

Financial Statements

National Diaper Bank Network, Inc.

(a nonprofit organization)

Years Ended June 30, 2021 and 2020



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DISCUSSION
DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Diaper Bank Network, Inc.
New Haven, Connecticut

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2021 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.

Report on Summarized Comparative Information

We have previously audited the National Diaper Bank Network, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meridian, Idaho
November 18, 2021

DISCUSSION
DRAFT

NATIONAL DIAPER BANK NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 2,685,549	\$ 1,728,468
Accounts receivable, net of allowance of \$8,858 and \$8,858, respectively	77,534	133,877
Prepaid expenses	<u>30,745</u>	<u>20,193</u>
Total Current Assets	2,793,828	1,882,538
Property and Equipment, net	<u>8,038</u>	<u>11,508</u>
Total Assets	<u>\$ 2,801,866</u>	<u>\$ 1,894,046</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 330,690	\$ 58,169
Accrued payroll and other liabilities	69,559	80,627
Deferred revenue	<u>98,405</u>	<u>103,425</u>
Total Liabilities	498,654	242,221
Net Assets		
Without donor restrictions	1,914,059	1,187,168
With donor restrictions	<u>389,153</u>	<u>464,657</u>
Total Net Assets	<u>2,303,212</u>	<u>1,651,825</u>
Total Liabilities and Net Assets	<u>\$ 2,801,866</u>	<u>\$ 1,894,046</u>

See notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2021
With Comparative Totals as of June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenue				
Contributions and grants	\$ 1,488,249	\$ 386,607	\$ 1,874,856	\$ 1,496,772
Diaper buying program	4,867,207		4,867,207	3,093,094
In-kind support	4,239,686		4,239,686	5,719,370
Member support	327,731		327,731	817,803
Interest	570		570	2,308
Other	15,481		15,481	41,226
	<u>10,938,924</u>	<u>386,607</u>	<u>11,325,531</u>	<u>11,170,573</u>
Net assets released from restrictions	<u>462,112</u>	<u>(462,112)</u>	<u>0</u>	<u>0</u>
Total Revenue and Other Support	11,401,036	(75,505)	11,325,531	11,170,573
Expenses				
Program Services	10,103,317	0	10,103,317	9,774,476
Supporting Services				
Management and general	289,086		289,086	198,698
Fundraising	<u>281,741</u>	<u></u>	<u>281,741</u>	<u>186,005</u>
Total Supporting Services	<u>570,827</u>	<u>0</u>	<u>570,827</u>	<u>384,703</u>
Total Expenses	<u>10,674,144</u>	<u>0</u>	<u>10,674,144</u>	<u>10,159,179</u>
Change in Net Assets	726,892	(75,505)	651,387	1,011,394
Net Assets				
Beginning of Year	<u>1,187,167</u>	<u>464,658</u>	<u>1,651,825</u>	<u>640,431</u>
End of Year	<u>\$ 1,914,059</u>	<u>\$ 389,153</u>	<u>\$ 2,303,212</u>	<u>\$ 1,651,825</u>

See notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

With Comparative Totals for the Year Ended June 30, 2020

	Program Services	Management & General	Fundraising	2021 Total	2020 Total
Operating Expenses					
Diaper buying expenses	\$ 4,613,006	\$	\$	\$ 4,613,006	\$ 2,994,542
In-kind expenses	4,239,686			4,239,686	5,719,370
Salaries and wages	681,710	208,845	199,915	1,090,470	950,404
Grants to others	373,645			373,645	206,733
Professional fees	105,038	56,595	24,973	186,606	109,454
Operational expenses	52,554	14,509	49,264	116,327	66,404
Occupancy	17,253	5,289	5,059	27,601	27,487
Travel and conferences	11,796	1,202		12,998	71,455
Insurance	6,460	1,981	1,894	10,335	9,860
Depreciation	2,169	665	636	3,470	3,470
Total Expenses	<u>\$ 10,103,317</u>	<u>\$ 289,086</u>	<u>\$ 281,741</u>	<u>\$ 10,674,144</u>	<u>\$ 10,159,179</u>

See notes to the financial statements

NATIONAL DIAPER BANK NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 651,387	\$ 1,011,394
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,470	3,470
Changes in operating assets and liabilities		
Accounts receivable	56,343	(20,309)
Prepaid expenses	(10,552)	(7,431)
Accounts payable	272,521	(2,879)
Accrued expenses	(11,068)	15,971
Deferred revenue	(5,020)	79,550
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	957,081	1,079,766
Cash - Beginning of Year	<hr/> 1,728,468	<hr/> 648,702
Cash - End of Year	<hr/> \$ 2,685,549	<hr/> \$ 1,728,468

See notes to financial statements.

