

DIAPER BANK OF NORTH CAROLINA

REVIEWED
FINANCIAL STATEMENTS

DECEMBER 31, 2021

Diaper Bank of North Carolina

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Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

Independent Accountant's Report

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

We have reviewed the accompanying financial statements of Diaper Bank of North Carolina (the Organization) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 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. 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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

August 9, 2022

Diaper Bank of North Carolina
Statement of Financial Position
December 31, 2021

Assets	
Cash and cash equivalents	\$ 353,439
Promises to give	98,359
Accounts receivable	1,359
Inventory	2,422,089
Prepaid expenses	1,275
Property and Equipment	
Vehicles	88,696
Furniture and equipment	4,849
Less accumulated depreciation	<u>(42,954)</u>
	<u>50,591</u>
Total assets	<u><u>\$ 2,927,112</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 714
Long-term debt	<u>37,104</u>
Total liabilities	<u><u>37,818</u></u>
Net Assets	
Without donor restrictions	2,828,027
With donor restrictions	<u>61,267</u>
Total net assets	<u><u>2,889,294</u></u>
Total liabilities and net assets	<u><u>\$ 2,927,112</u></u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Activities
For the Year Ended December 31, 2021

Without donor restrictions

Support and Revenue	
Grants and contributions	\$ 3,673,156
Special events - net	9,131
Other revenue	1,936
Total support, revenue and reclassifications	3,684,223

Expenses

Program services	2,511,069
Management and general	122,340
Fundraising	40,949
Total expenses	2,674,358

Change in net assets	1,009,865
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With donor restrictions

Contributions	61,267
Net assets released from restrictions	-
Change in net assets with donor restrictions	61,267

Change in net assets	1,071,132
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Beginning net assets	1,818,162
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Ending net assets	\$ 2,889,294
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See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
Program supplies	\$ 2,218,531	\$ -	\$ -	\$ 2,218,531
Salaries, wages and benefits	154,720	30,944	20,629	206,293
Occupancy	98,749	49,375	16,458	164,582
Travel	9,413	141	-	9,554
Depreciation	11,467	-	-	11,467
Office expenses	4,673	5,223	307	10,203
Insurance	4,037	2,692	-	6,729
Professional fees	-	26,206	-	26,206
Meetings	-	3,750	1,045	4,795
Interest	-	2,858	-	2,858
Advertising	856	-	214	1,070
Information technology	6,443	-	2,148	8,591
Miscellaneous expenses	2,180	1,151	148	3,479
	<u>\$ 2,511,069</u>	<u>\$ 122,340</u>	<u>\$ 40,949</u>	<u>\$ 2,674,358</u>

See accompanying notes to financial statements.

Diaper Bank of North Carolina
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows From Operating Activities	
Change in net assets	\$ 1,071,132
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Forgiven PPP loan	(38,200)
Donated assets received	(3,053,931)
Donations of inventory to others	2,211,537
Depreciation expense	11,467
Changes in assets and liabilities	
Promises to give	(98,359)
Accounts receivable	1,575
Inventory	(64,771)
Prepaid expenses	(1,275)
Accounts payable	244
Net cash provided by (used in) operating activities	<u>39,419</u>
Cash Flows From Financing Activities	
Payments on long-term debt	<u>(15,518)</u>
Net cash provided by (used in) financing activities	<u>(15,518)</u>
Net increase (decrease)	23,901
Cash, cash equivalents and restricted cash at start of year	<u>329,538</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 353,439</u>
Supplemental Disclosures	
Cash paid for interest	<u>\$ 2,858</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, 2021

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 the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be permanent in nature, whereby the donors have stipulated the funds be maintained in perpetuity.

General Expenditures

The Organization considers the costs related to its normal activities to be general expenditures unless such costs are limited by the donors for specified, restricted purposes. Accordingly, the related resources for the latter have been excluded in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Cash, Cash Equivalents and Restricted Cash

As a general rule, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There was no restricted cash for the period presented.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable, Promises to Give and Revenue Recognition

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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 restrictions.

