding Highlights

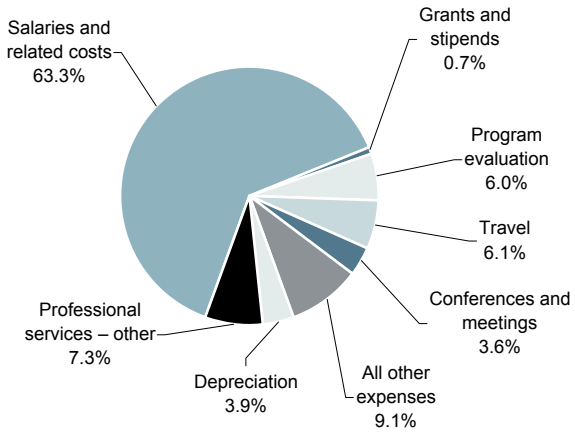
2016 Revenues



2016 Expenses by Function



2016 Expenses by Type



Management Discussion and Analysis

The Alliance for a Healthier Generation (the "Alliance"), founded by the American Heart Association (the "AHA") and the Clinton Foundation, works to reduce the prevalence of childhood obesity and to empower kids to make lifelong, healthy habits. The Alliance works with schools, companies, community organizations, healthcare professionals and families to transform the conditions and systems that lead to healthier children. During 2016, the Alliance continued to champion three programs: the Healthy Schools Program, the Healthy Out-of-School Time (HOST) Initiative, and the Strategic Alliances Initiative.

Revenues for the year ended June 30, 2016 (FY 2016) demonstrate the progress of the Alliance toward direct funding relationships. During FY 2016, grants and government grants decreased to $11.3 million, compared to $12.9 million during the year ended June 30, 2015 (FY 2015), while contributions from related parties remained the same for FY 2016 and FY 2015. Contributions from related parties reflect the pledges made by the AHA and the Clinton Foundation. The AHA and the Clinton Foundation each pledged $2.0 million in FY 2016 and FY 2015 to support operations in FY 2017 and FY 2016, respectively. Both of these contributions were recorded as temporarily restricted, respectively.

During FY 2016, program expenses of $13.3 million accounted for 81% of total expenses compared to $13.4 million and 81% during FY 2015. Of this $13.3 million, the Healthy Schools Program accounts for $10.1 million, the HOST Initiative accounts for $2.4 million, and the Strategic Alliances Initiative accounts for $0.8 million. The two largest drivers of the change in program expense year over year are labor-related expenses and professional services. During FY 2016, the Alliance incurred normal wage and benefit increases and a reduction in staff as a result of the change in grant funding from the Robert Wood Johnson Foundation. During FY 2016, the Alliance incurred the remaining $0.2 million on a contract spanning FY 2015 and FY 2016 for a consultant to advise on the Healthy Schools Program financial sustainability, paid for by a grant from the Robert Wood Johnson Foundation. In parallel, the Alliance incurred expenses on a contract spanning FY 2015 and FY 2016 for a consultant to advise on the development of the new five-year strategic plan, resulting in a refreshed mission and strategies toward financial sustainability and improving the lives of children and families, particularly those experiencing the greatest health disparities.

As of June 30, 2016, the Healthy Schools Program supports more than 35,000 schools, reaching more than 20 million students, in all 50 states, the District of Columbia and Puerto Rico. The Healthy Schools Program supports schools to implement health promoting policies and programs. Specifically, the Alliance provides onsite and online training, technical assistance, resource brokering, and media support to participating schools. The Healthy Schools Program focused much of its resources in FY 2016 to support schools in strengthening policies and practices to improve their school health environment. The Alliance provided schools with tools and resources, training, and technical assistance and worked with national partners to increase opportunities for students to eat healthier and be physically active before, during and after school.

Beyond the school day, the Alliance's "Healthy Out-of-School Time Initiative" plays a key role in helping youth-serving programs meet national standards for healthy eating and physical activity, known as HEPA standards, defined by the National Afterschool Association. The Alliance has been instrumental in providing technical assistance and on-the-ground support to

guide sites and programs to reshape their environments by adopting and implementing healthier policies, particularly through partnerships with the Boys & Girls Clubs of America and the National Recreation and Park Association (NRPA). In FY 2016, the Alliance helped these two organizations implement HEPA standards, such as increasing physical activity during programming. Boys & Girls Clubs and Recreation and Park sites using the Alliance's online assessment, action plans, and resources now meet an average of 75 percent of national best practices. To date, nearly 300,000 kids attend an Alliance-supported Boys & Girls Club or NRPA site. The greatest expenses in the Healthy Out-of-School Time Initiative consist of labor for staff working at local and national before and after school programs and on program evaluation.