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies

Nature of Organization

National Diaper Bank Network, Inc. (the Organization or NDBN) 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. Through awareness, assistance, and community, the National Diaper Bank Network is dedicated to helping individuals, children and families access the basic necessities they require to thrive and reach their full potential.

Programs

Network Assistance - NDBN mentors individuals and communities starting sustainable nonprofit programs that distribute diapers, period supplies and/or other material basic necessities to individuals, children, and families. NDBN also helps existing diaper banks and period supply programs do more with available resources. NDBN confers membership to programs that meet operational standards of success. NDBN also provides technical assistance tailored to the needs of member programs. NDBN offers free and fee-based opportunities and support services (e.g., bulk buying programs) to its members. Through its corporate sponsorships, NDBN distributes donated diapers, and other material basic needs goods, to its members. NDBN distributes more than 20 million diapers donated annually by sponsors Huggies. In addition, NDBN administers the over \$100,000 "Funds for Change" grant program, the only national competitive award given exclusively to diaper bank and period supply programs. NDBN also organizes and hosts the annual U.S. Conference on Poverty and Basic Needs to enhance professional development, organizational standards, and peer-to-peer collaboration.

Alliance for Period Supplies—an NDBN program—has distributed more than 30 million period products (pads and liners) donated by founding sponsor U by Kotex to more than 120 allied programs in the U.S. Programs also receive expert technical assistance as described above. Alliance for Period Supplies hosts the National Summit on Period Poverty Leadership as part of the U.S. Conference on Poverty and Basic Needs, which fosters collaboration and support among people and organizations working to address period poverty, period stigma, and menstrual equity in the United States.

Awareness - NDBN brings national attention to the issues of diaper need and period poverty by focusing on the impact that a lack of material basic needs has on children and families living in the U.S. Awareness is expanded through the educational outreach to the general public as well as local and national leaders via media and proprietary initiatives. As the recognized center of authority on diaper need in America, NDBN collects, analyzes, and reports relevant data to advance policy/advocacy efforts related to diaper need, child poverty, and the physical, mental and economic well-being of children and families. NDBN advocacy efforts include National Diaper Need Awareness Week and NDBN Lobby Day in D.C. (both annual events).

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Programs (Continued)

NDBN helps shape public opinion, foster academic research, and guide state and national policies.

Bulk Purchasing Program – Qualified NDBN and Alliance for Period Supplies member basic needs banks can participate in exclusive purchasing programs created by NDBN and supporting manufacturers. Eligible programs can place monthly, quarterly or annual orders of diapers and/or period supplies through NDBN and Alliance for Period Supplies, and receive shipments of diapers and/or period supplies at costs well below wholesale. Basic needs banks can leverage donated dollars to purchase more products at wholesale versus at retail. For example, programs can purchase twice as many diapers, on average, in the sizes most needed in the local community.

Basis of Accounting

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.

Basis of Presentation

The Organization reports net assets, revenues, expenses, gains and losses which are classified according to two classes of net assets: with donor restriction and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted, short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject National Diaper Bank Network, Inc. to significant concentrations of credit risk consist principally of cash and cash equivalents. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At June 30, 2021 and 2020, National Diaper Bank Network, Inc. had uninsured balances of \$369,693 and \$1,267,274, respectively.

Fixed Assets

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.

Fair Value

The Organization uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principle or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short term, highly liquid nature.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy and depreciation expenses are allocated based on estimate of square footage used in each functional category. Salaries and insurance expense are allocated based on the estimate of employee time spent in each functional category. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied.

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Deferred Revenue

The Organization receives membership dues in December for the following calendar year. One half of membership revenue for the following fiscal year is deferred until the start of the next fiscal year. Additionally orders that have been paid for, but not filled until the following year are recognized as deferred revenue on the balance sheet. Deferred revenue represents a contract liability on the statement of financial position.

Revenue Recognition

Contracts are entered into with customers for the exchange of diapers, period supplies and/or other material basic necessities. The contracts are short-term in nature and revenue is recognized when delivery and all other performance obligations have been fulfilled.

Grants and Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

In-kind Contributions

The Organization records in-kind transportation costs and in-kind goods based on the fair value hierarchy levels described in generally accepted accounting principles. 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. In-kind contributions are recognized as revenue when received and as expenditures when the resources are consumed.

