

NATIONAL DIAPER BANK NETWORK, INC.
Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

National Diaper Bank Network, Inc.
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June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Diaper Bank Network, Inc.:

Opinion

We have audited the financial statements of National Diaper Bank Network, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 National Diaper Bank Network, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

Leases

As described in Note 2, the Organization adopted Topic 842, Leases, as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 840. Our conclusion is not modified with respect to this matter.

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 National Diaper Bank Network, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Diaper Bank Network, Inc.'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 National Diaper Bank Network, Inc.'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.

Withum Smith & Brown, PC

October 31, 2023

National Diaper Bank Network, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 3,357,977	\$ 3,448,775
Accounts receivable, net of allowance of \$8,858	455,333	154,715
Prepaid expenses	<u>21,109</u>	<u>38,443</u>
Total current assets	3,834,419	3,641,933
Right-of-use-asset	59,531	-
Property and equipment, net	<u>91,921</u>	<u>67,093</u>
Total assets	<u>\$ 3,985,871</u>	<u>\$ 3,709,026</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 506,676	\$ 577,324
Accrued payroll and other liabilities	95,370	59,515
Operating lease liability	25,344	-
Deferred revenue	<u>199,050</u>	<u>176,446</u>
Total current liabilities	<u>826,440</u>	<u>813,285</u>
Long-term liabilities		
Operating lease liability	<u>34,187</u>	<u>-</u>
Total long-term liabilities	<u>34,187</u>	<u>-</u>
Total liabilities	860,627	813,285
Net assets		
Without donor restrictions	2,980,749	2,616,850
With donor restrictions	<u>144,495</u>	<u>278,891</u>
Total net assets	<u>3,125,244</u>	<u>2,895,741</u>
Total liabilities and net assets	<u>\$ 3,985,871</u>	<u>\$ 3,709,026</u>

The Notes to Financial Statements are an integral part of these statements.

National Diaper Bank Network, Inc.
Statements of Activities
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Contributions and grants	\$ 1,380,919	\$ 503,982	\$ 1,884,901	\$ 2,024,892
Bulk purchasing program	8,460,633	-	8,460,633	5,079,518
In-kind support	3,734,586	-	3,734,586	5,320,103
Contract income	948,100	-	948,100	50,000
Member dues	61,782	-	61,782	10,544
Member administration fee	561,825	-	561,825	404,330
Interest	82,099	-	82,099	3,820
Other	36,687	-	36,687	63,376
Net assets released from restrictions	<u>638,378</u>	<u>(638,378)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>15,905,009</u>	<u>(134,396)</u>	<u>15,770,613</u>	<u>12,956,583</u>
Expenses				
Program services	14,653,597	-	14,653,597	11,747,256
Supporting services				
Management and general	552,290	-	552,290	293,138
Fundraising	<u>335,223</u>	<u>-</u>	<u>335,223</u>	<u>323,660</u>
Total supporting services	<u>887,513</u>	<u>-</u>	<u>887,513</u>	<u>616,798</u>
Total expenses	<u>15,541,110</u>	<u>-</u>	<u>15,541,110</u>	<u>12,364,054</u>
Change in net assets	363,899	(134,396)	229,503	592,529
Net assets				
Beginning of year	<u>2,616,850</u>	<u>278,891</u>	<u>2,895,741</u>	<u>2,303,212</u>
End of year	<u>\$ 2,980,749</u>	<u>\$ 144,495</u>	<u>\$ 3,125,244</u>	<u>\$ 2,895,741</u>

The Notes to Financial Statements are an integral part of these statements.

