

Diabetes Foundation, Inc.

Financial Statements

June 30, 2023 and 2022



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Diabetes Foundation, Inc.
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June 30, 2023 and 2022

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Diabetes Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Change in Accounting Principle

As discussed in Notes 2 and 7 to the financial statements, the Organization changed its method of accounting for leases as of July 1, 2022 due to the adoption of Accounting Standard Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Organization for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2023.

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

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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 Organization'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 Organization'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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nisiroccia LLP". The script is cursive and fluid, with the letters "N", "i", "s", "i", "r", "o", "c", "c", "i", "a" and "L", "L", "P" clearly visible.

Mt. Arlington, New Jersey
October 16, 2023

Diabetes Foundation, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 290,048	\$ 256,418
Grants receivable	374,219	47,987
Investments	2,274,886	2,204,440
Prepaid expenses	594	13,100
Total current assets	<u>2,939,747</u>	<u>2,521,945</u>
Property and equipment, net		4,254
Security deposits	6,350	5,952
Operating lease right of use asset	141,885	
Total assets	<u>\$ 3,087,982</u>	<u>\$ 2,532,151</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 81,466	\$ 99,075
Accrued expenses	228,838	225,189
Line of credit	115,523	
Operating lease liability	37,164	
Total current liabilities	<u>462,991</u>	<u>324,264</u>
Operating lease liability, net of current portion	<u>105,081</u>	
Total liabilities	568,072	324,264
Net assets without donor restrictions	<u>2,519,910</u>	<u>2,207,887</u>
Total liabilities and net assets	<u>\$ 3,087,982</u>	<u>\$ 2,532,151</u>

See accompanying notes to financial statements

Diabetes Foundation, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023	2022
Revenue and Support:		
Contributions	\$ 293,875	\$ 37,338
Contributions of non-financial assets	40,904	53,057
Special event - Porsche car raffle, net of cost of car \$190,000 and \$189,890, respectively	611,000	603,210
Other special event, net of direct benefit to donors of \$18,050 and \$13,396, respectively	37,906	38,724
Grants	432,231	409,400
In-kind discounts on medication	92,820	53,396
Estate bequests	19,389	441,017
Investment income (loss), net of fees	111,114	(336,176)
Memorial	36,314	25,562
Total revenue and support	<u>1,675,553</u>	<u>1,325,528</u>
Expenses:		
Program services	995,502	1,111,865
Supporting services:		
General and administration	93,830	93,972
Fundraising	274,198	233,160
Total expenses	<u>1,363,530</u>	<u>1,438,997</u>
Change in net assets	312,023	(113,469)
Net assets without donor restrictions, beginning of year	<u>2,207,887</u>	<u>2,321,356</u>
Net assets without donor restrictions, end of year	<u><u>\$ 2,519,910</u></u>	<u><u>\$ 2,207,887</u></u>

See accompanying notes to financial statements

Diabetes Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services		
	Medication Assistance	Children's Camperships	Education	Supply Assistance	Total Program Services	Total
Salaries and non-employee compensation	\$ 23,412	\$ 3,304	\$ 172,697	\$ 17,375	\$ 216,788	\$ 347,735
Payroll tax expense and benefits	2,279	334	17,078	1,587	21,278	37,713
Special event - car raffle					-	192,402
Special events - other allocated expenses					-	48,616
Medical assistance, including in-kind donations of \$92,820	163,601				163,601	163,601
Program administration	7,667	1,082	75,539	5,690	89,978	89,978
Camp program		10,000			10,000	10,000
Computer expenses, including in-kind donations of \$26,075	3,375	476	24,899	2,505	31,255	50,134
Office expenses	2,938	415	19,370	2,180	24,903	53,291
Rent and utilities, including in-kind donations of \$14,829	3,672	518	27,087	2,725	34,002	54,541
Accounting and consulting	7,396	1,044	54,558	5,489	68,487	109,856
Miscellaneous administrative expenses					-	26,407
Travel and meeting expense			11,419		11,419	19,277
Advertising and promotion	33,908	4,786	259,931	25,166	323,791	363,775
Total expenses before depreciation	248,248	21,959	662,578	62,717	995,502	1,567,326
Depreciation						4,254
Total expenses	248,248	21,959	662,578	62,717	995,502	1,571,580
Less expenses included with revenues on the statement of activities:						
Direct benefit to donors						(18,050)
Cost of Porsche cars for raffle						(190,000)
						(208,050)
Total	\$ 248,248	\$ 21,959	\$ 662,578	\$ 62,717	\$ 995,502	\$ 1,363,530