The Alliance serves as a catalyst for the business sector to become part of the childhood obesity solution by working with them to improve their individual and industry-wide business practices to more positively impact our youth. The Alliance's Strategic Alliances work has two components: the Food and Beverage Industry Initiative and the Healthcare Industry Initiative. McDonald's has committed to increase customers' access to fruit and vegetables and help families and children to make informed choices and partners with the Alliance to implement and evaluate progress towards their 2020 commitments. The Alliance continues to implement and monitor progress of the 2014 landmark agreement with America's beverage companies to reduce beverage calories consumed per person nationally by 20 percent by 2025. Through the Balance Calories Initiative, beverage companies are implementing a range of activities to change consumer behavior, including making lower-calorie and smaller-portion beverages more available in stores and providing incentives for choosing them, displaying new calorie awareness messages at points of sale and increasing marketing of no- and lower-calorie options in stores and restaurants. In FY 2016, the Alliance partnered with the Urban School Food Alliance, a nonprofit coalition of some of the largest school districts in the United States that have combined meal-related budgets totaling over $3 billion. As a result of this partnership, 30 million students in more than 5,000 school districts will have the opportunity to access high-quality food and products at more competitive prices.

The Alliance brings together a coalition of major health insurers, employers, and national medical associations to provide healthcare benefits to more than 2.9 million children for the prevention and treatment of childhood obesity, through a network of 56,000 healthcare providers. These benefits are available through 20 major companies. Nationwide, patients are treated by health professionals who aren't trained to address the staggering rates of obesity and diet-related diseases. In 2016, the Alliance, along with the American College for Sports Medicine, Bipartisan Policy Center (BPC), and the Provider Training and Education Workgroup at the National Academy of Medicine, was awarded a grant by the Robert Wood Johnson Foundation through the BPC to better support providers' ability to deliver and coordinate effective care to children, no matter where they live.

Expenses in the Strategic Alliances Initiative consist largely of labor-related expenses, travel to meet with industry representatives and other nonprofit partners, and program evaluation.

Management and general expenses accounted for $2.3 million of total expenses in FY 2016, compared to $2.2 million in FY 2015. Fundraising expenses totaled $0.9 million for FY 2016, which was the case in FY 2015. These expenses are largely labor for a development team and travel to meet with potential funders.

The accompanying financial statements and related notes provide more detail regarding the financial activities of the Alliance during FY 2016 and FY 2015.

■

Report of the Chief Executive Officer

The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of the ALLIANCE FOR A HEALTHIER GENERATION and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The financial statements have been examined by the Alliance's independent accountants, GARY MCGEE & CO. LLP, whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Board of Directors meets periodically with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the Alliance's financial statements. The Board of Directors also reviews the scope and results of the Alliance's audit, and current and emerging accounting and financial requirements and practices affecting the organization.

Dr. Howell Wechsler
Chief Executive Officer

GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Alliance for a Healthier Generation:

We have audited the accompanying financial statements of the Alliance for a Healthier Generation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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; 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.

Auditor's 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. 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 auditor's 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 organization'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 organization'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 financial statements referred to above present fairly, in all material respects, the financial position of the Alliance for a Healthier Generation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

October 20, 2016

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ALLIANCE FOR A HEALTHIER GENERATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

		2016	2015
Assets:			
Cash and cash equivalents	$	10,215,615	8,350,355
Short-term investments *(note 17)*		–	2,255,431
Grants and contributions receivable *(note 4)*		2,453,173	2,340,157
Contributions receivable from related parties *(note 4)*		4,000,000	4,000,000
Consulting fees receivable		10,225	121,640
Prepaid expenses and other assets		242,081	216,658
Capital assets *(note 5)*		744,168	1,228,501
Total assets	$	17,665,262	18,512,742
Liabilities:			
Accounts payable and accrued expenses		295,120	382,701
Accrued payroll and related expenses		1,065,456	622,312
Advances on conditional grants *(note 4)*		2,546,171	4,038,545
Total liabilities		3,906,747	5,043,558
Net assets:			
Unrestricted:			
Available for programs and general operations		6,159,597	5,523,875
Net investment in capital assets		744,168	1,228,501
Total unrestricted		6,903,765	6,752,376
Temporarily restricted *(note 6)*		6,854,750	6,716,808
Total net assets		13,758,515	13,469,184
Commitments and contingencies *(notes 4, 8, 12, 13, 14, 15, and 16)*			
Total liabilities and net assets	$	17,665,262	18,512,742