Receivables and promises to give are stated at the amount management expects to collect from balances outstanding at year end. The Organization uses the allowance method to determine uncollectible receivables and promises to give. The allowance is based on prior years' experience and management's analysis of specific amounts outstanding at year end. No allowance was considered necessary at December 31, 2021

Inventory

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

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 (3 to 7 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.

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.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The allocation of staffing expenses is based on time and effort studies of the Organization's employees. The remaining categories on the statement of functional expenses are allocated based on approximate direct usage.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. ASU 2016-02 changes how an entity reports and measures all leases of property, plant, and equipment. The ASU is effective for annual periods beginning after December 15, 2021. Management is evaluating the impact the update will have on the Organization's financial statements.

Note 3 - Concentrations

The Organization's accounts at various financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may at times exceed the federally insured limits. At December 31, 2021, cash deposits exceeded FDIC limits by \$104,304. The Organization has never experienced any losses in such accounts.

Note 4 - Conditional Grants

Conditional grants to the Organization at December 31, 2021 consist of \$32,500 from three grantors that are contingent on future activities of the Organization in 2022. No amount has been reflected in the accompanying financial statements for these arrangements.

Note 5 - Forgivable Loan from the Small Business Administration

In the Spring of 2020, the Organization received a forgivable loan of \$38,200 with an interest rate of 1% under the Paycheck Protection Program implemented by the Small Business Administration (SBA) with support from the U.S. Department of the Treasury.

Based on the SBA criteria and the loan agreement, the Organization expected the loan to be fully forgiven. If repayment of this loan had become necessary, it would have occurred ratably over 60 months beginning in February 2022.

The PPP loan was formally forgiven in February 2021 and taken into revenue at that time.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2021

Note 6 - Long-Term Debt

Long-term debt consists of a note from a bank bearing interest at 6.25%, with monthly installments of \$1,529, including interest, with a final payment of principal and interest due in December 2024, secured by a vehicle. Future maturities of debt are \$16,687; \$18,023 and \$2,394 for calendar years 2022 through 2024, respectively.

Note 7 - Restricted Net Assets

Net assets with donor restrictions were as follows at December 31, 2021:

Passage of time:		
Promises to give	\$	37,500
Specific purpose:		
Payroll and benefits and other operating costs		<u>23,767</u>
	\$	<u><u>61,267</u></u>

Note 8 - Operating Leases / Related Party Transactions

In June 2018, the Organization entered into lease arrangement for a period of five years and three months for warehouse space in Winston-Salem, North Carolina. The lease calls for initial monthly payments of \$1,613 that will increase by 2% each year. A straight-line recognition of expenses to account for the rent escalations is not considered necessary.

In April 2021, the Organization signed a lease for office and warehouse space in Durham with a limited liability company (LLC) that is owned by a member of the Board of Directors of the Organization. The lease calls for initial monthly payments of \$10,349 that will increase by 3% each year. A straight-line recognition of expenses to account for the rent escalations is not considered necessary.

Total expense in 2021 for these arrangements was \$130,725. Future minimum lease payments at December 31, 2021 for lease agreements are as follows:

2022	\$	147,659
2023		151,885
2024		134,724
2025		138,763
2026		<u>34,945</u>
	\$	<u><u>607,976</u></u>

Note 9 - 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 2,850 volunteer hours for the year ended December 31, 2021. 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.

Diaper Bank of North Carolina
Notes to Financial Statements
December 31, 2021

Note 10 - Contingencies

Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Management is not aware of any disallowable costs or instances of noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.

Note 11 - Subsequent Events

Effective March 2022, the Organization entered into a lease arrangement for a period of forty-seven months and thirteen days for office and warehouse space in Charlotte, North Carolina. The lease calls for initial monthly payments of \$5,480 that will increase by 4% each year beginning on April 1, 2023, which results in final monthly payments of \$6,164.

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2021 through August 9, 2022, 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.

Note 12 - Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 353,439
Promises to give	98,359
Accounts receivable	<u>1,359</u>
Total financial assets	453,157
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(61,267)
Plus net assets with time restrictions to be met in less than a year	<u>37,500</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 429,390</u></u>

The Organization's goal is generally to maintain financial assets to meet 182 days of operating expenses (approximately \$72,000). As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested a money market account with a higher interest rate.