See accompanying notes to financial statements

Diabetes Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services		
	Medication Assistance	Children's Camperships	Educational/Diabetes Resource Solutions	Supply Assistance	Total Program Services	Total
Salaries and non-employee compensation	\$ 68,462	\$ 3,727	\$ 205,211	\$ 59,731	\$ 337,131	\$ 432,928
Payroll tax expense and benefits	10,067	477	29,192	8,903	48,639	63,469
Special event - car raffle						210,383
Special events - other allocated expenses						44,328
Medical assistance, including in-kind donations of \$53,396	182,295				182,295	182,295
Program administration	22,072	1,202	166,476	36,767	226,517	226,517
Camp Nejeda		20,000			20,000	20,000
Miscellaneous program activities	5,116	279	15,335	4,463	25,193	36,397
Computer expenses, including in-kind donations of \$23,400	7,153	389	21,441	6,241	35,224	45,233
Office expenses	704	38	2,111	615	3,468	12,331
Rent and utilities, including in-kind donations of \$29,657	10,845	590	32,507	9,462	53,404	68,579
Accounting and consulting	14,753	803	44,220	12,871	72,647	113,151
Miscellaneous administrative expenses	603	33	1,807	526	2,969	34,514
Stationary and printing	3,745	204	11,225	3,267	18,441	35,640
Travel and entertainment	163	9	487	142	801	3,604
Marketing						26,367
Outreach	16,143	879	48,387	14,084	79,493	79,493
Total expenses before depreciation	342,121	28,630	578,399	157,072	1,106,222	1,635,229
Depreciation	1,146	62	3,435	1,000	5,643	7,054
Total expenses	343,267	28,692	581,834	158,072	1,111,865	1,642,283
Less expenses included with revenues on the statement of activities:						
Direct benefit to donors						(13,396)
Cost of Porsche cars for raffle						(189,890)
						(203,286)
Total	\$ 343,267	\$ 28,692	\$ 581,834	\$ 158,072	\$ 1,111,865	\$ 1,438,997

See accompanying notes to financial statements

Diabetes Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 312,023	\$ (113,469)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,254	7,053
Net realized (gain) on investments	115,650	(4,172)
Net unrealized (gain) loss on investments	(177,256)	376,333
Changes in operating assets and liabilities:		
Grants receivable	(326,232)	(2,491)
Prepaid expenses	12,506	342
Security deposits	(398)	
Accounts payable	(17,609)	83,113
Accrued expenses	3,649	175,679
Deferred revenue		(40,600)
Operating lease assets and liabilities	360	
Net cash provided by (used in) operating activities	<u>(73,053)</u>	<u>481,788</u>
Cash flows from investing activities:		
Purchase of investments	(1,058,561)	(1,134,453)
Proceeds from sales of investments	1,049,721	171,881
Net cash provided by (used in) investing activities	<u>(8,840)</u>	<u>(962,572)</u>
Cash flows from financing activities:		
Borrowings on line of credit	115,523	
Net cash provided by financing activities	<u>115,523</u>	
Net increase (decrease) in cash and cash equivalents	33,630	(480,784)
Cash and cash equivalents, beginning of year	<u>256,418</u>	<u>737,202</u>
Cash and cash equivalents, end of year	<u>\$ 290,048</u>	<u>\$ 256,418</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 524</u>	<u>\$ -</u>
Supplemental disclosure of non-cash information:		
In-kind donations	<u>\$ 133,724</u>	<u>\$ 106,453</u>

See accompanying notes to financial statements

1. Nature of Organization

Diabetes Foundation, Inc. (the "Organization"), was established on August 17, 1990, as a nonprofit 501(c)(3) corporation. The Organization's primary functions are (1) to assist adults and children living with diabetes; (2) to provide awareness and education concerning diabetes to the general public and healthcare professionals; (3) to provide insulin, oral medication, and diabetes testing supplies to uninsured and underinsured children and adults, and (4) to provide services to children including "camperships" to diabetes camp and other networking opportunities.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Basis of Accounting

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and general operations. These resources are not subject to donor-imposed restrictions.

