

Diabetes Foundation, Inc.

Financial Statements

Year Ended June 30, 2019

Diabetes Foundation, Inc.

Financial Statements

Year Ended June 30, 2019

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Independent Auditor's Report

Board of Trustees
Diabetes Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Diabetes Foundation, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements activities, functional expenses, and cash flows for the year then ended, and the related notes to 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.

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 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 Diabetes Foundation, Inc. as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 2b to the financial statements, as of July 1, 2018, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Board of Directors
Diabetes Foundation, Inc.
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Change in Basis of Accounting

We draw attention to Note 8 of the financial statements, which describes restatement for the change in accounting method. The basis of accounting was changed from the modified cash method to accounting principles generally accepted in the United States of America ("U.S. GAAP"). Our opinion is not modified with respect to this matter.

Sax LLP

Clifton, New Jersey
February 14, 2020

Diabetes Foundation, Inc.

Statement of Financial Position

June 30, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 122,973
Investments	325,836
Prepaid expenses	5,500
Total current assets	<u>454,309</u>
PROPERTY AND EQUIPMENT	
Office furniture	36,858
Office equipment	6,051
Software	17,239
Less accumulated depreciation	(46,035)
Net property and equipment	<u>14,113</u>
OTHER ASSETS	
Security deposits	<u>5,952</u>
TOTAL ASSETS	<u>\$ 474,374</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 33,789
Accrued expenses	9,004
Deferred revenue	13,825
Total liabilities	<u>56,618</u>
NET ASSETS	
Without donor restrictions	<u>417,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 474,374</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions, including in-kind donations of \$109,549	\$ 153,965	\$ -	\$ 153,965
Fundraising, net of direct benefit to donors of \$52,437	864,680	-	864,680
Grants	84,601	-	84,601
Discounts on medication	80,000	-	80,000
Estate bequest	302,013	-	302,013
Investment income	1,556	-	1,556
Memorial	5,949	-	5,949
Total support and revenue	1,492,764	-	1,492,764
EXPENSES			
Programs	616,584	-	616,584
Fundraising	402,156	-	402,156
Administration	201,930	-	201,930
Total expenses	1,220,670	-	1,220,670
Change in net assets	272,094	-	272,094
NET ASSETS, <i>beginning of year</i>, as previously reported	161,975	-	161,975
Adjustment for change in accounting method (Note 8)	(16,313)	-	(16,313)
NET ASSETS, beginning of year, as restated	145,662	-	145,662
NET ASSETS, <i>end of year</i>	\$ 417,756	\$ -	\$ 417,756

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	<u>Medication Assistance</u>	<u>Camp Scholarships</u>	<u>Diabetes Resource Advocacy</u>	<u>Programs Total</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries and non-employee compensation	\$ 48,264	\$ 16,088	\$ 96,528	\$ 160,880	\$ 1,181	\$ 109,012	\$ 271,073
Payroll tax expense and benefits	5,052	1,684	10,104	16,840	-	19,359	36,199
Fundraising - golf event	-	-	-	-	50,160	-	50,160
Fundraising - car raffle	-	-	-	-	189,999	-	189,999
Fundraising - other allocated expenses	7,928	2,643	38,357	48,928	143,149	-	192,077
Medical assistance	211,045	-	-	211,045	-	-	211,045
Program administration	9,352	3,118	18,703	31,173	5,200	-	36,373
Camp Neveda	-	20,581	-	20,581	4,772	-	25,353
Miscellaneous program activities	3,167	1,057	6,333	10,557	281	2,303	13,141
Computer expenses	594	198	1,189	1,981	-	17,538	19,519
Office expenses	-	-	-	-	2,964	6,746	9,710
Rent and utilities	16,148	5,383	32,295	53,826	-	13,457	67,283
Grant expense	-	-	14,006	14,006	-	-	14,006
Accounting and consulting	4,805	1,602	9,608	16,015	2,740	14,050	32,805
Miscellaneous administrative expenses	-	-	-	-	-	6,933	6,933
Stationary and printing	2,179	726	4,358	7,263	441	874	8,578
Travel and entertainment	-	-	-	-	1,269	2,914	4,183
Marketing	-	-	-	-	-	7,233	7,233
Outreach	-	-	17,447	17,447	-	-	17,447
Total expenses before depreciation	<u>308,534</u>	<u>53,080</u>	<u>248,928</u>	<u>610,542</u>	<u>402,156</u>	<u>200,419</u>	<u>1,213,117</u>
Depreciation	<u>1,813</u>	<u>604</u>	<u>3,625</u>	<u>6,042</u>	<u>-</u>	<u>1,511</u>	<u>7,553</u>
	<u>\$ 310,347</u>	<u>\$ 53,684</u>	<u>\$ 252,553</u>	<u>\$ 616,584</u>	<u>\$ 402,156</u>	<u>\$ 201,930</u>	<u>\$ 1,220,670</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statement of Cash Flows

