

# **Nashville Diaper Connection**

Financial Statements  
For the Year Ended December 31, 2020

**Nashville Diaper Connection**  
Financial Statements  
For the Year Ended December 31, 2020

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## Independent Auditor's Report

Board of Directors  
Nashville Diaper Connection

### Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Diaper Connection, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2020, 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.

### Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Diaper Connection as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC".

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
June 9, 2021

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**Nashville Diaper Connection**  
Statement of Financial Position  
December 31, 2020

**Assets**

Cash	\$ 43,292
Grants and contributions receivable	165,957
Inventory	89,155
Property and equipment, net	<u>17,923</u>
Total assets	<b>\$ 316,327</b>

**Net Assets**

Without donor restrictions	62,453
With donor restrictions	<u>253,874</u>
Total net assets	<b>\$ 316,327</b>

**Nashville Diaper Connection**  
Statement of Activities  
For the Year Ended December 31, 2020

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Grants	\$ 225,564	\$ 214,678	\$ 440,242
Contributions	141,986	-	141,986
Sponsors and partners	53,889	39,196	93,085
Donated diapers	186,865	-	186,865
Net assets released from restrictions	-	-	-
Total support and revenues	<u>608,304</u>	<u>253,874</u>	<u>862,178</u>
<b>Expenses</b>			
Program services	601,318	-	601,318
Management and general	28,232	-	28,232
Fundraising	<u>28,310</u>	<u>-</u>	<u>28,310</u>
Total expenses	<u>657,860</u>	<u>-</u>	<u>657,860</u>
Change in net assets	(49,556)	253,874	204,318
Net assets, beginning of year	<u>112,009</u>	<u>-</u>	<u>112,009</u>
Net assets, end of year	<b>\$ 62,453</b>	<b>\$ 253,874</b>	<b>\$ 316,327</b>

**Nashville Diaper Connection**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Personnel	\$ 142,679	\$ 18,750	\$ 22,500	\$ 183,929
Diapers	379,902	-	-	379,902
Advertising	-	-	3,117	3,117
Connections event supplies	5,416	-	-	5,416
Depreciation	7,389	821	-	8,210
Information technology	6,963	915	1,098	8,976
Insurance	5,038	662	795	6,495
Interest	-	954	-	954
Occupancy	18,437	2,048	-	20,485
Office supplies	3,645	478	575	4,698
Postage and shipping	1,425	187	225	1,837
Printing and copying	9,298	-	-	9,298
Professional fees	-	1,700	-	1,700
Repairs and maintenance	3,627	-	-	3,627
Truck and travel	8,505	945	-	9,450
Volunteer appreciation	2,041	-	-	2,041
Other	6,953	772	-	7,725
	<b>\$ 601,318</b>	<b>\$ 28,232</b>	<b>\$ 28,310</b>	<b>\$ 657,860</b>

**Nashville Diaper Connection**  
Statement of Cash Flows  
For the Year Ended December 31, 2020

Cash, beginning of year	\$ 18,353
<b>Cash flows from operating activities</b>	
Change in net assets	204,318
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	8,210
In-kind contributions of property and equipment	(5,302)
Change in:	
Grants and contributions receivable	(165,957)
Inventory	(8,315)
Net cash provided (used) by operating activities	<u>32,954</u>
<b>Cash flows from investing activities</b>	
Payments for property and equipment	(8,015)
Net change in cash	<u>24,939</u>
Cash, end of year	<b>\$ 43,292</b>

**Nashville Diaper Connection**  
Notes to Financial Statements  
For the Year Ended December 31, 2020

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**Note 1. Organization and Nature of Activities**

Nashville Diaper Connection (the Organization) is a Tennessee not-for-profit corporation with the mission to ensure that every baby in Nashville has enough diapers to remain clean, dry, and healthy. Our diaper bank provides emergency and supplemental supplies of infant/toddler diaper for our most vulnerable neighbors. The Organization is a member of the National Diaper Bank Network. The Organization's support consists of funds received from corporate partners, foundations, and individuals.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP), which requires the Organization to report 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 are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Income Taxes**

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

**Inventory**

Inventory consists of diapers and is stated at the lower-of-cost or net realizable value on an average cost basis. Inventory sources include both purchased as well as donated diapers. Ending inventory is primarily valued at the estimated fair value of the donated diapers thus making a cost flow assumption that the purchased diapers are distributed first.