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

		2016		
		Unrestricted	Temporarily restricted	Total
Revenues and other support:				
Grants	$	–	11,239,989	11,239,989
Government grants		–	93,571	93,571
Contributions *(note 9)*		164,287	194,603	358,890
Grants from related parties *(note 3)*		–	592,500	592,500
Contributions from related parties *(note 3)*		–	4,000,000	4,000,000
Consulting fees		73,880	–	73,880
In-kind contributions		438,550	–	438,550
Interest and other income		7,041	–	7,041
Total revenues and gains		683,758	16,120,663	16,804,421
Net assets released from restrictions *(note 7)*		15,982,721	(15,982,721)	–
Total revenues, gains, and other support		16,666,479	137,942	16,804,421
Expenses *(note 10)*:				
Program services:				
Healthy Schools Program		10,153,021	–	10,153,021
Healthy Out-of-School Time Initiative		2,387,340	–	2,387,340
Strategic Alliances Initiative		751,245	–	751,245
Total program services		13,291,606	–	13,291,606
Supporting services:				
Management and general		2,331,106	–	2,331,106
Fundraising		892,378	–	892,378
Total supporting services		3,223,484	–	3,223,484
Total expenses		16,515,090	–	16,515,090
Change in net assets		151,389	137,942	289,331
Net assets at beginning of year		6,752,376	6,716,808	13,469,184
Net assets at end of year	$	6,903,765	6,854,750	13,758,515

See accompanying notes to financial statements.

	2015	
Unrestricted	Temporarily restricted	Total
–	12,857,864	12,857,864
–	54,366	54,366
180,660	115,000	295,660
–	316,168	316,168
–	4,000,000	4,000,000
345,501	–	345,501
204,424	–	204,424
4,330	–	4,330
734,915	17,343,398	18,078,313
16,650,100	(16,650,100)	–
17,385,015	693,298	18,078,313
10,483,330	–	10,483,330
2,182,432	–	2,182,432
695,733	–	695,733
13,361,495	–	13,361,495
2,186,725	–	2,186,725
888,042	–	888,042
3,074,767	–	3,074,767
16,436,262	–	16,436,262
948,753	693,298	1,642,051
5,803,623	6,023,510	11,827,133
6,752,376	6,716,808	13,469,184

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program services			
	Healthy Schools Program	Healthy Out-of-School Time Initiative	Strategic Alliances Initiative	Total
Salaries and wages	$ 4,692,488	1,252,138	387,992	6,332,618
Payroll taxes and employee benefits	1,410,278	385,873	103,024	1,899,175
Grant awards and stipends *(note 11)*	117,361	5,000	–	122,361
Computer hardware, software, and service fees	112,157	34,370	6,495	153,022
Conferences and meetings *(note 12)*	514,363	63,013	3,381	580,757
In-kind program promotion	327,558	87,840	–	415,398
Occupancy	139,843	60,763	7,831	208,437
Other	45,275	7,662	5,902	58,839
Postage and shipping	15,528	2,830	572	18,930
Printing and reproduction	39,969	1,374	129	41,472
Professional services – other	596,232	12,780	30,999	640,011
Professional services – program evaluation *(note 13)*	670,242	173,694	140,037	983,973
Professional services – technology	198,156	43,636	86	241,878
Supplies	21,012	8,492	628	30,132
Telephone	69,869	21,385	4,346	95,600
Travel	701,820	144,902	59,823	906,545
Depreciation and amortization	480,870	81,588	–	562,458
Total expenses	$ 10,153,021	2,387,340	751,245	13,291,606

See accompanying notes to financial statements.

Supporting services			
Management and general	Fundraising	Total	Total
1,307,801	477,741	1,785,542	8,118,160
317,088	122,149	439,237	2,338,412
–	–	–	122,361
36,120	5,597	41,717	194,739
11,532	1,698	13,230	593,987
–	6,252	6,252	421,650
89,770	10,522	100,292	308,729
17,965	17,720	35,685	94,524
5,730	1,887	7,617	26,547
2,108	7,365	9,473	50,945
372,248	191,494	563,742	1,203,753
–	–	–	983,973
–	–	–	241,878
140	8,923	9,063	39,195
18,238	5,794	24,032	119,632
64,527	35,236	99,763	1,006,308
87,839	–	87,839	650,297
2,331,106	892,378	3,223,484	16,515,090

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program services			
	Healthy Schools Program	Healthy Out-of-School Time Initiative	Strategic Alliances Initiative	Total
Salaries and wages	$ 5,096,324	992,634	299,593	6,388,551
Payroll taxes and employee benefits	1,486,515	294,050	78,703	1,859,268
Grant awards and stipends *(note 11)*	104,022	245,000	–	349,022
Computer hardware, software, and service fees	186,410	16,865	3,555	206,830
Conferences and meetings *(note 12)*	557,526	78,475	3,185	639,186
In-kind program promotion	127,219	21,523	2,847	151,589
Occupancy	143,939	47,004	4,125	195,068
Other	44,611	5,789	6,986	57,386
Postage and shipping	27,655	4,912	697	33,264
Printing and reproduction	50,606	16,100	133	66,839
Professional services – other	318,645	21,729	35,182	375,556
Professional services – program evaluation *(note 13)*	895,396	138,329	212,170	1,245,895
Professional services – technology	51,372	22,145	3,488	77,005
Supplies	26,041	2,598	415	29,054
Telephone	77,538	21,130	3,369	102,037
Travel	880,747	184,929	41,285	1,106,961
Depreciation and amortization	408,764	69,220	–	477,984
Total expenses	$ 10,483,330	2,182,432	695,733	13,361,495

See accompanying notes to financial statements.

