DIABETES FOUNDATION, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

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June 30, 2017 and 2016

A PROFESSIONAL CORPORATION
Founded 1982

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To the Board of Directors of
Diabetes Foundation, Inc.
Paramus, NJ

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Diabetes Foundation, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of June 30, 2017, and the related statement of support, revenue and expenses and changes in net assets – cash basis 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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 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 assets, liabilities, and net assets of Diabetes Foundation, Inc. as of June 30, 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter – Report on Summarized Comparative Information

We have previously audited the Diabetes Foundation, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDG-CPAs

Ridgewood, New Jersey
October 23, 2017

BG -CPAs
A PROFESSIONAL CORPORATION
Founded 1982

Diabetes Foundation, Inc.
(A Nonprofit Organization)
Statements of Assets, Liabilities and Net Assets - Cash Basis
June 30, 2017
With Summarized Financial Information for June 30, 2016

Assets

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Current assets					
Cash	$ 26,118	$ -	$ -	$ 26,118	$ 23,557
Investments	175,698	-	-	175,698	322,205
Total current assets	201,816	-	-	201,816	345,762
Fixed assets					
Computer equipment	21,731	-	-	21,731	18,739
Office furniture	6,051	-	-	6,051	6,051
Software	16,165	-	-	16,165	16,165
Less: accumulated depreciation	(30,329)	-	-	(30,329)	(22,475)
Net fixed assets	13,618	-	-	13,618	18,480
Other assets					
Security deposits	6,471	-	-	6,471	6,471
Total assets	$ 221,905	$ -	$ -	$ 221,905	$ 370,713

Liabilities and Net Assets

Liabilities	$ -	$ -	$ -	$ -	$ -
Net assets	$ 221,905	$ -	$ -	$ 221,905	$ 370,713

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

Diabetes Foundation, Inc.
(A Nonprofit Organization)
Statements of Support, Revenue and
Expenses and Changes in Net Assets - Cash Basis
For the year ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions	$ 61,957	$ 4,970	$ -	$ 66,927	$ 78,299
Fundraising	619,408	-	-	619,408	732,659
Grants	58,335	7,700	-	66,035	96,500
Estate bequest	6,000	-	-	6,000	14,519
Investment income	23,578	-	-	23,578	3,435
Memorial	21,637	-	-	21,637	3,019
Assets released from restriction	12,670	(12,670)	-	-	-
Total support and revenue	803,585	-	-	803,585	928,431
Expenses					
Programs	638,373	-	-	638,373	672,597
Fundraising	293,945	-	-	293,945	412,906
Administration	20,075	-	-	20,075	19,279
Total expenses	952,393	-	-	952,393	1,104,782
Excess of expenses over support and revenue for the period	(148,808)	-	-	(148,808)	(176,351)
Net assets - beginning of period	370,713	-	-	370,713	547,064
Net assets - end of period	$ 221,905	$ -	$ -	$ 221,905	$ 370,713

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

Diabetes Foundation, Inc.
(A Nonprofit Organization)
Notes to the Financial Statements
June 30, 2017 and 2016

Note 1 – Nature of the Organization

Diabetes Foundation, Inc., (the Foundation) was established on August 17, 1990 as a nonstock corporation and as an entity not for pecuniary profit. The Foundation's primary functions are (1) to assist indigent diabetics; (2) to provide education concerning diabetes to the general public, diabetics, and professionals working with diabetics, and (3) to provide camperships and other assistance to Camp Nejeda, a camp for diabetic children.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding promises to give and obligations for expenses at the date of the financial statements are not included in the financial statements.

Use of Estimates

The preparation of financial statements on the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by individual fund. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions, if any, are classified in this class if the donor limited their use, as would be the unspent appreciation of any donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Foundation's donor-restricted endowment funds that must be maintained in perpetuity would be classified in this net asset class, as would be the Foundation's beneficial interest in a perpetual charity trust held by a bank trustee.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. If an endowment fund had no net gains from prior years, such as when a fund is newly established, net losses would be classified as decreases in unrestricted net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less. The Foundation includes amounts due from credit card companies (net of commissions) as cash when the money is deposited into the account.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets. Unrealized gains and losses, if applicable, are included in investment income (loss) in the statements of support, revenue and expense and changes in net assets.

Property and Equipment

The Foundation capitalizes property and equipment over $500. Fixed assets consist of computer and office equipment, and software that were purchased by the Foundation for use in its daily operations. These assets are stated at cost and are depreciated on the straight-line basis over the assets' estimated useful lives of 3 to 5 years. The amount of depreciation expense for the years ended June 30, 2017 and 2016 was $7,863 and $8,036, respectively.

Donated Services

No amounts have been reflected in the accompanying financial statements for donated services in as much as the criteria for recognition of such volunteer effort under FASB ASC 605 have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time to the Foundation’s program and service activities.

