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**HEALTHY CHILD HEALTHY WORLD, INC.**



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Healthy Child Healthy World, Inc.

We have audited the accompanying Statement of Financial Position of Healthy Child Healthy World, Inc. (a nonprofit organization) as of December 31, 2011, and the related Statements of Activities, Statement of Functional Expense and Cash Flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Healthy Child Healthy World, Inc.'s December 31, 2010 financial statements. The financial statements of Healthy Child Healthy World, Inc. as of December 31, 2010, were audited by other auditors whose report dated August 19, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Healthy Child Healthy World, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Child Healthy World, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Harrington Group*

Pasadena, California  
August 3, 2012

# HEALTHY CHILD HEALTHY WORLD, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2011

With comparative totals at December 31, 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash	\$ 323,574	\$ 326,081
Pledges receivable (Note 3)	345,075	55,065
Deposits	4,383	3,024
Property and equipment (Note 4)	<u>5,028</u>	<u>7,282</u>
<b>Total assets</b>	<u><u>\$ 678,060</u></u>	<u><u>\$ 391,452</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 22,019	\$ 6,588
Accrued liabilities (Note 5)	<u>10,231</u>	<u>5,627</u>
<b>Total liabilities</b>	<u>32,250</u>	<u>12,215</u>
<b>Net assets</b>		
Unrestricted	<u>645,810</u>	<u>379,237</u>
<b>Total net assets</b>	<u>645,810</u>	<u>379,237</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 678,060</u></u>	<u><u>\$ 391,452</u></u>

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

# HEALTHY CHILD HEALTHY WORLD, INC.

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	<u>2011</u>	<u>2010</u>
<b>Revenue and support</b>		
Contributions and grants	\$ 933,634	\$ 691,012
In-kind contributions (Note 7)	348,929	54,192
Special events (net of expense of \$71,950)	54,304	100,499
Other income	9,606	1,423
	<u>1,346,473</u>	<u>847,126</u>
<b>Total revenue and support</b>		
	<u>1,346,473</u>	<u>847,126</u>
<b>Expenses</b>		
Program services	900,061	823,131
Management and general	46,046	39,578
Fundraising	133,793	51,563
	<u>1,079,900</u>	<u>914,272</u>
<b>Total expenses</b>		
	<u>1,079,900</u>	<u>914,272</u>
<b>Change in net assets</b>	<u>266,573</u>	<u>(67,146)</u>
<b>Net assets, beginning of year</b>	<u>379,237</u>	<u>446,383</u>
<b>Net assets, end of year</b>	<u>\$ 645,810</u>	<u>\$ 379,237</u>

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

**HEALTHY CHILD HEALTHY WORLD, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 303,952	\$ 13,046	\$ 85,156	\$ 402,154	\$ 479,057
Payroll taxes and employee benefits	30,679	1,211	8,477	40,367	52,405
Total personnel expenses	<u>334,631</u>	<u>14,257</u>	<u>93,633</u>	<u>442,521</u>	<u>531,462</u>
In-kind expenses	348,929			348,929	54,192
Professional and outside services	40,038	22,983	17,744	80,765	122,889
Website content and hosting	45,367		10,003	55,370	49,692
Occupancy	47,479	2,667	3,201	53,347	53,027
Other expenses	21,575	1,212	1,455	24,242	9,334
Bad debt expense	13,765			13,765	-
Postage and delivery	12,460	200	351	13,011	24,466
Insurance	10,859	212	1,312	12,383	12,110
Printing and publications	4,993		4,899	9,892	22,624
Transportation and travel	9,206		587	9,793	15,961
Materials and supplies	6,174	271	339	6,784	3,464
Depreciation		4,091		4,091	5,204
Telephone	3,431	153	229	3,813	3,675
Dues and subscriptions	856		24	880	172
Advertising	298		16	314	6,000
<b>Total 2011 functional expenses</b>	<b><u>\$ 900,061</u></b>	<b><u>\$ 46,046</u></b>	<b><u>\$ 133,793</u></b>	<b><u>\$ 1,079,900</u></b>	
Total 2010 functional expenses	<u>\$ 823,131</u>	<u>\$ 39,578</u>	<u>\$ 51,563</u>		<u>\$ 914,272</u>

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

# HEALTHY CHILD HEALTHY WORLD, INC.

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

With comparative totals for the year ended December 31, 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 266,573	\$ (67,146)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	4,091	5,204
Gain on disposal of equipment	(3,371)	-
Changes in operating assets and liabilities:		
(Increase) in pledges receivable	(290,010)	(26,594)
(Increase) in deposits	(1,359)	-
Increase (decrease) in accounts payable	15,431	(4,571)
Increase in accrued liabilities	4,604	-
<b>Net cash (used) by operating activities</b>	<u>(4,041)</u>	<u>(93,107)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from insurance claim	3,450	-
Purchase of property and equipment	(1,916)	(5,720)
<b>Net cash (used) by investing activities</b>	<u>1,534</u>	<u>(5,720)</u>
<b>Net (decrease) in cash</b>	(2,507)	(98,827)
<b>Cash, beginning of year</b>	<u>326,081</u>	<u>424,908</u>
<b>Cash, end of year</b>	<u>\$ 323,574</u>	<u>\$ 326,081</u>

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

# HEALTHY CHILD HEALTHY WORLD, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

Healthy Child Healthy World, Inc. (“HCHW”) is a New Jersey non-profit public benefit corporation whose mission is to empower parents to take action and protect their children from harmful chemicals. By working with manufacturers and supporting policy initiatives, HCHW has helped to transform the marketplace to encourage safer environments for children. By providing access to critical information that encourages smarter lifestyle choices to reduce toxic chemical exposure in homes and communities, HCHW is a trusted resource for parents for over 20 years. HCHW's vision is a world where every child has the opportunity to grow-up in a healthy and safe environment.

