ChopChopKids, Inc.

Financial Statements

Year Ended December 31, 2013

Contents

Independent Auditors' Report 1

Financial Statements

Statement of financial position 2

Statement of activities and changes in net deficit 3

Statement of functional expenses 4

Statement of cash flows 5

Notes to financial statements 6

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Independent Auditors' Report

To the Board of Directors of
ChopChopKids, Inc.

We have audited the accompanying financial statements of ChopChopKids, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net deficit, functional expenses, and cash flows for the year 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 of America; 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.

Auditors' 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 of America. 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 ChopChopKids, Inc. as of December 31, 2013, 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.

King, McNamara & Moriarty LLP

November 17, 2014

ChopChopKids, Inc.

Statement of Financial Position
December 31, 2013

Assets		
Current assets		
Cash	$	117,304
Accounts receivable, net		59,757
Prepaid expenses		6,476
Total current assets		183,537
Property and equipment, net		35,469
Other asset		950
Total assets	$	219,956
Liabilities and Net Deficit		
Current liabilities		
Accounts payable and accrued expenses	$	43,685
Deferred grant and sponsorship revenue		191,500
Deferred subscription revenue		114,599
Total current liabilities		349,784
Deferred subscription revenue		18,006
Total liabilities		367,790
Net deficit		
Unrestricted		(147,834)
Total net deficit		(147,834)
Total liabilities and net deficit	$	219,956

ChopChopKids, Inc.

Statement of Activities and Changes in Net Deficit
Year Ended December 31, 2013

		Unrestricted
Revenues and support		
Grants and sponsorships	$	488,148
Magazine sales		302,464
Magazine subscriptions		84,211
Other income		24,288
Contributions		10,404
Total revenues and support		909,515
Expenses		
Program services		806,473
Management and general		152,281
Total expenses		958,754
Change in net deficit		(49,239)
Net deficit, beginning of year		(98,595)
Net deficit, end of year	$	(147,834)

ChopChopKids, Inc.

Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services	Management and General	Total
Production	$ 310,405	$ -	$ 310,405
Payroll	111,818	51,668	163,486
Postage, freight, and mailing service	139,442	-	139,442
Consultants	107,235	25,680	132,915
Circulation	43,640	-	43,640
Marketing	33,675	8,750	42,425
Photography	24,655	-	24,655
Professional fees	-	15,693	15,693
Payroll taxes	9,384	4,336	13,720
Group health insurance	6,175	6,174	12,349
Rent	8,550	2,850	11,400
Travel and entertainment	-	10,602	10,602
Depreciation	10,222	-	10,222
Office expense and supplies	-	8,058	8,058
Telephone	-	7,230	7,230
Bank service charges and processing fees	-	4,880	4,880
Utilities	1,959	653	2,612
Bad debt expense	-	2,249	2,249
Grant writing	-	2,000	2,000
Insurance	1,065	355	1,420
Miscellaneous	-	1,103	1,103
Website services	(1,752)	-	(1,752)
Total expenses	$ 806,473	$ 152,281	$ 958,754

ChopChopKids, Inc.

Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities		
Change in net deficit	$	(49,239)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Depreciation		10,222
Changes in certain assets and liabilities:		
Decrease in accounts receivable, net		43,291
Decrease in sponsorships receivable		15,000
Increase in prepaid expenses		(5,473)
Decrease in accounts payable and accrued expenses		(70,374)
Decrease in deferred grant and sponsorship revenue		(85,500)
Increase in deferred subscription revenue		98,290
Net cash used in operating activities		(43,783)
Cash Flows from Investing Activities		
Purchase of property and equipment		(40,263)
Net cash used in investing activities		(40,263)
Decrease in cash		(84,046)
Cash, beginning of year		201,350
Cash, end of year	$	117,304

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: ChopChopKids, Inc. (the "Organization") is a non-profit organization that was organized on March 1, 2000. The Organization's mission is to educate children to cook and be nutritionally literate, empower them to actively participate as health partners with their families, and help establish and support better eating habits for a lifetime of good nutrition. The Organization publishes ChopChop, The Fun Cooking Magazine for Families, which is a quarterly food magazine and website for children aged 5 to 12 and their families, and is supported by corporate grants and sponsorships, magazine subscriptions and sales, and contributions from individuals. ChopChop won a 2013 James Beard Foundation Journalism Award for 2012 Publication of the Year. In August 2013, Simon & Schuster published the cookbook *ChopChop: The Kids' Guide to Cooking Real Food with Your Family*, from which the Organization will receive a portion of the royalties.

Financial statement presentation: According to professional accounting standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include resources that are neither permanently nor temporarily restricted by donor stipulation. Temporarily restricted net assets include contributions with donor-imposed restrictions which have not been met. Permanently restricted net assets include contributions which require, by donor restrictions, that the principal be invested in perpetuity and only the income be made available for the Organization's operations. The Organization does not have temporarily or permanently restricted net assets.

Basis of accounting: The Organization's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk: The Organization maintains its cash balances with one bank. The balances at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2013, the Organization had no uninsured cash balances.