Supporting services			
Management and general	Fundraising	Total	Total
1,257,800	427,442	1,685,242	8,073,793
331,522	103,865	435,387	2,294,655
–	–	–	349,022
38,037	4,308	42,345	249,175
10,246	36,437	46,683	685,869
–	4,161	4,161	155,750
99,342	6,313	105,655	300,723
19,118	122,474	141,592	198,978
3,949	1,551	5,500	38,764
808	6,002	6,810	73,649
146,106	100,394	246,500	622,056
–	–	–	1,245,895
8,215	–	8,215	85,220
4,350	3,466	7,816	36,870
23,186	4,230	27,416	129,453
135,074	67,399	202,473	1,309,434
108,972	–	108,972	586,956
2,186,725	888,042	3,074,767	16,436,262

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Grants	$ 9,583,667	13,057,858
Government grants	88,348	76,949
Contributions	415,045	443,975
Grants from related parties	592,500	330,887
Contributions from related parties	4,000,000	4,000,000
Consulting fees	185,295	283,214
Interest and other income received	7,041	3,899
Cash paid for payroll and related costs	(10,013,428)	(10,383,097)
Cash paid to suppliers and others	(5,082,675)	(5,210,711)
Net cash provided by (used in) operating activities	(224,207)	2,602,974
Cash flows from investing activities:		
Purchase of investments	–	(2,255,000)
Proceeds received from the maturity of investments	2,262,328	–
Reinvestment of investment income	(6,897)	–
Capital expenditures	(165,964)	(643,705)
Net cash provided by (used in) investing activities	2,089,467	(2,898,705)
Net increase (decrease) in cash and cash equivalents	1,865,260	(295,731)
Cash and cash equivalents at beginning of year	8,350,355	8,646,086
Cash and cash equivalents at end of year	$ 10,215,615	8,350,355

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

1. Organization

The Alliance for a Healthier Generation (the "Alliance") is a nonprofit organization founded in 2005 by the American Heart Association and the Clinton Foundation. Initially established as a program of the American Heart Association, the Alliance transitioned to a separate legal entity and Section 501(c)(3) organization on July 1, 2010.

The Alliance works to address one of the nation's leading public health threats – childhood obesity. The goal of the Alliance is to reduce the nationwide prevalence of childhood obesity and to empower kids to make healthy lifestyle choices. The Alliance works to positively affect the places that can make a difference to a child's health: homes, schools, doctors' offices and communities. To learn more about the Alliance, visit www.healthiergeneration.org.

The Alliance incurred expenses in the following major programs during the years ended June 30, 2016 and 2015:

Healthy Schools Program – The Alliance's Healthy Schools Program helps to create and sustain healthy school environments in which students, especially those in greatest need, can learn more and flourish. The Healthy Schools Program has worked with more than 35,000 schools, reaching more than 20 million students, in all 50 states, the District of Columbia and Puerto Rico.

Healthy Out-of-School Time Initiative – The Alliance's Healthy Out-of-School Time Initiative provides out-of-school time programs across the country with evidence-based professional development and the processes, tools and resources needed to increase children's access to healthier foods and physical activity.

Strategic Alliances Initiative – The Alliance serves as a catalyst for corporations to become part of the childhood obesity solution by working with companies to improve their individual and industry-wide business practices to more positively impact our youth. The Alliance collaborates with companies large and small to provide healthier food and beverage choices for millions of children across the nation. In addition, to create a sustainable system for health, the Healthier Generation Benefit was designed to get children the preventive guidance and treatment they need to live healthily. To date, more than 56,000 providers offer the Healthier Generation benefit to more than 2.9 million children nationwide.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Alliance are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The Alliance has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958-605, *Revenue Recognition,* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Alliance and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Alliance and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Alliance considers all liquid investments having initial maturities of three months or less to be cash equivalents. The Alliance's cash equivalents included $104,195 and $104,089 held in money market funds at June 30, 2016 and 2015, respectively. The Alliance's cash equivalents also included $2,469,826 and $207,709 in money market funds only invested in U.S. Treasury Bills at June 30, 2016 and 2015, respectively.

Short-Term Investments – Short-term investments consist of certificates of deposit that are debt securities with initial maturities greater than three months. The Alliance utilizes short-term investments with the intention of reducing credit risk to the organization by placing funds in short term certificates of deposit at amounts that are fully insured by the Federal Deposit Insurance Corporation. Interest income is accrued as earned.

