

NATIONAL DIAPER BANK NETWORK, INC.

**Financial Statements with
Independent Auditor's Report**

June 30, 2018 and 2017

NATIONAL DIAPER BANK NETWORK, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Diaper Bank Network, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of National Diaper Bank Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 National Diaper Bank Network, Inc. as of June 30, 2018 and 2017, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Guilmartin, DiPiro & Sokolowski LLC

Middletown, Connecticut
October 23, 2018

FINANCIAL STATEMENTS

NATIONAL DIAPER BANK NETWORK, INC.

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 763,807	\$ 497,621
Accounts receivable, net	91,430	68,810
Unconditional promises to give, net	42,857	52,758
Prepaid expenses	<u>12,677</u>	<u>10,320</u>
Total current assets	910,771	629,509
Non-current assets:		
Unconditional promises to give, net	-	41,210
Property and equipment, net	<u>1,448</u>	<u>1,918</u>
Total assets	<u>\$ 912,219</u>	<u>\$ 672,637</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 140,447	\$ 22,112
Accrued expenses	64,635	60,122
Deferred revenue	27,925	23,100
Funds from others	<u>27,930</u>	<u>-</u>
Total current liabilities	<u>260,937</u>	<u>105,334</u>
Net assets:		
Unrestricted:		
Operational	296,537	273,335
Board designated	<u>226,111</u>	<u>200,000</u>
Total unrestricted	522,648	473,335
Temporarily restricted	<u>128,634</u>	<u>93,968</u>
Total net assets	<u>651,282</u>	<u>567,303</u>
Total liabilities and net assets	<u>\$ 912,219</u>	<u>\$ 672,637</u>

See accompanying notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

Statements of Activities

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Changes in Unrestricted Net Assets</u>		
Support and revenue:		
Contributions	\$ 661,835	\$ 481,657
In-kind support	4,610,264	6,469,157
Partner fees	326,933	401,540
Diaper buying program	1,129,060	247,233
Grant revenue	10,250	33,165
Other income	57,634	40,249
Net assets released from restrictions	<u>162,659</u>	<u>-</u>
Total support and revenue	<u>6,958,635</u>	<u>7,673,001</u>
Expenses:		
Program services	6,581,290	7,554,878
Management and general	143,070	133,068
Fundraising	<u>184,962</u>	<u>198,859</u>
Total expenses	<u>6,909,322</u>	<u>7,886,805</u>
Change in unrestricted net assets	49,313	(213,804)
Unrestricted net assets, beginning of year	<u>473,335</u>	<u>687,139</u>
Unrestricted net assets, end of year	<u>\$ 522,648</u>	<u>\$ 473,335</u>
<u>Changes in Temporarily Restricted Net Assets</u>		
Contributions	\$ 197,325	\$ 93,968
Net assets released from restrictions, net	<u>(162,659)</u>	<u>-</u>
Change in temporarily restricted net assets	34,666	93,968
Temporarily restricted net assets, beginning of year	<u>93,968</u>	<u>-</u>
Temporarily restricted net assets, end of year	<u>\$ 128,634</u>	<u>\$ 93,968</u>
Total change in net assets	<u>\$ 83,979</u>	<u>\$ (119,836)</u>

See accompanying notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

Statement of Functional Expenses

For the year ended June 30, 2018

	Program Services	Management & General	Fundraising	Total
Operating expenses:				
In-kind expenses	\$ 4,610,264	\$ -	\$ -	\$ 4,610,264
Salaries and wages	579,531	97,043	106,586	783,160
Grants to others	101,000	-	-	101,000
Reimbursable expenses	1,142,111	-	-	1,142,111
Professional services	30,671	19,719	48,370	98,760
Travel and conferences	61,308	12,534	68	73,910
Programs	28,326	9,073	24,774	62,173
Occupancy	20,440	3,423	3,759	27,622
Insurance	7,291	1,220	1,341	9,852
Total operating expenses	<u>6,580,942</u>	<u>143,012</u>	<u>184,898</u>	<u>6,908,852</u>
Other expenses:				
Depreciation and amortization	<u>348</u>	<u>58</u>	<u>64</u>	<u>470</u>
Total expenses	<u>\$ 6,581,290</u>	<u>\$ 143,070</u>	<u>\$ 184,962</u>	<u>\$ 6,909,322</u>

See accompanying notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

Statement of Functional Expenses

For the year ended June 30, 2017

	Program Services	Management & General	Fundraising	Total
Operating expenses:				
In-kind expenses	\$ 6,469,157	\$ -	\$ -	\$ 6,469,157
Salaries and wages	517,341	90,005	123,294	730,640
Grants to others	97,980	-	-	97,980
Reimbursable expenses	312,369	-	-	312,369
Professional services	49,559	20,447	48,992	118,998
Travel and conferences	58,978	9,887	919	69,784
Programs	18,653	7,362	18,304	44,319
Occupancy	20,097	3,497	4,790	28,384
Insurance	5,490	956	1,308	7,754
Total operating expenses	<u>7,549,624</u>	<u>132,154</u>	<u>197,607</u>	<u>7,879,385</u>
Other expenses:				
Depreciation and amortization	<u>5,254</u>	<u>914</u>	<u>1,252</u>	<u>7,420</u>
Total expenses	<u>\$ 7,554,878</u>	<u>\$ 133,068</u>	<u>\$ 198,859</u>	<u>\$ 7,886,805</u>

