

Säjai® Foundation

Hamel, Minnesota

Financial Statements

Year Ended December 31, 2008

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6



Independent Auditor's Report

Board of Directors
Säjai® Foundation
Hamel, Minnesota

We have audited the accompanying statement of financial position of Säjai® Foundation. (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Säjai® Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Säjai® Foundation. as of December 31, 2008, 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.

Wipfli LLP

Wipfli LLP

May 18, 2009
Minneapolis, Minnesota

Säjai® Foundation

Statement of Financial Position

Year Ended December 31, 2008

<i>Assets</i>	
Current assets:	
Unrealized gain on investment	\$ 137,208
Investment	503,517
Accounts receivable	1,680
Other receivables	6,259
Interest receivable	6,240
Inventory	39,138
Prepaid assets	1,955
Total current assets	695,997
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TOTAL ASSETS	\$ 695,997

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 27,650
Accrued liabilities	4,577
Total current liabilities	32,227
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Net assets:	
Unrestricted	663,770
Total net assets	663,770
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TOTAL LIABILITIES AND NET ASSETS	\$ 695,997

Säjai® Foundation

Statement of Activities

Year Ended December 31, 2008

Revenue:	
Contributions	\$ 834,691
Program revenue	48,048
Investment income	19,658
Other revenue	403
In-kind revenue	54,115
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Total revenue	956,915
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Functional expenses:	
Program services	257,192
Management and general	215,926
Fundraising	14,791
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Total functional expenses	487,909
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Change in net assets	469,006
Net assets - beginning of year	194,764
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Net assets - end of year	\$ 663,770

Säjai® Foundation

Statement of Functional Expenses

Year Ended December 31, 2008

	Program Services	Management and General	Fundraising	Totals
Expenses:				
Salaries and wages	\$ 53,000	\$ 54,000	\$ 13,000	\$ 120,000
Payroll taxes	3,822	3,894	937	8,653
Fringe benefits	2,970	3,026	728	6,724
Professional services	-	27,850	-	27,850
Office supplies	-	5,112	-	5,112
Telephone	-	2,744	-	2,744
Postage and shipping	524	1,138	60	1,722
Printing and other publications	8,742	-	-	8,742
Travel	-	16,401	-	16,401
Conferences, conventions, and meetings	1,850	12,398	-	14,248
Consultants	115,404	37,086	-	152,490
Research and marketing	34,149	48,024	66	82,239
Memberships and subscriptions	-	1,574	-	1,574
Public relations	4,100	1,950	-	6,050
Program cost	32,631	-	-	32,631
Other miscellaneous	-	729	-	729
Total functional expenses	\$ 257,192	\$ 215,926	\$ 14,791	\$ 487,909

Säjai® Foundation

Statement of Cash Flows

Year Ended December 31, 2008

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets	\$ 469,006
Unrealized gain on investment	(3,645)
Donated securities	(506,112)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Accounts receivable	3,812
Other receivables	(6,259)
Inventory	(15,216)
Prepaid assets	8,086
Accounts payable	(7,725)
Accrued liabilities	4,577

Net cash used in operating activities	(53,476)
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Cash and cash equivalents - beginning of year	190,684
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Cash and cash equivalents - end of year	\$ 137,208
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Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Säjai® Foundation (the "Organization") was organized as a nonprofit corporation in 2006. The Organization was formed to develop and implement programs to combat childhood obesity for youths between the ages of six and eleven years. The Organization is supported primarily through contributions from foundations and the general public. During 2008, the organization received 79% of contribution revenue from the chairman of the board. Säjai® Foundation runs the following programs in over 50 communities located in 25 states:

Wise Kids: This program introduces the concept of Energy Balance and explores how it works through lessons about the Food Pyramid, food labels, the importance of activity, and how nutrition and exercise benefit the body.

Wise Kids Two: The follow-on to *Wise Kids*, this program reinforces Energy Balance with more in-depth explorations of nutrition and activity concepts such as vitamins, water, and bones.

Wise Kids Outdoors: This is a stand-alone program which explains the Energy Balance concept while encouraging children to explore the outdoors and to understand the way nature and the earth live in balance, just like humans.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 1 **Summary of Significant Accounting Policies (Continued)**

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position.

Accounts Receivable

Accounts receivable consist primarily of amounts billed for sales of educational materials. Amounts are unsecured and are reviewed for collectibility by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Säjai® Foundation considers current receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Inventory

Inventory, which is primarily program kits or educational materials, is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. The costs of inventories are recorded as expenses when sold.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Säjai® Foundation capitalizes property and equipment purchased with a cost greater than \$1,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If there are no donor restrictions regarding how long a donated asset must be maintained, Säjai® Foundation reports expirations of donor restrictions when the donated assets are placed in service.

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 1 **Summary of Significant Accounting Policies (Continued)**

Classifications of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Currently, the Organization does not have any temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

In-Kind Donations

Säjai® has recorded in-kind contributions for marketing and accounting services and program supplies on the statements of activities in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (FAS 116). FAS 116 requires that only contributions of service received that create or enhance a non-financial asset or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, be recorded.

In-kind contributions primarily for marketing and accounting services, provided by a related party, were \$54,115 for the year ended December 31, 2008.

Income Taxes

Säjai® Foundation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Minnesota income tax.

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 1 Summary of Significant Accounting Policies (Continued)

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

New Accounting Pronouncements

Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 clarifies how organizations are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, creating a framework for measuring fair value, and expanding disclosures about fair value measurements. SFAS No. 157 establishes a three-tier value value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Organization considers their investments to be level 2. The adoption of SFAS No 157 did not have a material impact on the Organization's results of operations or financial position.

Note 2 Investments

Investments consist of shares of corporate bonds. The fair value of the investment was \$503,517 for the year ended December 31, 2008.

	<u>2008</u>
Unrealized gain on investment	\$ 3,645
Interest and dividends	16,013
<u>Total</u>	<u>\$ 19,658</u>

Säjai® Foundation

Financial Statements

Year Ended December 31, 2008

Note 3 In-Kind Revenue

The Organization receives goods and services free of charge. During the year, in-kind services and goods constituted approximately 6% of the Organization's contribution revenue. The following is a summary of in-kind goods and services received during the year:

	<u>2008</u>
Marketing services	\$ 45,000
Accounting services	5,000
Other in-kind goods and services	<u>4,115</u>
<u>Total in-kind revenue</u>	<u>\$ 54,115</u>

Note 4 Employee Retirement Plan

The Organization has a Simple IRA plan for all employees that qualify to participate. All employees are eligible to participate in the Plan upon the later of the Plan's effective date or the employee's date of hire. Employer contributions to the plan for the year ended December 31, 2008, was \$3,600.

Note 5 Product Development Cost

The Organization conducts research and develops learning programs, tools, and resources for children ages six to eleven that teach the Energy Balance concept. The Organization then develops and markets programs and products to youth-serving agencies that reach children during out-of-school time hours. Total research and development costs were \$67,868 for year ended December 31, 2008.