Capital Assets and Depreciation – Property and equipment are carried at cost when purchased, and initially measured at fair value when acquired by gift. Capital assets having a unit cost exceeding $5,000 or more and an estimated useful life of more than one year are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally three to five years.

Computer Software – The Alliance capitalizes the costs of computer software developed or obtained for internal use in accordance with FASB ASC No. 350-40, *Intangibles – Goodwill and Other, Internal-Use Software*. Capitalized software development costs in process will be amortized when the projects are completed. Amortization is recorded on a straight-line basis over the estimated useful life of the software, generally not to exceed five years.

Concentrations of Credit Risk – The Alliance's financial instruments consist primarily of cash equivalents, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category. The Alliance held $10,005,722 and $7,987,203 in excess of FDIC insurance at June 30, 2016 and 2015, respectively.

Cash and money market funds are all held with US Bank and their subsidiary, US Bancorp Investments, Inc. The underlying money market funds are only invested in U.S. Treasuries. Certificates of deposit are FDIC insured and further screened through IDC Financial Publishing. The Alliance only selects banks that fall in the Superior (top) ratings category at the time of selection.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Revenue Recognition – All grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional grants are recognized as contribution revenue in the period in which the conditions are substantially met. To the extent that cash advances are received from the grantor, conditional grants are reported as advances on conditional grants in the accompanying statements of financial position.

Contributions from individuals and organizations through Team Healthier Generation are recorded as revenue when received or when a promise to give has been finalized, whichever is first. In addition, the Alliance receives promises from corporate donors for corporate sponsorship agreements. Revenue is recognized when the promise to give is communicated and a signed agreement has been executed.

Consulting fees are recognized as unrestricted revenue using the percentage of completion method.

Contributions – Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenues when the commitment is communicated to the Alliance. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges for the support of future grants, operations, programs, and activities are recorded at the present value of the estimated future cash flows. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

The Alliance receives contributions from individuals and groups through marathons and other individual fund-raising activities through Team Healthier Generation.

Contributions of furniture, equipment, and other capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire furniture and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Consulting Fees – The Alliance receives program revenue from consulting fees and speaking engagements related to the Healthy Schools Program, Healthy Out-of-School Time Initiative and Strategic Alliances Initiative.

In-Kind Contributions – The Alliance receives contributed services from a small number of volunteers who assist in program and fundraising efforts through their participation in a range of activities. In particular, interns from the Clinton Foundation donated 1,624 and 4,494 hours of time to the Alliance during the years ended June 30, 2016 and 2015, respectively. In addition, Youth Ambassadors donated 119 and 1,911 hours of time to the Alliance during the years ended June 30, 2016 and 2015, respectively. Finally, the Alliance Board of Directors also donated time in support of the Alliance. In accordance with FASB ASC No. 958-605, *Revenue Recognition,* the value of such services, which the Alliance considers not practicable to estimate, has not been recognized in the accompanying statements of activities.

In contrast, significant services received that create or enhance a non-financial asset or require specialized or technical skills that the Alliance would have purchased if not donated are recognized in the statements of activities. Furthermore, in-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Alliance's activities.

The following tables summarize the in-kind contributions recorded by the Alliance during the years ended June 30, 2016 and 2015, and the programs benefitted:

		2016	2015
Free use of facilities [1]	$	6,000	15,000
Program promotion		421,650	155,750
Materials and supplies [1]		10,900	33,674
	$	438,550	204,424

		2016	2015
Healthy Schools Program [1]	$	327,558	128,719
Healthy Out-of-School Time Initiative [1]		93,840	35,023
Strategic Alliances Initiative		–	6,047
Management and general [1]		10,900	30,474
Fundraising		6,252	4,161
	$	438,550	204,424

[1] Including $10,000 and $10,000 of in-kind contributions from related parties during the years ended June 30, 2016 and 2015, respectively.

The Alliance has been awarded an in-kind contribution for use of Google AdWords. The program allowed the Alliance to select key words that would highlight the Alliance on Google when an external party searched for a program-related item. The value of the AdWords is based on the cost a for-profit organization or company would pay for the same service. Total value of $421,650 and $155,750 was recorded for the years ended June 30, 2016 and 2015, respectively.

The Alliance also has been awarded an in-kind contribution for implementation of a learning management system. The learning management system is used to manage all aspects of Alliance external training events. Computer software implementation services were donated and allocated a value of $96,000 during the year ended June 30, 2013. The vendor committed to providing the use of the fully-developed learning management system during the years ending June 30, 2016, 2015, and 2014. The value and related expense for this agreement of $3,900 and $23,474 were recorded as materials and supplies for the years ended June 30, 2016 and 2015, respectively.