See accompanying notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

Statements of Cash Flows

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	<u>\$ 83,979</u>	<u>\$ (119,836)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	470	1,197
(Increase) decrease in accounts receivable	(22,620)	101,503
Decrease (increase) in unconditional promises to give	51,111	(93,968)
(Increase) decrease in prepaid expenses	(2,357)	4,935
Decrease in other assets	-	6,223
Increase (decrease) in accounts payable	118,335	(4,308)
Increase (decrease) in accrued expenses	4,513	(1,646)
Increase in funds from others	27,930	-
Increase in deferred revenue	<u>4,825</u>	<u>23,100</u>
Total adjustments	<u>182,207</u>	<u>37,036</u>
Net cash provided (used) by operating activities	<u>266,186</u>	<u>(82,800)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(2,349)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(2,349)</u>
 Cash flows from financing activities:		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	<u>266,186</u>	<u>(85,149)</u>
Cash and cash equivalents, beginning of year	<u>497,621</u>	<u>582,770</u>
 Cash and cash equivalents, end of year	<u>\$ 763,807</u>	<u>\$ 497,621</u>

See accompanying notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

National Diaper Bank Network, Inc. (the Organization) is a not-for-profit corporation established under the laws of the State of Connecticut and operates as a human services organization with administrative offices in New Haven, Connecticut. The Organization's mission is to raise awareness of diaper need and period poverty, while building and expanding the national movements to help children, families and individuals access the material basic needs - including baby diapers, period supplies and other material goods - required to reach their full potential. The Organization works to accomplish this goal through three primary activities:

- *Raising awareness* - bring national attention to the issue of diaper need and basic needs, including period supplies, through education and outreach to the general public and national leaders.
- *Providing technical assistance* - assist local communities in starting diaper and period supply banks and help build the capacity of existing banks.
- *Diaper need and basic need distribution and funding* - coordinate the distribution of diapers and other basic needs and funding from national donors to regional and local banks for distribution to families in need.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. The Organization has designated \$226,111 for future sustainability.

Temporarily restricted - Net assets whose use by the Organization is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law. The Organization had no permanently restricted net assets as of June 30, 2018 and 2017.

Income taxes

The Organization has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

Management has reviewed the Organization's reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods pending or in process.

Use of estimates

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

Cash and cash equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments available for current use, with an initial maturity of three months or less when purchased, to be cash equivalents.

Accounts receivable

The Organization has specific contractual agreements to support their accounts receivable. Management performs an assessment of collectability related to receivables and will write off receivables from individuals and other sources after all attempts at collection are exhausted. When appropriate, management maintains an allowance for doubtful accounts, which is based on a review of significant delinquent balances and past collection experience. The allowance for doubtful accounts at June, 30, 2018 and 2017 was \$8,750 and \$11,000, respectively.

NATIONAL DIAPER BANK NETWORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

Property and equipment

The Organization follows the practice of capitalizing all property and equipment with a cost exceeding \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of 5 years. Repairs and maintenance are charged to expense as incurred. There are no planned major maintenance activities. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

The Organization reviews long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of June 30, 2018 and 2017.

Other assets

Other assets represent organizational costs of \$14,240 and website costs of \$37,325. They are amortized over their estimated useful life of 5 years. Amortization expense for the years ended June 30, 2018 and 2017 was \$0 and \$6,223, respectively.

Grants and contracts

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of allowable expenditures are recorded on the statements of financial position as deferred revenue if the grant extends beyond the Organization's fiscal year and as due to grantor if the grant was completed within the fiscal year.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give expected to be collected in more than one year are discounted to their present value. The Organization reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified

to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the year with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the assets are placed in service.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission and fundraising campaign.

Donated goods and services

The Organization records in-kind transportation costs, in-kind goods and donated rent based on the fair value hierarchy levels described in generally accepted accounting principles (see Note 7). The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet this criteria for recognition in the financial statements.

Advertising and marketing expense

The Organization expenses advertising costs as incurred. Advertising and marketing costs for the years ended June 30, 2018 and 2017 were \$40,774 and \$42,959, respectively.

Functional expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the statements of activities. The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to the components of these services

NATIONAL DIAPER BANK NETWORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

Functional expenses, continued

based on allocation factors determined by management, and these allocation factors may change from year to year.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through October 23, 2018, which is the date the financial statements were available to be issued.

NOTE 2
CONCENTRATIONS

The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. At June 30, 2018 the cash balance exceeded the federally insured limit by \$513,921.

A substantial portion of the Organization's revenue is derived from donated goods received from one vendor. There is a signed contract evidencing this agreement. The Organization believes, due to the long-term nature of the agreement, there is nominal risk to the Organization.

