

Diabetes Foundation, Inc.

Financial Statements

Years Ended June 30, 2022 and 2021

Diabetes Foundation, Inc.

Financial Statements

Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Diabetes Foundation, Inc.

Opinion

We have audited the financial statements of Diabetes Foundation, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Diabetes Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Parsippany, New Jersey
November 15, 2022

Diabetes Foundation, Inc.

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 256,418	\$ 737,202
Grants receivable	47,987	45,496
Investments, at fair value	2,204,440	1,614,029
Prepaid expenses	13,100	13,442
Total current assets	2,521,945	2,410,169
PROPERTY AND EQUIPMENT		
Office furniture	39,819	39,819
Office equipment	6,051	6,051
Software	17,239	17,239
Less accumulated depreciation	58,855	51,802
Net property and equipment	4,254	11,307
OTHER ASSETS		
Security deposits	5,952	5,952
TOTAL ASSETS	\$ 2,532,151	\$ 2,427,428
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 99,075	\$ 15,962
Accrued expenses	225,189	49,510
Deferred revenue	-	40,600
Total current liabilities	324,264	106,072
NET ASSETS		
Without donor restrictions	2,207,887	2,321,356
TOTAL LIABILITIES AND NET ASSETS	\$ 2,532,151	\$ 2,427,428

See accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statements of Activities

	Years Ended June 30,	
	2022	2021
	Without Donor Restrictions	
SUPPORT AND REVENUE		
Contributions	\$ 37,338	\$ 31,032
Contributions of non-financial assets	53,057	72,347
Special event - Porsche car raffle, net of cost of car of \$189,890 and \$185,591	603,210	535,013
Other special event, net of direct benefit to donors of \$13,396 and \$17,650 respectively	38,724	88,243
Grants	409,400	325,500
In-kind discounts on medication	53,396	72,442
Estate bequest	441,017	1,243,148
Investment income (loss), net of fees	(336,176)	183,437
Gain on debt forgiveness	-	56,138
Memorial	25,562	25,968
Total support and revenue	1,325,528	2,633,268
EXPENSES		
Programs	1,061,282	832,194
Support - fundraising	226,855	229,723
Support - general and administrative	150,860	140,803
Total expenses	1,438,997	1,202,720
Change in net assets	(113,469)	1,430,548
NET ASSETS, <i>beginning of year</i>	2,321,356	890,808
NET ASSETS, <i>end of year</i>	\$ 2,207,887	\$ 2,321,356

See accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Medication Assistance</u>	<u>Children's Camperships</u>	<u>Education/Diabetes Resource Solutions</u>	<u>Supply Assistance</u>	<u>Programs Total</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries and non-employee compensation	\$ 64,101	\$ 3,462	\$ 190,643	\$ 56,128	\$ 314,334	\$ 65,306	\$ 53,287	\$ 432,927
Payroll tax expense and benefits	6,903	380	20,095	5,991	33,369	6,950	23,150	63,469
Special event - car raffle	-	-	-	-	-	210,383	-	210,383
Special events - other allocated expenses	-	-	-	-	-	44,328	-	44,328
Medical assistance, including in-kind donations of \$53,396	182,295	-	-	-	182,295	-	-	182,295
Program administration	22,165	1,197	166,237	36,918	226,517	-	-	226,517
Camp Nejeda	-	20,000	-	-	20,000	-	-	20,000
Miscellaneous program activities	4,898	265	14,568	4,289	24,020	9,535	2,844	36,399
Computer expenses, including in-kind donations of \$23,400	6,697	362	19,919	5,864	32,842	6,823	5,567	45,232
Office expenses	659	36	1,961	577	3,233	672	8,426	12,331
Rent and utilities, including in-kind donations of \$29,657	10,154	548	30,199	8,891	49,792	10,345	8,441	68,578
Accounting and consulting	13,813	746	41,081	12,095	67,735	14,073	31,344	113,152
Miscellaneous administrative expenses	565	30	1,679	494	2,768	27,285	4,461	34,514
Stationary and printing	3,761	203	11,185	3,293	18,442	9,377	7,822	35,641
Travel and entertainment	163	9	485	143	800	644	2,160	3,604
Marketing	-	-	-	-	-	24,420	1,947	26,367
Outreach	16,211	876	48,212	14,194	79,493	-	-	79,493
Total expenses before depreciation	<u>332,385</u>	<u>28,114</u>	<u>546,264</u>	<u>148,877</u>	<u>1,055,640</u>	<u>430,141</u>	<u>149,449</u>	<u>1,635,230</u>
Depreciation	1,151	62	3,422	1,008	5,642	-	1,411	7,053
	333,536	28,176	549,686	149,885	1,061,282	430,141	150,860	1,642,283
Less expenses included with revenues on the statement of activities								
Direct benefit to donors	-	-	-	-	-	(13,396)	-	(13,396)
Cost of Porsche cars for raffle	-	-	-	-	-	(189,890)	-	(189,890)
	<u>\$ 333,536</u>	<u>\$ 28,176</u>	<u>\$ 549,686</u>	<u>\$ 149,885</u>	<u>\$ 1,061,282</u>	<u>\$ 226,855</u>	<u>\$ 150,860</u>	<u>\$ 1,438,997</u>

See accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Medication Assistance</u>	<u>Children's Camperships</u>	<u>Education/Diabetes Resource Solutions</u>	<u>Supply Assistance</u>	<u>Programs Total</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries and non-employee compensation	\$ 54,820	\$ 4,729	\$ 162,481	\$ 48,758	\$ 270,788	\$ 54,042	\$ 32,441	\$ 357,271
Payroll tax expense and benefits	6,963	629	25,212	6,069	38,873	9,940	6,841	55,654
Fundraising - car raffle	-	-	-	-	-	206,787	-	206,787
Fundraising - other allocated expenses less direct benefit to donors of \$17,650	-	-	-	-	-	65,439	-	65,439
Medical assistance, including in-kind donations of \$72,442	212,631	-	-	-	212,631	-	-	212,631
Program administration	12,913	1,114	40,692	11,485	66,204	-	-	66,204
Camp Nejeda	-	20,000	-	-	20,000	-	-	20,000
Miscellaneous program activities	2,289	197	6,785	2,036	11,307	4,062	13,942	29,311
Computer expenses, including in-kind donations of \$42,689	9,131	788	27,063	8,121	45,103	9,002	5,403	59,508
Office expenses	-	-	-	-	-	-	3,188	3,188
Rent and utilities, including in-kind donations of \$29,657	11,319	977	33,549	10,067	55,912	11,158	6,698	73,768
Grant expense	5,781	5,781	5,781	5,781	23,124	-	-	23,124
Accounting and consulting	-	-	-	-	-	-	61,538	61,538
Miscellaneous administrative expenses	190	16	564	169	939	30,148	7,725	38,812
Stationary and printing	1,004	87	2,975	893	4,959	13,305	631	18,895
Travel and entertainment	-	-	-	-	-	-	318	318
Marketing	-	-	-	-	-	29,081	525	29,606
Outreach	15,414	1,330	45,686	13,710	76,140	-	-	76,140
Total expenses before depreciation	<u>332,455</u>	<u>35,648</u>	<u>350,788</u>	<u>107,089</u>	<u>825,980</u>	<u>432,964</u>	<u>139,250</u>	<u>1,398,194</u>
Depreciation	1,258	109	3,728	1,119	6,214	-	1,553	7,767
	333,713	35,757	354,516	108,208	832,194	432,964	140,803	1,405,961
Less expenses included with revenues on the statement of activities								
Direct benefit to donors	-	-	-	-	-	(17,650)	-	(17,650)
Cost of Porsche cars for raffle	-	-	-	-	-	(185,591)	-	(185,591)
	<u>\$ 333,713</u>	<u>\$ 35,757</u>	<u>\$ 354,516</u>	<u>\$ 108,208</u>	<u>\$ 832,194</u>	<u>\$ 229,723</u>	<u>\$ 140,803</u>	<u>\$ 1,202,720</u>

See accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ (113,469)	\$ 1,430,548
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	7,053	7,767
Net realized (gain) on investments	(4,172)	(137,012)
Net unrealized (gain) loss on investments	376,333	(47,657)
Gain on debt forgiveness	-	(56,138)
(Increase) decrease in assets		
Accounts receivable	(2,491)	(45,496)
Prepaid expenses	342	(7,497)
Increase (decrease) in liabilities		
Accounts payable	83,113	(104,244)
Accrued expenses	175,679	20,956
Deferred revenue	(40,600)	40,600
	481,788	1,101,827
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Purchases of investments	(1,134,453)	(979,100)
Sales of investments	171,881	205,502
	(962,572)	(773,598)
 Net increase (decrease) in cash and cash equivalents	(480,784)	328,229
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	737,202	408,973
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 256,418	\$ 737,202

See accompanying Notes to Financial Statements.