Grants Awarded – Grants are accrued when awarded by the Alliance and unconditional. Grants are provided from available resources in accordance with restrictions imposed by donors.

Income Taxes – The Alliance is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and comparable state law, and is a publicly supported organization as defined in IRC Sections 170(b)(1)(A)(vi) and 509(a)(1). Contributions to the Alliance qualify for applicable charitable contribution deductions.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through October 20, 2016, which is the date the financial statements were available to be issued.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Related-Party Transactions

The Alliance's Board of Directors is comprised of members appointed by the American Heart Association, members appointed by the Clinton Foundation, and additional members nominated and approved by the Alliance Board itself. In September of 2015, the Alliance amended its bylaws to increase the number of board members to 18, with equal members from the American Heart Association, the Clinton Foundation, and members nominated and approved by the Alliance Board itself. Currently, the Alliance Board has 12 members.

Contributions – During the year ended June 30, 2016, the American Heart Association and the Clinton Foundation each pledged contributions of $2,000,000 for the year ending June 30, 2017. During the year ended June 30, 2015, the American Heart Association and the Clinton Foundation each pledged contributions of $2,000,000 for the year ended June 30, 2016.

Temporarily restricted contributions and grants from related parties for the years ended June 30, 2016 and 2015 comprise the following:

	2016	2015
Contribution from the American Heart Association	$ 2,000,000	2,000,000
Contribution from the Clinton Foundation	2,000,000	2,000,000
Grants assigned and transferred by the American Heart Association	292,500	16,168
Grants assigned and transferred by the Clinton Foundation	300,000	300,000
	$ 4,592,500	4,316,168

For additional information on the Alliance's funding sources, see note 8.

Rental Agreements – The Alliance leased office space from the Clinton Foundation on a month-to-month basis, as described in note 15, during the years ended June 30, 2016 and 2015.

Legal Services – The Alliance entered into an agreement with the Clinton Foundation for legal consulting. The annual fees for this service were $25,000 for the years ended June 30, 2016 and 2015.

4. Grants and Contributions Receivable

Grants and contributions receivable are summarized as follows at June 30, 2016 and 2015:

		2016	2015
Unconditional promises expected to be collected within:			
Less than one year	$	6,453,173	5,914,195
From one to five years		–	425,962
	$	6,453,173	6,340,157

Grants and contributions are receivable from the following at June 30, 2016 and 2015:

		2016	2015
Others	$	2,453,173	2,340,157
Related parties		4,000,000	4,000,000
	$	6,453,173	6,340,157

Conditional Grants

In addition to the receivables described above, the Alliance also held $7,466,151 and $11,875,104 in conditional grants at June 30, 2016 and 2015, respectively. Recognition of these grants as revenue is dependent upon the Alliance incurring qualifying expenses and achieving satisfactory progress toward the programs in the sole judgment of the grantors. As such, the associated grant revenues have not yet been included in the accompanying financial statements because the associated conditions had not been satisfied at the fiscal year's end.

Conditional grants are as follows at June 30, 2016 and 2015:

		2016	2015
Robert Wood Johnson Foundation	$	–	4,891,796
Robert Wood Johnson Foundation Sustainability Project		–	359,590
Robert Wood Johnson Foundation Business Fund Project		30,463	–
JPB Foundation		3,700,000	2,488,426
The Kaiser Permanente National Community Benefit Fund at the East Bay Community Foundation		2,240,448	3,272,625
United States Department of Health and Human Services		700,000	–
Related-party grants		32,500	–
Other		759,442	862,667
	$	7,462,853	11,875,104

For additional information on the Alliance's funding sources, see note 8.

Of the total conditional grants, the Alliance had received advances of $2,546,171 and $4,038,545 at June 30, 2016 and 2015, respectively.

5. Capital Assets

Capital assets are summarized as follows at June 30, 2016 and 2015:

		2016	2015
Computer software and web site development	$	2,591,701	2,462,462
Furniture and equipment		97,562	60,837
		2,689,263	2,523,299
Less accumulated depreciation and amortization		(1,945,095)	(1,294,798)
	$	744,168	1,228,501

6. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of unexpended grants and contributions available for future periods or specific program services as follows at June 30, 2016 and 2015:

		2016	2015
Future periods	$	4,039,000	4,115,000
Healthy Schools Program		1,536,450	774,056
Healthy Out-of-School Time Initiative		1,083,323	1,802,752
Strategic Alliances Initiative		145,977	–
Other		50,000	25,000
	$	6,854,750	6,716,808

7. Net Assets Released from Restrictions

The Alliance incurred expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events, of $15,982,721 and $16,650,100 during the years ended June 30, 2016 and 2015, respectively. Accordingly, a corresponding amount has been reclassified from temporarily restricted net assets to unrestricted net assets in the statements of activities during the years ended June 30, 2016 and 2015, as follows:

		2016	2015
For operating purposes	$	15,853,482	16,006,395
For capital purposes		129,239	643,705
	$	15,982,721	16,650,100

8. Significant Sources of Revenue

A significant portion of the Alliance's revenues during the year ended June 30, 2016 was earned under grant agreements and contracts with, or assigned by, the American Heart Association and the Clinton Foundation, as described in note 3. Additional funding for the Alliance's programs was received from other grantors and donors.