Year Ended June 30, 2019

CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Change in net assets	\$ 272,094
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation	7,553
Net unrealized (gain) loss on investments	3,756
Increase (decrease) in liabilities	
Accounts payable	19,615
Accrued expenses	(1,702)
Deferred revenue	13,825
	<u>315,141</u>

CASH FLOWS (USED FOR) INVESTING ACTIVITIES

Purchase of investments	<u>(249,299)</u>
	<u>(249,299)</u>

Net increase in cash and cash equivalents **65,842**

CASH AND CASH EQUIVALENTS, *beginning of year* 57,131

CASH AND CASH EQUIVALENTS, *end of year* \$ 122,973

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest \$ -

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 1 - Nature of the Organization

Diabetes Foundation, Inc., (the "Organization" or "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 Neveda, a camp for diabetic children.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Codification. The Organization changed to the GAAP basis from the modified cash basis. The Organization applied this retroactively.

b. Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, 'Not-for-profit Entities', and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-For-Profit Entities. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net asset terminology has been revised accordingly and a liquidity and availability disclosure is included to comply with the new ASU.

Assets accumulated and resources received and expended by the Organization are either without donor restrictions or restricted by the donor for a particular purpose. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restrictions.

c. Tax Status

The Diabetes Foundation, Inc. is a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

d. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization includes amounts due from credit card companies (net of commissions) as cash when the money is deposited into the account.

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies - Continued

e. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. There were no contributions received with donor restrictions during the year ended June 30, 2019.

f. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses, if applicable, are included in investment income (loss) in the statement of activities.

g. Property and Equipment

The Organization capitalizes property and equipment over \$500. Property and equipment consists of leasehold improvements, computer equipment, office equipment, and software that were purchased by the Organization for use in its daily operations. These assets are stated at cost and depreciated on the straight-line basis over the assets estimated useful lives of 3 to 5 years.

h. Functional Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities, and by its natural classification in 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 benefitted based on time records, square footage, and estimates made by the Organization's management.

i. Use of Estimates

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

j. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies - Continued

j. Recent Accounting Pronouncements - Continued

In 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Per this ASU, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring an entity to recognize operating lease agreements on the statement of financial position by recording a liability and a corresponding right-of-use asset. This standard will replace current lease guidance under U.S. GAAP. The standard will be effective for all fiscal years beginning after December 15, 2020 in the case of the Organization. It requires adopters to use a modified retrospective approach in applying the new standard to previous and current financial statement preparation. Entities are permitted to adopt the standard before the effective date as well. The Organization has not yet selected a transition method and is currently evaluating the effect the updated standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

k. Donated Services

Material donations-in-kind items are recorded at their estimated fair value as income and expense at the time the items are placed into service or distributed.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, or require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense.

l. Fundraising Events

The Organization holds special events, such as car raffles, a golf outing, and the Vision of Hope event, which are its primary sources of funds. The Organization does not use professional fundraisers in its activities.

m. Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through February 14, 2020, the date the financial statements were available to be issued.