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 - Nature of the Organization

Diabetes Foundation, Inc., (the "Organization" or "Foundation") was established on August 17, 1990 as a nonprofit 501(c)(3) corporation. 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, (3) to provide insulin, oral medication, and diabetes testing supplies to uninsured and underinsured children and adults, and (4) to provide targeted services to children including "camperships" to diabetes camp and other networking opportunities.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Codification ("ASC").

b. Financial Statement Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board ("FASB") ASC 958, *Not-for-profit Entities*. ASC 958 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.

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, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Years Ended June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies - Continued

e. Support and Revenue Recognition

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.

The Organization records contributions as revenue in the period received, at their net realizable value. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, in the reporting period in which the revenue is recognized. When a restriction expires, (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities, as net assets released from restrictions. However, restricted contributions whose restriction expires or are otherwise satisfied within the period in which they are received are reported as revenue without donor restriction in the statements of activities.

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 statements of activities.

g. Property and Equipment

The Organization capitalizes property and equipment over \$500. Fixed assets consist 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 three to five years.

h. Functional Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and the statements 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 and estimates made by the Organization's management and square footage.

i. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies - Continued

j. Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to provide additional disclosures on the contributed nonfinancial assets with the intent to improve transparency in the reporting of contributed nonfinancial assets. This has been adopted by the Organization for the year ended June 30, 2022.

k. Pending Accounting Pronouncements

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 GAAP. In June 2020, the FASB issued 2020-05 which defers the effective date of ASU 2016-02 one year, making it effective for all fiscal years beginning after December 15, 2021, therefore, effective with fiscal year ending June 30, 2023, with early adoption permitted. It requires adopters to use a modified retrospective approach in applying the new standard to previous and current financial statement preparation. The Organization has not yet selected a transition method and is currently evaluating the effect the updated standard will have on the financial statements.

l. 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 when such services qualify for cost reimbursement from third-party providers.

m. Fundraising Events

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

n. Reclassification

Prior year amounts have been reclassified in order to agree with current year allocation of expenses and presentation.

o. Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through November 15, 2022, the date the financial statements were available to be issued.

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 3 - Liquidity and Availability

The following reflects Diabetes Foundation Inc.'s financial assets as of June 30, 2022 and 2021 which are not restricted for use within one year:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 256,416	\$ 737,202
Investments	2,204,440	1,614,029
	<u>\$ 2,460,856</u>	<u>\$ 2,351,231</u>

Management and the Board of Directors have a policy to structure their financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 - Investments

The Organization invests in a professionally managed portfolio that primarily contains mutual funds, stocks, and ETFs. 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, 2022 and 2021 are as follows:

	June 30, 2022	
	Cost	Fair Value
Money market funds	\$ 355,792	\$ 355,792
Mutual funds	1,059,950	923,429
Stocks and ETFs	860,688	901,768
Real estate investment trust	25,000	23,451
Total investments	<u>\$ 2,301,430</u>	<u>\$ 2,204,440</u>

	June 30, 2021	
	Cost	Fair Value
Money market funds	\$ 99,224	\$ 99,224
Mutual funds	819,955	875,899
Stocks and ETFs	479,499	615,583
Real estate investment trust	25,000	23,323
Total investments	<u>\$ 1,423,678</u>	<u>\$ 1,614,029</u>

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 4 - Investments - Continued

The components of investment income at June 30, 2022 and 2021 are as follows:

	Years Ended June 30,	
	2022	2021
Unrealized gains (losses)	\$ (376,333)	\$ 47,657
Realized gains	4,172	137,012
Interest and dividend income	57,066	9,313
Investment fees	(21,081)	(10,545)
Total investment income (loss)	<u>\$ (336,176)</u>	<u>\$ 183,437</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.