The Alliance entered into a grant agreement with RWJF for the Healthy Schools Program. The RWJF continuation grant has a total grant award of $23,232,782 for the period from September 1, 2011 through November 30, 2014. The Alliance recognized $4,258,236 in grant revenues from the RWJF grant during the year ended June 30, 2015. A balance of $0 remained payable on this grant at June 30, 2015.

Continued

The Alliance entered into another grant agreement with RWJF for the Healthy Schools Program. This RWJF renewal grant has a total grant award of $7,500,000 for the period from December 1, 2014 through June 30, 2016. The Alliance recognized $4,891,796 and $2,608,204 in grant revenues from the grant during the years ended June 30, 2016 and 2015, respectively. A balance of $0 remained payable on this grant at June 30, 2016.

The Alliance entered into a grant agreement with the JPB Foundation ("JPB") for the Healthy Schools Program during the year ended June 30, 2012. The JPB grant has a total grant award of $7,402,786 for the period from January 1, 2012 through June 30, 2016. The Alliance recognized $2,485,128 and $1,726,095 in grant revenues from the JPB grant during the years ended June 30, 2016 and 2015, respectively.

The Alliance entered another grant agreement with JPB for the Healthy Schools Program during the year ended June 30, 2016. The grant has a total award of $3,700,000 for the period July 1, 2016 through June 30, 2018. No grant revenues were recognized during the year ended June 30, 2016.

During the year ended June 30, 2013, the Alliance entered into a grant agreement with the Kaiser Permanente National Community Benefit Fund at the East Bay Community Foundation ("Kaiser") for the Healthy Schools Program. The Kaiser grant has a total grant award of $5,302,999 for the period from February 1, 2013 through June 30, 2017. The Alliance recognized $1,032,177 and $954,014 in grant revenues from the Kaiser grant during the years ended June 30, 2016 and 2015, respectively. A balance of $2,240,448 remained payable on this grant at June 30, 2016, but was conditioned upon the incurrence of equivalent qualifying expenses.

A summary of the RWJF, JPB, and Kaiser grants is as follows:

	Total contract	Revenue year ended June 30, 2015	Revenue year ended June 30, 2016	Remaining balance at June 30, 2016
RWJF Continuation	$ 23,232,782	4,258,236	–	–
RWJF Renewal	7,500,000	2,608,204	4,891,796	–
JPB 2012 Grant	7,402,786	1,726,095	2,485,128	–
JPB 2016 Grant	3,700,000	–	–	3,700,000
Kaiser	5,302,999	954,014	1,032,177	2,240,448

9. Team Healthier Generation Events

Included in "Contributions" reported in the statement of activities is support from the following Team Healthier Generation events during the year ended June 30, 2016 and 2015:

		2016	2015
New York City Marathon	$	40,353	87,398
Other THG events		16,328	34,703
	$	56,681	122,101

10. Expenses

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

Expenses by natural classification are presented in the statements of functional expenses.

11. Grant Awards and Stipends

The Alliance provides grants to schools and school districts to help implement the Healthy Schools Program. Grant amounts range from $1,000 to $5,000 each. The Alliance also provides stipends to cover the cost of substitute teachers to allow teachers to attend Alliance technical assistance sessions. Grant awards and stipends totaled $117,361 and $104,022 for the years ended June 30, 2016 and 2015, respectively.

The Alliance provides grants to out-of-school time settings to help implement the Healthy Out-of-School Time Initiative. Grant amounts range from $500 to $5,000 each. Grant awards totaled $5,000 and $245,000 for the years ended June 30, 2016 and 2015, respectively.

12. Conferences and Meetings

The Alliance incurred expenses for conferences and meetings totaling $593,987 and $685,869 for the years ended June 30, 2016 and 2015, respectively. A significant portion of these costs related to the Leaders' Summit, which the Alliance hosts each calendar year. The Leaders' Summit is an annual conference to recognize schools that have achieved certain goals in the Healthy Schools Program, as well as two Healthy Out-of-School Time site and key corporate and governmental partners.

The Alliance entered into purchase commitments with vendors for hotel, catering and event planning for the Leaders' Summit in September, 2016 totaling $88,367 at June 30, 2016, with additional purchase commitments totaling $15,744 signed subsequent to year-end.

Related expenses will be recorded in the financial statements in the period the expenses are incurred.