National Diaper Bank Network, Inc.
Statements of Functional Expenses
Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023						2022			
	Program Services					Total Program	Supporting Services		Total Expenses	Total Expenses
	Network Assistance	Alliance for Period Supplies	Awareness Services	Research Institute	Other Programs		Management and General	Fundraising		
Operating expenses										
Cost of bulk purchasing program	\$ 7,844,087	\$ -	\$ -	\$ -	\$ -	\$ 7,844,087	\$ -	\$ -	\$ 7,844,087	\$ 4,703,230
In-kind expenses	2,992,595	741,991	-	-	-	3,734,586	-	-	3,734,586	5,320,103
Salaries and wages	249,291	168,523	422,213	-	343,283	1,183,310	336,665	248,297	1,768,272	1,412,096
Grants to others	220,240	205,372	147	-	693,174	1,118,933	-	-	1,118,933	348,926
Professional fees	4,497	1,955	130,759	191,334	71,622	400,167	114,737	23,757	538,661	346,551
Operational expenses	43,455	21,618	21,189	-	117,077	203,339	31,228	62,908	297,475	164,579
Occupancy	-	-	-	-	-	-	29,743	-	29,743	29,989
Travel and conferences	15,646	3,858	38,352	-	107,070	164,926	21,432	261	186,619	22,347
Insurance	-	-	4,249	-	-	4,249	7,182	-	11,431	12,763
Depreciation and amortization	-	-	-	-	-	-	11,303	-	11,303	3,470
Total expenses	\$ 11,369,811	\$ 1,143,317	\$ 616,909	\$ 191,334	\$ 1,332,226	\$ 14,653,597	\$ 552,290	\$ 335,223	\$ 15,541,110	\$ 12,364,054

The Notes to Financial Statements are an integral part of these statements.

National Diaper Bank Network, Inc.
Statements of Cash Flows
Years Ended June 30, 2023, and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ 229,503	\$ 592,529
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	11,303	3,470
Non-cash operating lease expense	25,800	-
Changes in operating assets and liabilities		
Accounts receivable	(300,618)	(77,181)
Prepaid expenses	17,334	(7,698)
Accounts payable	(70,648)	246,634
Accrued payroll and other liabilities	35,855	(10,044)
Operating lease liability	(25,800)	-
Deferred revenue	22,604	78,041
Net cash provided by (used in) operating activities	<u>(54,667)</u>	<u>825,751</u>
Investing activities		
Purchases of property and equipment	<u>(36,131)</u>	<u>(62,525)</u>
Net cash used in investing activities	<u>(36,131)</u>	<u>(62,525)</u>
Net change in cash	(90,798)	763,226
Cash		
Beginning of year	<u>3,448,775</u>	<u>2,685,549</u>
End of year	<u>\$ 3,357,977</u>	<u>\$ 3,448,775</u>

The Notes to Financial Statements are an integral part of these statements.

National Diaper Bank Network, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

1. NATURE OF OPERATIONS

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 Organization is dedicated to helping individuals, children and families access the basic necessities they require to thrive and reach their full potential.

The following is a brief description of the significant program services of NDBN:

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 sponsor 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.

Bulk Purchasing Program

As part of NDBN's Network Assistance 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.

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).

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

National Diaper Bank Network, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As such net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are referred to as Board designated net assets and are also reported as net assets without donor restrictions. As of June 30, 2023 and 2022, there were \$476,389 and \$400,138, respectively, in net assets without donor restrictions that were subject to Board designations.

Net assets with donor restrictions: Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and highly liquid financial instruments that are readily convertible into cash and purchased with original maturities of three months or less.

Accounts Receivable

Receivables are carried at the original invoice amounts less an estimate made for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by annually evaluating individual receivables and considering the financial condition, credit history, and current economic conditions of the creditors. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded in revenue when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than ninety days. However, the Association does not charge interest on past due receivables. The allowance for doubtful accounts was \$8,858 at June 30, 2023 and 2022.

National Diaper Bank Network, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Accounts receivable were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 154,715	\$ 77,534
End of year	\$ 455,333	\$ 154,715

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization are 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.