We engage our audience in conversation through our website, newsletter and social media channels. As of August 2012, we had:

- 131,688 unique visitors
- 48,233 Facebook fans
- 23,846 Twitter followers
- 48,431 Newsletter subscribers
- 32,3028 YouTube views

Our petitions empower people in our community to take action and spread our message of healthy, toxic-free product choices. As a result of our petitions this year:

- Campbell Soup Company announced it will phase out BPA from can linings
- Graco Inc. committed to banning four of the most toxic chemical flame retardants from all of their products
- Johnson & Johnson announced it will remove toxic chemicals from its baby products by 2013

Additionally, 800 supporters hosted *Healthy Child Parties*, educating their friends, families, and coworkers about our mission. With an average of 10 attendees per party, we estimate that 8,000 new people learned about our programs and went away better informed about alternative products in the market.

Through our *Mom on a Mission* program which was launched in 2009, HCHW also recognizes women who embody our mission by creating change in their own communities and families – striving for healthier, safer environments for all.



# HEALTHY CHILD HEALTHY WORLD, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of HCHW are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** HCHW reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for a specific purpose or are not available for use until a specific time. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions. When restrictions are satisfied in the same accounting period that the contribution is received, both the revenue and the related expense are reported in the unrestricted net asset class. HCHW had no temporarily restricted net assets at December 31, 2011.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit HCHW to expend all of the income (or other economic benefits) derived from the donated assets. HCHW had no permanently restricted net assets at December 31, 2011.

#### **Contributions and Grants Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give, such as matching grants that depend on future and uncertain events, are not included as support until the conditions are substantially met.

continued

# HEALTHY CHILD HEALTHY WORLD, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

HCHW is required to measure one type of revenue at fair value: non-cash contributions. The specific technique used to measure fair value for the financial statement element is described in the note below that relate to the element.

#### **Concentration of Credit Risk**

HCHW places its temporary cash investments in bank deposit accounts at a high-credit, quality financial institution. At times, such accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. HCHW has not incurred losses related to these accounts and believes it is not exposed to any significant credit risk on cash.

The primary receivable balance outstanding at December 31, 2011 consists of government contract receivables due from government granting agencies. Concentration of credit risk with respect to trade receivables are limited, as HCHW's receivable consists of earned fees from contract programs granted by governmental agencies.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life of an asset is greater than one year.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 7).

continued

# HEALTHY CHILD HEALTHY WORLD, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Income Taxes**

HCHW is exempt from taxation under Internal Revenue Code Section 501(c)(3) and New Jersey state law.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by HCHW in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. HCHW's returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

#### **Functional Allocation of Expenses**

Costs of providing HCHW's programs and other activities have been presented in the Statement of Functional Expenses. During the year, shared costs are allocated among program and support services by a method that best measures the relative degree of benefit as they relate to those functions.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HCHW's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

#### **Subsequent Events**

Management has evaluated subsequent events through August 3, 2012, the date which the financial statements were available.

# HEALTHY CHILD HEALTHY WORLD, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at their estimated fair value at December 31, 2011 and are expected to be collected within one year. Management provides for probable uncollectible amounts based on its assessment of the current status of individual pledges. Pledges receivable at December 31, 2011 were \$345,075, net of an allowance for uncollectible pledges of \$2,100.

### 4. Property and Equipment

Property and equipment at December 31, 2011 consist of the following:

Office equipment	\$ 19,862
Less: accumulated depreciation	<u>(14,834)</u>
	<u>\$ 5,028</u>

Depreciation expense for the year ended December 31, 2011 was \$4,091.

### 5. Accrued Liabilities

Accrued liabilities at December 31, 2011 consist of accrued payroll and payroll related expenses totaling \$10,231.

### 6. Commitments and Contingencies

#### Obligation Under Operating Lease

HCHW leases its administrative office under a non-cancelable operating lease expiring in December 2015. Future minimum payments, by year and in the aggregate, under this lease with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2012	\$ 49,871
2013	48,489
2014	49,944
2015	<u>51,442</u>
	<u>\$199,747</u>

Rent expense under the lease for the year ended December 31, 2011 was \$53,347.

continued

## HEALTHY CHILD HEALTHY WORLD, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 7. Fair Value Measurements

HCHW has received significant contributions of non-cash services during the fiscal year. The value of contributed services meeting the requirement of recognition in the financial statements was \$348,929 which includes \$310,954 received for web-advertising and account management services, and \$18,792 for pro-bono legal services.

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2011</u>				
Contributed services	<u>\$ -</u>	<u>\$348,929</u>	<u>\$ -</u>	<u>\$348,929</u>

The fair value of contributed services has been measured on a non-recurring basis using quoted prices for similar assets in inactive market (Level 2 inputs).