Accounts receivable: The Organization extends credit to its customers in the ordinary course of business. After reviewing aged outstanding balances and giving consideration to the Organization's overall collection history, a reserve for uncollectible accounts may be established. After all reasonable attempts to collect the outstanding balances are exhausted, the accounts are written off. The allowance for uncollectible accounts is $750 at December 31, 2013. Accounts receivable from one customer accounted for 93% of gross accounts receivable as of December 31, 2013.

Property and equipment: Items capitalized as property and equipment are stated at cost, if purchased, or fair value, if donated. Additions are capitalized if the cost, if purchased, or fair value, if donated, exceeds $1,000. Maintenance and routine repairs are charged to operations when incurred while betterments and renewals which exceed $1,000 are capitalized. Depreciation is computed using the straight-line method, calculated to amortize the cost of the assets over their estimated useful lives.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Deferred revenue: The Organization collects its magazine subscription revenue throughout the year. Subscriptions are recorded as deferred revenue when received and are recognized as revenue as each issue is published. As of December 31, 2013, deferred revenue relating to subscriptions and bulk sales was $132,605. In addition, cash from conditional grants that are received for specific issues are considered deferred revenue until the issue is published. As of December 31, 2013, the Organization had $191,500 in deferred revenue from conditional grants.

Magazine subscriptions and sales: Revenue from magazine subscriptions is recognized over the term of the subscription upon the publishing of the magazine on a quarterly basis. Revenue from bulk sales of the magazine is recognized upon shipment of magazines to the customer.

Corporate grants and sponsorships: Grants are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to certain activities or to be used over a specific time period. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net deficit as net assets released from restriction. Conditional grant awards accounted for as exchange transactions are recognized as revenue based upon the publishing of the magazine issue.

Postage, freight, and mailing service: The Organization classifies shipping costs billed to customers as revenues in magazine subscriptions and sales and the related shipping costs as program services.

Donated services: No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with board positions and various committee assignments. However, because those services do not require skills that would typically need to be purchased if not provided by donation of time, the value of these services is not reflected in the accompanying statement of activities and changes in net deficit.

Income taxes: The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net revenue derived from any unrelated business activities. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for three years after the date on which those returns are filed. The Organization recognizes interest and penalties, if any, related to income tax liabilities as income tax expense in the statement of activities and changes in net deficit.

Significant sponsor and customer: In 2013, the Organization had one significant sponsor which accounted for 48% of total revenues and support and one significant customer which accounted for 28% of total revenues and support.

Allocation of expenses: Expenses directly related to program services are allocated to that program, while other expenses are allocated based on management's estimates of the percentage attributable to the program.

Note 2. Property and Equipment, Net

Property and equipment, net consists of the following:

Computer equipment	$	43,709
Furniture and fixtures		4,096
		47,805
Less accumulated depreciation		12,336
	$	35,469

Depreciation expense was $10,222 in 2013.

Note 3. Leases

The Organization leases office space from an unrelated third party under the terms of a noncancelable operating lease. The term of the lease is for three years beginning on October 1, 2011, and ending on September 30, 2014 for $11,400 per year. There is an option to renew for an additional one year or two years at the end of the three-year lease term for $12,300 per year. The Organization did not renew the lease upon expiration and is currently paying month-to-month. Rent expense was $11,400 for 2013 under this lease.

The following is a schedule of future minimum rental payments required as of December 31, 2013:

2014	$	8,550

Note 4. Retirement Plan

The Organization established ChopChopKids 401(k) Retirement Plan, effective January 1, 2012, which covers all employees who have completed one year of service and have attained age 21. The plan provides for voluntary pre-tax or Roth 401(k) salary deferrals for eligible employees. The Organization may make a discretionary matching contribution and/or a discretionary profit sharing contribution to the plan. The Organization did not contribute to the plan for 2013.

Note 5. Commitments

The Organization has entered into a service agreement with a subscription fulfillment company, through April 2014. Thereafter, the agreement will continue to automatically renew for one-year periods. The agreement provides that the company will be obligated and entitled to manage individual subscriptions and establishes specifications and prices. The agreement may be terminated by the Organization upon proper notice if the company does not meet certain standards as described in the agreement. The minimum monthly billing is $1,200.

Note 6. Net Deficit and Management Plans

The Organization has a net deficit of $147,834 at December 31, 2013. As of that date, the Organization's current liabilities exceeded its current assets by $166,247. Those factors, as well as the Organization's dependence on one major sponsor and one major customer (described in Note 1), create an uncertainty about the Organization's ability to continue as a going concern. According to management, 2013 investments in subscription management helped support greater subscription volume and renewal efforts. The major sponsor renewed for a two-year commitment beginning November 30, 2013. Two insurance company foundation commitments for 2014 were secured by the end of 2013. Additional human resources have been devoted to secure greater sponsorship and business development in 2014. The ability of the Organization to continue as a going concern is dependent on achieving an increase in magazine subscription revenue and grants and sponsorships. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

Note 7. Subsequent Events

Management has evaluated subsequent events through November 17, 2014, the date the Organization's financial statements were available to be issued. The Organization was issued a working capital line of credit by Eastern Bank in June 2014 for up to $25,000. The stated interest rate is equal to the bank's base rate plus 2.5%, and interest is paid monthly. The line of credit is secured by the business assets of the Organization and is due and payable on demand. The Organization has not yet drawn on the line of credit.