Intangible assets of the Organization are included in property and equipment and consist of website and database development costs. These costs enhance the Organization's website and online operations. The Organization capitalizes costs associated with internally developed and/or purchased systems for new products that have reached the application stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining the applications and begins when the preliminary project stage is complete and ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortized over the anticipated useful life using the straight-line method, beginning in the month the software or website is placed in service over their estimated useful life of three to five years. Other costs, such as maintenance and training, are expensed as incurred.

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023 or 2022.

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.

National Diaper Bank Network, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

The following table provides information about significant changes in the deferred revenue for the years ended June 30, 2023 and 2022, respectively:

	2023		
	Bulk Purchasing Program	Membership Dues	Total
As of July 1, 2021	\$ 68,374	\$ 30,031	\$ 98,405
Revenue recognized during the year	(68,374)	(30,031)	(98,405)
Increases in deferred revenue	<u>143,696</u>	<u>32,750</u>	<u>176,446</u>
As of June 30, 2022	143,696	32,750	176,446
Revenue recognized during the year	(143,696)	(32,750)	(176,446)
Increases in deferred revenue	<u>162,750</u>	<u>36,300</u>	<u>199,050</u>
As of June 30, 2023	<u>\$ 162,750</u>	<u>\$ 36,300</u>	<u>\$ 199,050</u>

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Contributions are reported as with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. Contributions with donor restrictions, whose restrictions are met in the same reporting period, are reported as revenue without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor-restricted support that increases the net asset class.

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. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give outstanding as of June 30, 2023.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when NDBN satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration NDBN expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, NDBN combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as unearned income in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. Contracts are entered into with customers for the exchange of services, 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.

National Diaper Bank Network, Inc.
Notes to Financial Statements
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Membership Dues

Membership dues are comprised of an exchange element based on the benefits received and include a bundle of membership benefits that represent the performance obligation. NDBN has concluded the performance obligations related to member benefits are satisfied throughout the membership period, as member benefits are received and consumed simultaneously during the membership period. Such membership dues are recognized ratably over time over the applicable dues period. Membership dues received that are applicable to the following year are included in deferred revenue in the accompanying statement of financial position.

Bulk Purchasing Program and Administrative Fees

The Organization facilitates purchase of diapers for local/regional diaper banks (Note 8). The criteria for revenue recognition is met with respect to the sales of diapers and related basic need products when they are shipped to the customer. The delivery of products to customers occurs via drop-shipment by a third-party vendor. The Organization leverages drop-ship arrangements with several vendors to deliver products to customers without having to physically hold inventory. In such arrangements, the Organization negotiates the sale price with the customer, pays the supplier directly for the product shipped, and is ultimately responsible for the acceptability of the product and ensuring that such product meets the standards and requirements of the customer. As a result, the Organization recognizes the sale of the product and the cost of such upon receiving notification from the supplier that the product has shipped. NDBN also earns administrative fees after the product is shipped and the control passes to the member organizations.

Contract Income

The Organization performs services related to the development, implementation, and evaluation of targeted outreach to strengthen vaccine confidence among parents and caregivers of member diaper banks.

Special Events and Conference

Special events include the National Diaper Need Awareness Week and the NDBN lobby day and the annual conference. Revenues and expenses for these events are recorded in the period the performance obligation is met. Performance obligations are met when the events are held. Amounts collected in advance, if any, are recorded as deferred revenue. Revenues are recorded at a point in time for special events and conferences.

Revenue from all other sources is recognized when earned.

Contributed Goods and Services

Donated professional services that require a specialized skillset and which the Organization would have paid for if not donated are recorded as in-kind contributions at the respective fair values of the services received. Donated assets such as contributions of diapers and various supplies are recorded in the financial statements as assets and revenue at their estimated fair market value on the date the assets are contributed. The Organization received in-kind donated goods and services in the amount of \$3,734,586 and \$5,320,103 for the years ended June 30, 2023 and 2022, respectively.