Fundraising

The Foundation holds special events, such as a car raffle and a golf outing, which are its primary sources of funds. The Foundation does not use professional fundraisers in its activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Gifts and Contributions

Gifts and contributions are recorded as revenue during the period received and are classified as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restriction.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statements of support, revenue and expense and changes in net assets, and the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

Note 3 – Investments

At June 30, 2017 investments were comprised of the following:

	Cost	Fair Value
Money market funds	$ 1,290	$ 1,290
Mutual funds	123,192	128,350
Unit investment trust	18,653	20,669
Real estate investment trust	25,000	25,389
Total investments	$168,135	$175,698

During the year ended June 30, 2017, the Foundation's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $17,927.

Note 4- Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 — Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Money market funds: Valued at the daily closing price as reported by the fund.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Note 4- Fair Value Measurements (continued)

Unit investment trusts: Valued based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investments.

Real estate investment trust (REIT): Is an SEC registered non-traded fund, which is valued based on the net asset value per share. Net asset value per share is determined based on a valuation of the portfolio of properties held by the REIT. Valuations and appraisals of the properties are estimates of fair value and may not necessarily correspond to realizable value upon the sale of such properties, therefore the net asset value per share may not reflect the amount that would be realized upon a sale of each of the properties

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,290	$ -	$ -	$ 1,290
Mutual funds	128,350	-	-	128,350
Unit investment trusts	20,669	-	-	20,669
Real estate investment trust	-	25,389	-	25,389
Total assets at fair value	$ 150,309	$ 25,389	$ -	$ 175,698

Note 5 - Contingencies and Commitments

The Foundation entered into a rental lease agreement commencing on June 1, 2008, amended September 1, 2012, and expiring August 31, 2017. The monthly lease payments are $2,975 plus utility charges of $3,124 per annum. The Foundation entered into a rental lease agreement commencing on September 1, 2017 and expiring on December 31, 2022. The monthly lease payments begin at $2,976, increasing each subsequent year by $100, plus utility charges of $4,237 per annum. As of June 30, 2017, the future minimum payments due under operating leases are as follows:

June 30, 2018	$	35,708
June 30, 2019		36,719
June 30, 2020		37,929
June 30, 2021		39,140
Thereafter		60,626
Total minimum lease payments	$	210,121

Note 6 – Tax Status

The Foundation is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years 2016, 2015, and 2014 are still open to audit for both federal and state purposes.

Note 7 – Uncertainty for Income Taxes

FASB issued an interpretation regarding Accounting for Uncertainty in Income Taxes. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740-10, *Accounting for Income Taxes*, and is effective for fiscal years beginning after December 15, 2008. The Foundation adopted the provisions of this pronouncement and the adoption did not impact the amounts reported in the Foundation's financial statements.

Note 8 – Subsequent Events

The Company has evaluated subsequent events through October 23, 2017, the date which the financial statements were available to be issued.

Diabetes Foundation, Inc.
(A Nonprofit Organization)
Statement of Functional Expenses - Cash Basis
For the year ended June 30, 2017

	Programs	Fundraising	Administration	Total
Salaries & non employee compensation	$ 277,765	$ 25,251	$ 12,626	$ 315,642
Payroll tax expense	24,425	2,221	1,110	27,756
Payroll processing fees	964	87	44	1,095
TASC processing expenses	472	43	21	536
Workmans comp insurance	1,251	114	57	1,422
Directors E&O insurance	1,874	170	85	2,129
Golf tournament expenses	-	58,128	-	58,128
Car raffle	-	88,180	-	88,180
Other fundraising expenses	-	95,473	-	95,473
Medical assistance	184,118	-	-	184,118
Public education	8,379	-	-	8,379
Program administration	12,759	-	-	12,759
Camp Nejeda	19,940	-	-	19,940
Newsletter	14,928	2,634	-	17,562
Computer expenses	13,756	2,427	-	16,183
Memberships	2,424	428	-	2,852
Office expenses	4,529	906	604	6,039
Temporary help/outside labor	3,534	-	-	3,534
Rent and utilities	35,607	4,189	2,095	41,891
Grant expense	-	2,626	-	2,626
Accounting	5,340	1,001	334	6,675
Telephone	2,590	690	173	3,453
Insurance	1,470	275	92	1,837
Stationary and printing	6,907	1,842	460	9,209
Tax filings and fees	-	-	278	278
Bank service charges	798	3,193	-	3,991
Postage	6,421	1,712	428	8,561
Subscriptions	1,396	-	-	1,396
Equipment rental	-	164	-	164
Travel and entertainment	1,432	382	95	1,909
Meeting expenses	451	194	-	645
Marketing	126	42	-	168
Depreciation	4,717	1,573	1,573	7,863
Total	$ 638,373	$ 293,945	$ 20,075	$ 952,393