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 3 - Liquidity and Availability

To meet cash flow needs the Organization produces and adheres to an annual budget, which is reviewed regularly and modified as needed. The following reflects Diabetes Foundation, Inc.'s financial assets as of June 30, 2019 which are not restricted for use within one year:

Cash and cash equivalents	\$ 122,973
Other investments appropriated for current use	325,836
	<u>\$ 448,809</u>

Note 4 - Investments

The Organization invests in a professionally managed portfolio that primarily contains mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements.

Cost and fair values of investments at June 30, 2019 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 5,193	\$ 5,193
Mutual funds	135,997	136,146
Stocks and ETFs	158,775	160,181
Real estate investment trust	25,000	24,316
Total investments	<u>\$ 324,965</u>	<u>\$ 325,836</u>

Note 5 - Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine the fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 5 - Fair Value Measurements - Continued

For the year ended June 30, 2019, the fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The following is a description of the valuation methodologies used for assets measured at fair value for the Level 2 investments included below.

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 Organization 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 5,193	\$ -	\$ -	\$ 5,193
Mutual funds	136,146	-	-	136,146
Stocks and ETFs	160,181			160,181
Real estate investment trust	-	24,316	-	24,316
Total investments	<u>\$ 301,520</u>	<u>\$ 24,316</u>	<u>\$ -</u>	<u>\$ 325,836</u>

Note 6 - Property and Equipment

The following is a summary of property and equipment at June 30, 2019:

Software	\$ 17,239
Furniture	36,858
Equipment	6,051
Total property and equipment	<u>60,148</u>
Less accumulated depreciation	<u>46,035</u>
Net property and equipment	<u>\$ 14,113</u>

Depreciation expense for the year ended June 30, 2019 was \$7,553.

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 7 - Future Minimum Lease Payments

As of June 30, 2019, the future minimum payments due under operating leases are as follows:

For the years ending June 30,		
2020	\$	37,828
2021		39,039
2022		40,249
2023		20,276
	\$	<u>137,392</u>

Note 8 - Restatement for Change in Accounting Method

The Organization has restated its June 30, 2018 net assets as previously reported in its issued June 30, 2018 financial statements for change in accounting method from modified cash to accounting principles generally accepted in the United States of America. Net assets at July 1, 2018 were decreased by \$16,313 due to the changes noted below.

The effect on the Organization's previously issued June 30, 2018 financial statements are summarized as follows:

Statement of Financial Position at June 30, 2018:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
ASSETS			
Cash and cash equivalents	\$ 54,064	\$ 3,067	\$ 57,131
Investments	\$ 80,293	\$ -	\$ 80,293
Prepaid expenses	\$ -	\$ 5,500	\$ 5,500
Total assets	<u>\$ 161,975</u>	<u>\$ 8,567</u>	<u>\$ 170,542</u>
LIABILITIES			
Accounts payable	\$ -	\$ 14,174	\$ 14,174
Accrued expenses	\$ -	\$ 10,706	\$ 10,706
Total liabilities	<u>\$ -</u>	<u>\$ 24,880</u>	<u>\$ 24,880</u>
NET ASSETS			
Net assets, at June 30, 2017	221,905	-	221,905
Change in net assets for the year ended June 30, 2018	(59,930)	(16,313)	(76,243)
Net assets, at June 30, 2018	<u>161,975</u>	<u>(16,313)</u>	<u>145,662</u>
Total liabilities and net assets	<u>\$ 161,975</u>	<u>\$ 8,567</u>	<u>\$ 170,542</u>

Diabetes Foundation, Inc.

Notes to Financial Statements

Year Ended June 30, 2019

Note 8 - Restatement for Change in Accounting Method - Continued

Statement of activities and change in net assets for the year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2018, as previously reported	\$ 161,975	\$ -	\$ 161,975
To record prepayment of fundraising expenses	5,500	-	5,500
To accrue programming expenses	(11,919)	-	(11,919)
To accrue fundraising expenses	(9,342)	-	(9,342)
To accrue administration expenses	(552)	-	(552)
Total adjustment for change in accounting method	<u>(16,313)</u>	<u>-</u>	<u>(16,313)</u>
Balance at June 30, 2018, as restated	<u>\$ 145,662</u>	<u>\$ -</u>	<u>\$ 145,662</u>