National Diaper Bank Network, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied		
Point in time	\$ 10,007,245	\$ 5,547,224
Over time	<u>61,782</u>	<u>60,544</u>
	<u>10,069,027</u>	<u>5,607,768</u>
Non-exchange transactions		
Contributions	1,884,901	2,024,892
In-kind support	<u>3,734,586</u>	<u>5,320,103</u>
	<u>5,619,487</u>	<u>7,344,995</u>
Total revenue	<u>\$ 15,688,514</u>	<u>\$ 12,952,763</u>

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.

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. Occupancy and operational expenses are allocated based on estimate of square footage used in each functional category. Salaries, professional fees, 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.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Organization had no finance leases during 2023 and 2022.

Certain lease contracts may include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives, using a discount rate based on the risk-free rate at time of lease execution or adoption. Right of use assets are recognized based on the initial present value of the fixed lease payments, reduced by any incentives and any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

National Diaper Bank Network, Inc.
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June 30, 2023 and 2022

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

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.

Uncertain Tax Positions

US GAAP requires management to evaluate tax positions taken by NDBN and recognize a tax liability (or asset) if NDBN has taken an uncertain position that more likely than not would be sustained upon examination by applicable taxing authorities. For the years ended June 30, 2023 and 2022, NDBN has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. There has been no tax related interest or penalties for the periods presented in these financial statements.

Advertising Expense

The Organization expenses advertising as costs are incurred. Total advertising expense was \$11,551 and \$8,044 for the years ended June 30, 2023 and 2022, respectively.

Significant Accounting Pronouncements Adopted

Leases

On July 1, 2022, the Organization adopted Accounting Standards Codification Topic 842, Leases, (“ASC 842”), which supersedes Accounting Standards Codification Topic 840, Leases, (“ASC 840”)

The new standard is effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to statements of activities or cash flows for the year ended June 30, 2023.

Upon adoption, the Organization recognized \$84,625 in right-of-use (“ROU”) assets related to its leased office. Corresponding lease liabilities of \$84,625 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

Contributed Non-Financial Assets

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) (“ASU 2020-07”) which is effective for fiscal years beginning after June 15, 2021 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations.

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During 2023, the Organization adopted the presentation and disclosure requirements of FASB ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). This ASU requires presentation of contributed nonfinancial assets apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The adoption of this ASU had no material impact on the financial statements with the exception of increased disclosures and reclassification on the 2022 statement of functional expenses for in-kind donations to the natural classification.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,357,977	\$ 3,448,775
Accounts receivable, net	<u>455,333</u>	<u>154,715</u>
Total financial assets available within one year	<u>3,813,310</u>	<u>3,603,490</u>
Less: Amounts unavailable for general expenditures within one year, due to:		
Board-designated funds	(476,389)	(400,138)
Restricted by donors with purpose restrictions	<u>(144,495)</u>	<u>(278,891)</u>
Total amounts unavailable within one year	<u>(620,884)</u>	<u>(679,029)</u>
Total financial assets available within one year after restriction	<u>\$ 3,192,426</u>	<u>\$ 2,924,461</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, 2023 and 2022, 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.

4. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 3,185	\$ 3,185
Website and computer equipment	<u>120,950</u>	<u>84,819</u>
	124,135	88,004
Less: Accumulated depreciation and amortization	<u>(32,214)</u>	<u>(20,911)</u>
	<u>\$ 91,921</u>	<u>\$ 67,093</u>

For the years ended June 30, 2023 and 2022, the Organization recognized \$11,303 and \$3,470 in depreciation and amortization expense, respectively.