For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. 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.

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 5 - Fair Value Measurements - Continued

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.

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 355,792	\$ -	\$ -	\$ 355,792
Mutual funds	923,429	-	-	923,429
Stocks and ETFs	901,768	-	-	901,768
Real estate investment trust	-	23,451	-	23,451
Total investments	<u>\$ 2,180,989</u>	<u>\$ 23,451</u>	<u>\$ -</u>	<u>\$ 2,204,440</u>

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 99,224	\$ -	\$ -	\$ 99,224
Mutual funds	875,899	-	-	875,899
Stocks and ETFs	615,583	-	-	615,583
Real estate investment trust	-	23,323	-	23,323
Total investments	<u>\$ 1,590,706</u>	<u>\$ 23,323</u>	<u>\$ -</u>	<u>\$ 1,614,029</u>

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 6 - Property and Equipment

The following is a summary of property and equipment at June 30, 2022 and 2021:

	June 30,	
	2022	2021
Software	\$ 17,239	\$ 17,239
Furniture	6,051	6,051
Equipment	39,819	39,819
Total property and equipment	63,109	63,109
Less accumulated depreciation	58,855	51,802
Net property and equipment	\$ 4,254	\$ 11,307

Depreciation expense for the years ended June 30, 2022 and 2021 was \$7,053 and \$7,767, respectively.

Note 7 - Contributed Non-Financial Assets

Professionals and volunteers make contributions in the form of decreased rental expense, professional services, and discounts on medications used for programming. The non-financial contributions for the years ended June 30, 2022 and 2021 consist of the following:

	June 30,	
	2022	2021
Rent	\$ 29,657	\$ 29,657
Computer expenses	23,400	42,690
Discounts on medication	53,396	72,442
	\$ 106,453	\$ 144,789

Rental charges are based on square footage used. The rates per square foot are based on comparable rental rates in the area for similar space. The amount recorded as a contributed non-financial asset is the difference between the fair market value of the office space and the amount that is charged to the Organization. Professional fees are valued based on supporting invoices from the vendor based on services rendered and hours incurred by the professional. The discounts on medication are based on the difference between the fair market value of the medication and the amount paid by the Organization. The fair market value of the medication is determined by the rate that is charged by pharmacies for the medications. Rent and computer expenses are allocated in the functional expense schedule in accordance with the accounting policy for those expense categories as outlined in Note 2. The discounts are reflected as program expenses under the medication assistance program in the statement of functional expenses.

Diabetes Foundation, Inc.

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 8 - Paycheck Protection Program (“PPP”) Loan

On May 6, 2020 the Organization (the “Borrower”) was granted a loan (the “Loan”) from the First Bank of the Lake in, the aggregate amount of \$56,138, pursuant to The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act under the PPP.

The Loan is in the form of a note dated May 6, 2020 issued by the Borrower, matures on May 6, 2022, and bears interest at a rate of 1% per annum. Pursuant to the CARES Act and the subsequent update under the PPP Flexibility Act of 2020 (“Flexibility Act”), the Organization has a period of ten months after the end of the loan forgiveness covered period to apply for forgiveness. In accordance with the Flexibility Act, the Organization elected the 24-week loan forgiveness covered period which begins on the date the lender disbursed the PPP funds.

The Organization has incurred qualifying expenses through the loan period and has received correspondence from the lender of the Loan that the Organization’s Loan amount has been fully forgiven. The Organization has elected to record the entire amount as a gain on debt forgiveness as of June 30, 2021.

Note 9 - Future Minimum Lease Payments

The Organization leases office space under an operating agreement. The lease provides for office space for monthly rental payments of approximately \$3,100. 50% of rent expense is discounted as an in-kind donation by the landlord. This is included as in-kind in the statements of activities. The lease is set to expire in December 2022. The organization has entered into a new lease for 5 years commencing on January 1, 2023 and expiring on December 31, 2028 with a 5 year renewal option. The organization has possession of this property as of September 2022 and will begin payments in the next fiscal year. Monthly rental payments are approximately \$2,675 under the new lease. As of June 30, 2022, the future minimum payments due under operating leases are as follows:

For the years ending June 30,
2023

\$	20,276
\$	<u>20,276</u>