**Property and Equipment**

The Organization's policy to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from three to five years and is computed on a straight-line method.



**Nashville Diaper Connection**  
Notes to Financial Statements  
For the Year Ended December 31, 2020

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**Note 2. Summary of Significant Accounting Policies**

**Contributions and Fees**

Contributions, sponsorships, and fees received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature 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, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

**In-kind Donations**

Various volunteers donate many hours to the Organization's program services. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, materials inventory, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

**PPP Loan**

The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as income.

**Functional Expenses**

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

The expenses that are allocated include the following:

	<b>Method of allocation</b>
Personnel	Time and effort
Depreciation	Square footage
Information technology	Time and effort
Insurance	Estimated usage
Occupancy	Square footage
Office supplies	Estimated usage
Postage and shipping	Estimated usage
Truck and travel	Time and effort

**Nashville Diaper Connection**  
Notes to Financial Statements  
For the Year Ended December 31, 2020

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**Note 3. Availability and Liquidity**

The following represents the Organization's financial assets

Financial assets	
Cash	\$ 43,292
Grants receivable	<u>165,957</u>
Total financial assets at year end	209,249
Less amounts not available to be used within one year	
Long-term portion of grants receivable	<u>(20,000)</u>
	<b>\$ 189,267</b>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from supporters and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

**Note 4. Grants and Contributions Receivable**

Grants and contributions receivable consists primarily of grants and pledges made for the Organization's programs. Scheduled expected collections of these receivables are as follows:

Year ended December 31,	
2021	\$ 145,967
2022	5,000
2023	5,000
2024	5,000
2025	<u>5,000</u>
Total	<b>\$ 165,957</b>

**Note 5. Property and Equipment**

Property and equipment consist of the following:

Vehicle	\$ 6,800
Fixtures and equipment	6,502
Leasehold improvements	23,107
Less: accumulated depreciation	<u>(18,486)</u>
Property and equipment, net	<b>\$ 17,923</b>

Depreciation expense for the year totaled \$8,210.

**Nashville Diaper Connection**  
Notes to Financial Statements  
For the Year Ended December 31, 2020

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**Note 6. PPP Loan**

On April 20, 2020, the Organization received a loan in the amount of \$8,962 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. On April 8, 2021, the Organization was notified that the loan was forgiven by the United States Small Business Administration and the Organization will not be responsible for any payments.

The Organization has selected to treat the PPP loan as a conditional contribution in the financial statements. As of December 31, 2020, it recognized income in the amount of \$8,962 in grants on the statement of activities.

**Note 7. Line of Credit**

The Organization has a \$100,000 line of credit with a local bank. There is no outstanding balance of December 31, 2020. The line calls for an interest rate at 2.50% over the bank's index rate with a floor of 4.00%. The line of credit expires December 8, 2021.

**Note 8. Leasing Arrangements**

The Organization has a month-to-month lease agreement for office and warehouse space. Total rent for the year ended December 31, 2020 was \$20,400 under this arrangement.

**Note 9. Net Assets**

Net assets with donor restrictions are restricted for the following purposes:

Time restricted, program grants	\$ 87,917
Program grants in receivables	<u>165,957</u>
	<b>\$ 253,874</b>

**Note 10. In-kind Contributions**

The following in-kind contributions have been included in assets, revenues, and expenses in the financial statements for the year:

Unrestricted contributions/inventory/expenses	
Diapers	\$ 186,865
Unrestricted contributions/assets	
Computers	<u>5,302</u>
	<b>\$ 192,167</b>

**Nashville Diaper Connection**  
Notes to Financial Statements  
For the Year Ended December 31, 2020

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Note 11. **Concentrations**

Of the Organization's total revenues, approximately 22% represents funds received from diaper donations.

Note 12. **Subsequent Events**

The Organization has evaluated subsequent events through June 9, 2021 the date on which the financial statements were available to be issued.