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5. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, net assets with donor restrictions consisted of the following purpose restrictions:

	<u>Balance at</u> <u>6/30/22</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at</u> <u>6/30/23</u>
Disaster relief	\$ 273,891	\$ 2,521	\$ (137,245)	\$ 139,168
Brooklyn and Bailey	-	210,698	(210,698)	-
BDBC	-	5,763	(433)	5,329
Research Institute	-	185,000	(185,000)	-
Cohen	-	100,000	(100,000)	-
Philadelphia	5,000	-	(5,000)	-
	<u>\$ 278,891</u>	<u>\$ 503,982</u>	<u>\$ (638,376)</u>	<u>\$ 144,497</u>

At June 30, 2022, net assets with donor restrictions consisted of the following purpose restrictions:

	<u>Balance at</u> <u>6/30/21</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at</u> <u>6/30/22</u>
Disaster relief	\$ 361,826	\$ 46,923	\$ (134,858)	\$ 273,891
Economic analysis study	17,327	100,000	(117,327)	-
Random Tuesday	-	30,000	(30,000)	-
Huggies Milwaukee	-	50,000	(50,000)	-
Philadelphia	10,000	-	(5,000)	5,000
	<u>\$ 389,153</u>	<u>\$ 226,923</u>	<u>\$ (337,185)</u>	<u>\$ 278,891</u>

6. OPERATING LEASES – RELATED PARTY

For the year ended June 30, 2022, 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. At June 30, 2023, the Company's discount rate was 0.995%. The weighted average remaining life of the operating lease was 28 months at June 30, 2023. Rent payments to the related party were \$25,800 for each of the years ended June 30, 2023 and 2022. 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. Cash paid for lease liabilities for the year ended June 30, 2023 totaled \$25,800.

The future minimum lease payments under all agreements are as follows:

2024	\$ 25,800
2025	25,800
2026	<u>8,600</u>
	60,200
Less: Amount representing interest	<u>(669)</u>
Operating lease liability	<u>\$ 59,531</u>

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7. IN-KIND SUPPORT

The Organization receives in-kind contributions of diapers, transportation, and various related supplies. In-kind contributions received are reported at their estimated fair value on the date of receipt and reported as expenses when utilized. The in-kind contributions received are not monetized and do not have any donor-imposed restrictions. The in-kind contributions for the year ended June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Diapers	\$ 2,219,592	\$ 1,507,506
Transportation	443,918	301,501
Basic needs supplies	<u>1,071,075</u>	<u>3,511,096</u>
Total in-kind contributions	<u>\$ 3,734,586</u>	<u>\$ 5,320,103</u>

8. MEMBER ADMINISTRATION FEES AND BULK PURCHASING 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, 2023 and 2022, \$563,075 and \$404,330 were collected in administrative fees, respectively.

The Organization developed a bulk purchasing program where the Organization facilitates the purchase of diapers for local/regional diaper banks. For the years ended June 30, 2023 and 2022, \$8,460,633 and \$5,079,518 was collected from the banks for the purchase of diapers and other basic needs, respectively. This income was offset by an expense of \$7,696,352 and \$4,703,230 in fiscal years 2023 and 2022, respectively.

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, 2023 and 2022. Matching contributions for the years ended June 30, 2023 and 2022, were \$44,833 and \$21,541, respectively.

10. RISKS AND UNCERTAINTIES

Concentration of Credit Risk

The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of activities, and cash flows. The Organization's accounts receivable arises as a result of agreements with third parties to provide specified services. The accounts receivables are monitored on a monthly basis and are not collateralized.

Concentration of Suppliers

As of June 30, 2023, there was one supplier who had 93% of concentration and as of 2022, two suppliers represented approximately 100% of accounts payable and purchases.

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Economic Dependency

The Organization is subject to risks incidental to the diaper and basic need supplies industry. These include, among others, the risks normally associated with the changes in the general economic climate, trends in the diaper and basic need supplies industry and changes in tax laws.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through October 31, 2023, which is the date the financial statements were available to be issued and has determined the following events occurred that require disclosure in the financial statements:

On September 27, 2023, the Organization signed a lease termination agreement with its current landlord to end its lease and vacate the premises by October 31, 2023. The Organization was not liable to pay any penalties or early termination charges as part of this agreement and will move to a new location whereas the term of the new contract will be month-to-month.