Net assets with donor restrictions represent amounts with donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support Recognition

The Organization recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's state contracts and grants are conditioned upon certain performance requirements.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, is exempt from federal income taxes on income that is related to its tax-exempt purposes pursuant to Section 501(a) of the Code. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements.

It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions. The Organization is subject to audit by tax authorities, including a review of its nonprofit status, which management believes would be upheld upon examination.

As required by law, the Organization files informational returns with both the United States federal and New Jersey State jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State of New Jersey. These returns are subject to examination by these authorities within certain statutory periods from the latest filing date for federal and for New Jersey.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2023.

Common stocks and ETF's: The carrying amounts are stated at the value of the closing price reported in the active market in which the individual securities are traded.

Mutual funds: The carrying amounts are stated at the net asset value (NAV) of shares held by the Organization at year end.

Money market funds: Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

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 assets value per share may not reflect the amount that would be realized upon a sale of each of the properties.

Cash and Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable are amounts due from government agencies for expenses incurred by the Organization in connection with contractual agreements. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. Amounts which are deemed uncollectible are determined on a case-by-case basis. There was no allowance for doubtful accounts at June 30, 2023 and 2022, as management deemed all contributions receivable to be fully collectible.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. The Organization capitalizes additions of property and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

Depreciation of assets is provided for by the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized.

The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

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 financial position. Unrealized gains and losses, if applicable, are included in investment income (loss) in the statement of activities.

Functional Allocation of 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

In-Kind Contributions

The Organization follows the provisions of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to present contributed nonfinancial assets as a separate line in the statement of activities apart from contributions of cash or other financial assets. Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if they had not been donated. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Leases

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842.

The Organization recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses the risk-free rate at the lease commencement date to determine the present value of the future lease payments.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of \$35,964, which represents the present value of the remaining operating lease payments of \$36,677, discounted using the Organization's risk-free rate of 3.87%, and a right-of-use asset of \$35,964.

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

The standard had a material impact on the Organization's statement of financial position but did not have an impact on the Organization's statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2023, through the date of the independent auditors' report and the date the financial statements were available to be issued, October 16, 2023. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

3. Liquidity and Availability

The table below presents financial assets available for general expenditures within one year as of June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 290,048	\$ 256,418
Grants receivable	374,219	47,987
Investments	2,274,886	2,204,440
Total financial assets	<u>2,939,153</u>	<u>2,508,845</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,939,153</u>	<u>\$ 2,508,845</u>

Management and the Board of Directors have a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including contributions, grant income, and fundraising.

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 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.

Diabetes Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Investments were comprised of the following as of June 30, 2023 and 2022:

	June 30, 2023		
	Cost	Level 1	Level 2
Money market funds	\$ 22,870	\$ 22,870	
Mutual funds	1,133,706	1,104,045	
Stocks and ETFs	721,090	1,140,014	
Real estate investment trust	25,000		\$ 7,957
Total investments	<u>\$ 1,902,666</u>	<u>\$ 2,266,929</u>	<u>\$ 7,957</u>

	June 30, 2022		
	Cost	Level 1	Level 2
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>\$ 2,180,989</u>	<u>\$ 23,451</u>

The components of investment income for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Unrealized gains (losses)	\$ 177,256	\$ (376,333)
Realized gains (losses)	(115,650)	4,172
Interest and dividend income	70,998	57,066
Investment fees	(21,490)	(21,081)
Total investment income (loss)	<u>\$ 111,114</u>	<u>\$ (336,176)</u>

5. Property and Equipment

Property and equipment and their related estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life (Years)</u>	2023	2022
Software	3	\$ 17,239	\$ 17,239
Furniture	5	6,051	6,051
Equipment	5	39,819	39,819
		63,109	63,109
Less: accumulated depreciation		(63,109)	(58,855)
		<u>\$ -</u>	<u>\$ 4,254</u>

Depreciation expense for the years ended June 30, 2023 and 2022, totaled \$4,254 and \$7,054, respectively.