13. Program Evaluation Expense and Related Commitments

The Alliance has entered into various contracts with vendors for program evaluation of the Healthy Schools Program, Healthy Out-of-School Time Initiative and the Strategic Alliances Initiative. Program evaluation activities are intended to measure the success and impact of the aforementioned efforts. Program evaluation expenses totaled $983,973 and $1,245,895 for the years ended June 30, 2016 and 2015, respectively.

Purchase commitments with vendors for future program evaluation services at June 30, 2016 are as follows:

Healthy Schools Program, through June 30, 2017	$ 180,762
Healthy Out-of-School Time Initiative, through July 31, 2017	131,573
Strategic Alliances Initiative, through June 30, 2017	134,541
	$ 446,876

The Alliance entered into contracts with vendors for program evaluation subsequent to June 30, 2016 totaling $167,716. Related expenses will be recorded in the financial statements in the period the expenses are incurred.

14. Consulting and Other Commitments

During the year ended June 30, 2015, the Alliance entered into an agreement with a vendor to plan for the financial sustainability of the Healthy Schools Program (sustainability project), in the amount of $349,704, with amendments of $19,996 made during the year ended June 30, 2016 for a total of $369,700. The Robert Wood Johnson Foundation awarded the Alliance a conditional grant of $400,000 specifically for the sustainability project, of which $359,590 remained on the grant at June 30, 2015, then was completely expended during the year ended June 30, 2016. Consulting expense for the sustainability project totaled $281,655 for the year ended June 30, 2016.

15. Operating Lease Commitments

Subsequent to June 30, 2016, the Alliance entered an agreement to lease facilities in Portland, Oregon under a non-cancelable operating lease that expires September of 2020.

Minimum rental commitments for the above lease total as follows:

Years ending June 30,		
2017	$	54,677
2018		74,553
2019		76,772
2020		79,074
2021		19,914
	$	304,990

In addition, the Alliance leases facilities at several locations under month-to-month agreements with the Clinton Foundation, including agreements that provide for the free use of facilities.

Rental expense for all facilities for the years ended June 30, 2016 and 2015, respectively, is as follows:

		2016	2015
Paid to related parties	$	27,593	23,818
Value of the free use of facilities provided by related parties		3,000	3,000
Paid to others		161,412	148,299
Value of the free use of facilities provided by others		3,000	12,000
	$	195,005	187,117

Finally, the Alliance provides a monthly stipend to employees working in home office locations. Total home office stipends were $104,861 and $105,032 during the years ended June 30, 2016 and 2015, respectively.

16. Retirement Plan

The Alliance provides management and staff an opportunity to participate in a Section 401(k) retirement plan. Employees are eligible to participate in the plan upon the first of the month following their date of hire. Employee contributions to the plan may be made on either a pre-tax or after-tax basis.

The Alliance provides a Safe Harbor matching contribution of 100% of employee contributions, up to 4%, immediately for all eligible participants. The Alliance provides a discretionary employer contribution for all eligible participants depending on years of service: between 3.5% and 10% for eligible participants.

Both employer and employee contributions are 100% vested as contributed. Years of service with the American Heart Association and the Clinton Foundation prior to July 1, 2010 are considered years of service for purposes of calculating employer contributions and match under the Alliance plan.

The Alliance made employer contributions and employer match to the plan of $664,007 and $629,165 during the years ended June 30, 2016 and 2015, respectively.

17. Fair Value Measurements

The accompanying financial statements report the organization's short-term investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At June 30, 2015, the organization's financial assets that are reported at fair value on a recurring basis consist of short-term investments reported at $2,255,431 (see note 2), which are measured at fair value using quoted prices for similar assets (i.e., Level 2).

18. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the change in net assets (as reported on the statements of activities) to net cash provided by (used in) operating activities (as reported on the statements of cash flows):

		2016	2015
Change in net assets	$	289,331	1,642,051
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		650,297	586,956
Gain on investments		–	(431)
Net changes in:			
Grants and contributions receivable		(113,016)	(949,700)
Grants receivable from related parties		–	60,000
Consulting fees receivable		111,415	(62,287)
Prepaid expenses and other assets		(25,423)	42,970
Accounts payable and accrued expenses		(87,581)	22,753
Accrued payroll and related expenses		443,144	(14,649)
Advances on conditional grants		(1,492,374)	1,320,592
Advances on conditional grants from related parties		–	(45,281)
Total adjustments		(513,538)	960,923
Net cash provided by (used in) operating activities	$	(224,207)	2,602,974

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GOVERNING BOARD AND MANAGEMENT

AS OF JUNE 30, 2016

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Attorney and Shareholder
Dominick Feld Hyde, P.C.

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American Heart Association

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Management

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Anne Ferree
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Partnership Officer

Diana Martin
Chief Marketing &
Development Officer

Brian Weaver
Chief Program Officer

INQUIRIES AND OTHER INFORMATION

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