Contributed Services

A substantial number of volunteers have contributed significant amounts of their time to the Organization's programs and activities. No amounts have been reflected in the financial statement for those services since they do not meet the criteria for recognition.

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Income Taxes

The National Diaper Bank Network, Inc. is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Presentation of Certain Taxes

The Organization collects various taxes from customers and remits these amounts to applicable taxing authorities. The Organization's accounting policy is to include these taxes in revenues and cost of sales.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for 2021 or 2020. The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is no longer subject to examination by the Internal Revenue Service for years before 2017.

Advertising Expense

The Organization expenses advertising as costs are incurred. Total advertising expense was \$5,963 and \$3,260 for the years ended June 30, 2021 and 2020, respectively.

Prior Year Comparative Totals

The financial statements included certain 2020 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2020 financial statements from which the summarized information was derived.

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated subsequent events through November 18, 2021, which is the date the financial statements were available to be issued.

Note B – Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 2,685,549
Accounts receivable, net	<u>77,534</u>
Total financial assets available within one year	2,763,083
Less amounts unavailable for general expenditures within one year, due to:	
Board-designated funds	367,221
Restricted by donors with purpose restrictions	<u>389,153</u>
Total amounts unavailable within one year	<u>756,374</u>
Total financial assets available within one year after restriction	<u>\$ 2,006,709</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At June 30, 2021, all net assets with donor restrictions are available for payment of (any major expenditures incurred), except for contributions receivable which are available when the receivable is collected which is expected within the next year and the expenditure is incurred.

NATIONAL DIAPER BANK NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS

Note C – Property and Equipment

At June 30, property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 3,185	\$ 3,185
Website and computer equipment	<u>22,294</u>	<u>22,294</u>
	25,479	25,479
Less accumulated depreciation	<u>17,441</u>	<u>13,971</u>
	<u>\$ 8,038</u>	<u>\$ 11,508</u>

For the years ended June 30, 2021 and 2020, the Organization recognized \$3,470 in depreciation expense in each year.

Note D – Net Assets

The Organization reports net assets according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The detail of the Organization's net asset categories at June 30, is as follows:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:	\$ 1,546,838	\$ 853,544
Board designated – operating reserves	<u>367,221</u>	<u>333,623</u>
Total without donor restrictions	1,914,059	604,375
With donor restrictions:		
Disaster relief	361,826	376,272
Economic analysis study	17,327	74,050
Molina for Ohio	0	14,336
Philadelphia	<u>10,000</u>	<u>0</u>
Total with donor restrictions	<u>389,153</u>	<u>464,658</u>
Total net assets	<u>\$ 2,303,212</u>	<u>\$ 1,651,825</u>

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note E – Operating Leases - Related Party

For the year ended June 30, 2021 the Organization has a lease agreement for office space with Foundry Square, LLC, a related party to the Chief Executive Officer. The lease was extended through October 2025 . Rent payments to the related party were \$25,800 for each of the years ended June 30, 2021 and 2020. The payments were based on market studies and were Board approved. 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 future minimum lease payments under all agreements are as follows:

2022	\$	25,800
2023		25,800
2024		25,800
2025		<u>8,600</u>
	\$	<u>86,000</u>

Note F – In-kind Support

The organization receives in-kind contributions of diapers, transportation, and various supplies. The in-kind contributions for the year ended June 30, is as follows:

	<u>2021</u>	<u>2020</u>
Diapers	\$ 1,530,702	\$ 3,906,225
Transportation	306,140	781,245
Basic needs supplies	<u>2,402,844</u>	<u>1,031,900</u>
Total in-kind contributions	<u>\$ 4,239,686</u>	<u>\$ 5,719,370</u>

NATIONAL DIAPER BANK NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note G – Member Administration Fees and Diaper Buying Program

The Organization facilitates the delivery of donated diapers to local/regional diaper banks. The Organization charges an administrative fee to member organizations of approximately \$6,000 per truckload of donated diapers, but the fee fluctuates based on actual product received, shipping time, and distance. For the years ended June 30, 2021 and 2020, \$201,850 and \$714,900 were collected in administrative fees, respectively.

The Organization developed a diaper buying program where the Organization facilitates the purchase of diapers for local/regional diaper banks. For the years ended June 30, 2021 and 2020, \$4,867,207 and \$3,068,644 was collected from the banks for the purchase of diapers and other basic needs, respectively. This income was offset by an expense of \$4,613,006 and \$2,994,542 in fiscal years 2021 and 2020, respectively.

Note H – 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, 2021 and 2020. Matching contributions for the years ended June 30, 2021 and 2020 were \$23,177 and \$21,672, respectively.