Diabetes Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

6. Contributed Non-Financial Assets

Professionals and volunteers make contributions in the form of decreased rental expenses, professional services, and discounts on medications used for programming. The non-financial contributions for the years ended June 30, 2023 and 2022, consists of the following:

	2023	2022
Rent	\$ 14,829	\$ 29,657
Computer expenses	26,075	23,400
Discounts on medication	92,820	53,396
	<u>\$ 133,724</u>	<u>\$ 106,453</u>

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 in the statement of functional expenses.

7. Leases

The Organization leased office space with monthly rental payments of approximately \$3,100. 50% of rent expense was discounted as an in-kind donation by the landlord. This is included in contributions of non-financial assets in the statement of activities. The lease expired in December 2022. The Organization entered into a new lease for 5 years which commenced on January 1, 2023, and expires on December 31, 2027, with a 5-year renewal option. Monthly rental payments are approximately \$3,379 under the new lease. In addition, the Organization has a lease for a vehicle, with monthly payments totaling \$497 per month, which commenced on March 31, 2022, and will continue through March 2026.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Because the Organization is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The Organization's leases do not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay a pro rata share of property taxes and common area charges.

Diabetes Foundation, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Future minimum lease payments related to operating leases are as follows:

Year Ended June 30,	
2024	\$ 37,164
2025	35,973
2026	32,100
2027	32,700
2028	16,500
Total undiscounted cash flows	154,437
Less: present value discount	(12,192)
Total lease liabilities	<u>\$ 142,245</u>

Other information related to the Organization's operating leases as of and for the year ended June 30, 2023, is as follows:

Operating cash flows from operating leases	\$ 39,240
ROU assets obtained in exchange for new operating lease liabilities	\$ 178,316
Weighted-average remaining lease term in years for operating leases	4.30
Weighted-average discount rate for operating leases	3.87%

Rent expense under FASB ASC, 840 (pre-adoption of the new standards) for operating leases totaled \$69,506 for the year ended June 30, 2022. The aggregate minimum lease payment under those operating leases as of June 30, 2022, were as follows:

Year Ended June 30,	
2023	\$ 44,129
2024	37,164
2025	35,973
2026	32,100
2027 and thereafter	49,200
	<u>\$ 198,566</u>

8. Line of Credit

In May 2023, the Organization entered into a line of credit agreement with a financial institution. Outstanding balances accrue interest at the prime rate (8.25% as of June 30, 2023) and are secured by the investments of the Organization. As of June 30, 2023, \$115,523 was outstanding on the line.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Diabetes Foundation, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

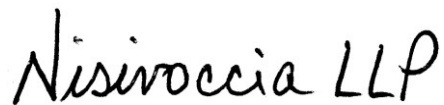
To the Board of Directors of
Diabetes Foundation, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nisiroccia LLP". The script is cursive and fluid, with the letters "N", "i", "s", "i", "r", "o", "c", "c", "i", "a" and "L", "L", "P" clearly visible.

Mt. Arlington, New Jersey
October 16, 2023

Diabetes Foundation, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2023

I. Summary of Auditors' Results:

An unmodified report was issued on Diabetes Foundation, Inc.'s financial statements.

The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of Diabetes Foundation, Inc.

The audit did not disclose any noncompliance which is material in relation to the financial statements of Diabetes Foundation, Inc.

II. Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

III. Findings and Responses for State Awards:

None noted.

Diabetes Foundation, Inc.
Summary Schedule of Prior Year Findings
Year Ended June 30, 2023

Status of Prior Year Findings:

There were no audit findings in the prior year.