

DIAPER BANK OF NORTH CAROLINA

REVIEWED
FINANCIAL STATEMENTS

DECEMBER 31, 2016

Diaper Bank of North Carolina

Contents

	Page
Independent Accountant's Report.....	3
Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8-10

Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

Independent Accountant's Report

Board of Directors
Diaper Bank of North Carolina
Durham, North Carolina

We have reviewed the accompanying statement of financial position of Diaper Bank of North Carolina (the Organization) (a not-for-profit organization) as of December 31, 2016 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Mark S. Danes, CPA, PLLC

September 25, 2017

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Diaper Bank of North Carolina
Statement of Financial Position
December 31, 2016

Assets	
Cash and cash equivalents	\$ 80,935
Inventory	559,650
Property and Equipment	
Furniture and equipment	3,498
Less accumulated depreciation	<u>(990)</u>
	<u>2,508</u>
Total assets	<u><u>\$ 643,093</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 2,023
Other liabilities	<u>1,152</u>
Total liabilities	<u>3,175</u>
Net Assets	
Unrestricted	638,493
Temporarily restricted	<u>1,425</u>
Total net assets	<u>639,918</u>
Total liabilities and net assets	<u><u>\$ 643,093</u></u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Activities
For the Year Ended December 31, 2016

Unrestricted Net Assets	
Support and Revenue	
Grants and contributions	\$ 761,966
Special events - revenue	37,439
Special events - expense	(19,729)
Other revenue	413
Net assets released from restrictions	<u>8,575</u>
Total unrestricted support, revenue and reclassifications	<u>788,664</u>
Expenses	
Program services	436,163
Management and general	46,016
Fundraising	<u>17,189</u>
Total expenses	<u>499,368</u>
Change in unrestricted net assets	<u>289,296</u>
Temporarily Restricted Net Assets	
Net assets released from restrictions	<u>(8,575)</u>
Change in temporarily restricted net assets	<u>(8,575)</u>
Change in net assets	280,721
Beginning net assets	<u>359,197</u>
Ending net assets	<u><u>\$ 639,918</u></u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program supplies	\$ 328,572	\$ 513	\$ -	\$ 329,085
Salaries and wages	51,747	25,874	8,625	86,246
Occupancy	28,414	13,798	4,599	46,811
NDB Network affiliate fee	12,000	-	-	12,000
Office expenses	4,522	1,055	9	5,586
Travel	2,182	2,182	-	4,364
Professional fees	2,854	647	186	3,687
Insurance	1,461	974	-	2,435
Advertising	283	-	1,915	2,198
Depreciation	700	-	-	700
Information technology	441	-	147	588
Miscellaneous expenses	2,987	973	1,708	5,668
	<u>\$ 436,163</u>	<u>\$ 46,016</u>	<u>\$ 17,189</u>	<u>\$ 499,368</u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows From Operating Activities	
Change in net assets	\$ 280,721
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	700
Changes in assets and liabilities:	
Accounts receivable	539
Inventory	(255,223)
Accounts payable	(450)
Other liabilities	1,152
Net cash provided by (used in) operating activities	<u>27,439</u>
Cash Flows From Investing Activities	
Net cash provided by (used in) investing activities	<u>-</u>
Cash Flows From Financing Activities	
Net cash provided by (used in) financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	27,439
Cash and cash equivalents at beginning of year	<u>53,496</u>
Cash and cash equivalents at end of year	<u><u>\$ 80,935</u></u>
Supplemental Disclosures	
Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2016

Note 1 - Nature of Activities

Diaper Bank of North Carolina (The Organization) is a nonprofit organization formed in 2013. With the assistance of partnering organizations, it distributes diapers and other hygiene products to low-income families. The Organization currently serves 16 counties across the state of North Carolina.

The Organization derives its revenue primarily from private foundation grants and contributions from the general public. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under section 509(a)(2). It would be responsible for unrelated business income taxes, if any.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Statement of Cash Flows

For the purposes of the statement of cash flows, highly liquid investments with original maturities of three months or less are considered cash equivalents.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with an original cost or donated value of \$500 or more and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded as revenue at their estimated fair value as of the date of the contribution. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed over the straight-line method over the estimated useful lives of the assets (5 years). Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities for the period.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists primarily of diapers, and other personal care products, for children and adults and is stated at fair value on the first-in, first-out basis. A significant portion of inventory has been donated to the Organization.

Accounts Receivable, Promises to Give and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Program service revenue is recognized when the underlying services are performed.

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was necessary for the year presented.

Uncertain Tax Positions

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. It should be noted that the prior three tax years remain subject to examination by major tax jurisdictions.

Functional Allocation of Expenses

The costs of providing program 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.

Note 3 - Restriction on Net Assets

Temporarily restricted net assets at December 31, 2016 consisted of funds set aside by the donor for potty training efforts.

Note 4 - Donated Use of Space / Related Party Transactions

In 2016, the Organization had separate arrangements with a limited liability company (LLC), a university and a church that allowed it to lease space at far below market value, with little or no cash outlays required. All three arrangements were for twelve months or less in 2016. The total donated use of space measured as both revenue and expense in the accompanying statement of activities is \$45,992. This includes a donation of \$37,992 from the LLC that is owned by a member of the Board of Directors of the Organization.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2016

Note 5 - Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and supporting activities. Management estimates that the Organization receives approximately 7,200 volunteer hours for the year ended December 31, 2016. These donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Note 6 - Subsequent Events / Related Party Transactions

In September 2017, the Organization signed a two year lease for warehouse space with the aforementioned LLC. The terms call for monthly payments of \$4,150 through August 2019.

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2016 through September 25, 2017, which is the date these financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.