NOTE 3
UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recognized at fair value using the present value of estimated future cash flows for pledges that are receivable in excess of one year and have been discounted at 5%.

Unconditional promises to give at June 30 are presented as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$45,000	\$ 55,000
Receivable in one to five years	-	45,000
Total unconditional promises to give	45,000	100,000
Less: discount to net present value	<u>(2,143)</u>	<u>(6,032)</u>
Net unconditional promises to give	<u>\$ 42,857</u>	<u>\$ 93,968</u>

NOTE 4
PROPERTY AND EQUIPMENT

Components of property and equipment are as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$10,479	\$10,479
Less: accumulated depreciation	<u>(9,031)</u>	<u>(8,561)</u>
Total	<u>\$ 1,448</u>	<u>\$ 1,918</u>

The financial statements reflect depreciation expense of \$470 and \$1,197 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5
LEASE OBLIGATIONS

Leased facilities

The Organization leases office space in New Haven, Connecticut under a lease agreement that ends in October 2021. The Organization is required to pay certain annual operating costs such as maintenance and insurance. The lease contains restrictions as to the use of the properties, subletting and acceleration clauses based on future criteria. The monthly rent is \$2,150 and escalates annually until the lease expires in October 2021.

Rent expense amounted to \$27,622 and \$28,384 for the years ended June 30, 2018 and 2017, respectively.

Future lease commitments under this agreement are as follows:

2019	\$26,200
2020	26,600
2021	26,900
2022	9,000

NOTE 6
TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include unconditional promises to give until the funds are received, at which point they are then reclassified to unrestricted. These assets represent a pledge receivable. Temporarily restricted net assets were \$128,634 and \$93,968 for the years ended June 30, 2018 and 2017, respectively.

NATIONAL DIAPER BANK NETWORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

Temporarily restricted net assets, continued

	<u>2018</u>	<u>2017</u>
Seedlings Foundation	\$42,857	\$93,968
Disaster Relief:		
Texas	4,306	-
Hurricane relief	49,808	-
Harvey and Irma	30,163	-
Puerto Rico	<u>1,500</u>	<u>-</u>
	<u>\$128,634</u>	<u>\$93,968</u>

NOTE 7

IN-KIND SUPPORT

For the years ended June 30, 2018 and 2017, included in in-kind support is in-kind transportation costs of \$359,072 and \$310,171, respectively. Additionally, the Organization recognizes in-kind diapers from a particular vendor in the amount of \$1,795,397 and \$1,550,855, respectively.

For the years ended June 30, 2018 and 2017, the Organization distributed other goods, such as period supplies, formula and wipes, related to its intended mission. These in-kind goods were valued at \$2,455,795 for June 30, 2018 and \$4,608,131 for June 30, 2017.

For the year ended June 30, 2018, the Organization received donated rent valued at \$4,300. The Organization did not receive any donated rent during the year ended June 30, 2017.

NOTE 8

PARTNER FEES AND DIAPER BUYING PROGRAM

The Organization charges an administrative fee of \$6,000 per truckload of diapers that the Organization facilitates delivery of donated diapers to local/regional diaper banks. During fiscal year 2018, \$289,400 was collected in administrative fees versus \$314,600 in 2017.

The Organization developed a diaper buying program where the Organization facilitates the purchase of diapers for local/regional diaper banks. During fiscal years 2018 and 2017, \$1,129,060 and \$247,233 was collected from the banks for the purchase of diapers; this income was offset by an expense of \$1,117,946 in 2018 and \$247,461 in 2017.

The Organization facilitates delivery of donated basic needs products to local/regional diaper banks. The Organization charges a fee to ship the donated basic needs products in order to cover the cost of shipping the donated basic needs products. For the years ended June 30, 2018 and 2017, amounts collected were \$17,520 and \$79,440, which was offset by shipping expenses of \$24,166 and \$64,908, respectively.

The Organization started charging a membership fee to National Diaper Bank Network members in fiscal year 2018. The yearly membership gives members exclusive access to the member portal, professional resources and opportunity to participate in the Huggies Diapers Buying Program. The membership revenue collected in fiscal year 2018 was \$20,013.

NOTE 9

RETIREMENT PLAN

The Organization sponsors a 401(k) profit sharing plan covering all eligible employees. Eligible employees may contribute up to the maximum amounts allowed under the plan document and current Internal Revenue Service regulations. The Organization matched the first 3% of gross wages contributed for the years ended June 30, 2018 and 2017. Matching contributions for the years ended June 30, 2018 and 2017 totaled \$10,283 and \$12,691, respectively.

NOTE 10

RELATED PARTY TRANSACTIONS

For the year ended June 30, 2016 the Organization entered into a lease agreement with Foundry Square, LLC, a related party to the Executive Director. Rent payments to related party were \$25,700 and \$25,400 for the years ended June 30, 2018 and 2017, respectively. The payments were based on market studies and were Board approved.