

Nashville Diaper Connection

Financial Statements
For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Nashville Diaper Connection

Opinion

We have audited the financial statements of Nashville Diaper Connection, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 the Organization as of December 31, 2021 and 2020, 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 audit 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 the Organization 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 the Organization'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 the Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 27, 2022

Nashville Diaper Connection
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 37,417	\$ 43,292
Grants and contributions receivable, net	243,532	165,957
Inventory	74,496	89,155
Property and equipment, net	<u>36,181</u>	<u>17,923</u>
Total assets	\$ 391,626	\$ 316,327
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ 82,000	\$ -
Accrued liabilities	10,199	-
Note payable	<u>26,585</u>	<u>-</u>
Total liabilities	92,199	-
Net Assets		
Without donor restrictions	3,605	62,453
With donor restrictions	<u>269,237</u>	<u>253,874</u>
Total net assets	<u>272,842</u>	<u>316,327</u>
Total liabilities and net assets	\$ 391,626	\$ 316,327

Nashville Diaper Connection
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Grants	\$ 91,542	\$ 228,331	\$ 319,873
Individuals and corporations	113,836	-	113,836
Sponsors and partners	133,240	40,906	174,146
Contributions of nonfinancial assets	106,719	-	106,719
Net assets released from restrictions	253,874	(253,874)	-
Total support and revenues	<u>699,211</u>	<u>15,363</u>	<u>714,574</u>
Expenses			
Program services	666,149	-	666,149
Management and general	60,868	-	60,868
Fundraising	31,042	-	31,042
Total expenses	<u>758,059</u>	<u>-</u>	<u>758,059</u>
Change in net assets	(58,848)	15,363	(43,485)
Net assets, beginning of year	62,453	253,874	316,327
Net assets, end of year	<u>\$ 3,605</u>	<u>\$ 269,237</u>	<u>\$ 272,842</u>

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

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Grants	\$ 225,564	\$ 214,678	\$ 440,242
Individuals and corporations	141,986	-	141,986
Sponsors and partners	53,889	39,196	93,085
Contributions of nonfinancial assets	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>
Expenses			
Program services	601,318	-	601,318
Management and general	28,232	-	28,232
Fundraising	28,310	-	28,310
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	\$ 62,453	\$ 253,874	\$ 316,327

Nashville Diaper Connection
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Personnel	\$ 218,576	\$ 20,590	\$ 20,590	\$ 259,756
Diapers	355,551	-	-	355,551
Advertising	-	-	5,457	5,457
Depreciation	13,830	141	141	14,112
Information technology	8,481	800	800	10,081
Insurance	8,096	763	763	9,622
Interest	1,487	3,369	-	4,856
Occupancy	22,318	2,789	2,789	27,896
Office supplies	4,437	418	418	5,273
Postage and shipping	896	84	84	1,064
Printing and copying	6,699	-	-	6,699
Professional fees	-	30,767	-	30,767
Repairs and maintenance	7,887	-	-	7,887
Truck and travel	7,562	-	-	7,562
Volunteers	5,666	629	-	6,295
Other	4,663	518	-	5,181
	\$ 666,149	\$ 60,868	\$ 31,042	\$ 758,059

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

	Program services	Management and general	Fundraising	Total
Personnel	\$ 142,679	\$ 18,750	\$ 22,500	\$ 183,929
Diapers	379,902	-	-	379,902
Advertising	-	-	3,117	3,117
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	9,061	478	575	10,114
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
Volunteers	2,041	-	-	2,041
Other	6,953	772	-	7,725
	\$ 601,318	\$ 28,232	\$ 28,310	\$ 657,860

Nashville Diaper Connection
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 43,292	\$ 18,353
Cash flows from operating activities		
Change in net assets	(43,485)	204,318
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	14,112	8,210
Contributions of property and equipment	-	(5,302)
Change in:		
Grants and contributions receivable, net	(77,575)	(165,957)
Inventory	14,659	(8,315)
Accrued liabilities	10,199	-
Net cash provided (used) by operating activities	(82,090)	32,954
Cash flows from investing activities		
Payments for property and equipment	(32,370)	(8,015)
Cash flows from financing activities		
Proceeds from line of credit, net	82,000	-
Proceeds from note payable	32,770	-
Payments on note payable	(6,185)	-
Net cash provided (used) by financing activities	108,585	-
Net change in cash	(5,875)	24,939
Cash, end of year	\$ 37,417	\$ 43,292

Nashville Diaper Connection
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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 Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Contributions of Cash and Other Financial Assets and Fees

Contributions, sponsorships, grants, 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.

Contributions of Nonfinancial Assets

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). 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:

	Method of allocation
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
Other	Time and effort

Nashville Diaper Connection
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2021.

Note 3. Availability and Liquidity

The following represents the Organization's financial assets:

	2021	2020
Financial assets		
Cash	\$ 37,417	\$ 43,292
Grants and contributions receivable	<u>243,532</u>	<u>165,957</u>
Total financial assets at year-end	280,949	209,249
Less amounts not available to be used within one year		
Long-term portion of grants receivable	<u>(105,000)</u>	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 175,949	\$ 189,249

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,	
2022	\$ 144,531
2023	35,000
2024	35,000
2025	<u>35,000</u>
	249,531
Less discounts to present value	<u>(5,999)</u>
Total	\$ 243,532

Nashville Diaper Connection
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 5. Property and Equipment

Property and equipment consist of the following:

	2021	2020
Vehicles	\$ 39,170	\$ 6,800
Fixtures and equipment	6,502	6,502
Leasehold improvements	23,107	23,107
Less: accumulated depreciation	<u>(32,598)</u>	<u>(18,486)</u>
Property and equipment, net	\$ 36,181	\$ 17,923

Depreciation expense for 2021 and 2020 totaled \$14,112 and \$8,210, respectively.

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. 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, 2021, 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. The outstanding balance is \$82,000 as of December 31, 2021. The line calls for an interest rate at 1.50% over the bank's index rate with a floor of 4.00% (4.75% as of December 31, 2021). The line of credit expires December 26, 2022.

Note 8. Note Payable

Note payable consists of a bank loan to finance the purchase of a van. The note calls for monthly payments of \$770 at an interest rate of 5.95% Final payment on the note is on February 1, 2025.

Scheduled principal repayments on the notes payable are as follows:

Year ended December 31,	
2022	\$ 7,876
2023	8,358
2024	8,869
2025	<u>1,482</u>
Total	\$ 26,585

Nashville Diaper Connection
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 9. Leasing Arrangements

The Organization had a month-to-month lease agreement for office and warehouse space. Effective December 1, 2021, the Organization entered into a 4-year non-cancelable operating lease. Total rent was \$25,811 and \$24,400 for 2021 and 2020, respectively, under these arrangements. Future minimum lease payments under the non-cancelable lease are as follows:

Year ended December 31,	
2022	\$ 90,000
2023	99,672
2024	102,660
2025	<u>105,744</u>
Total	\$ 398,076

Note 10. Net Assets

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

	2021	2020
Time restricted, program grants	\$ 37,916	\$ 87,917
Program grants in receivables	<u>231,321</u>	<u>165,957</u>
	\$ 269,237	\$ 253,874

Note 11. Contributions of Nonfinancial Assets

The following contributions of nonfinancial assets have been included in assets, revenues, and expenses in the financial statements:

	2021	2020
Unrestricted contributions/inventory/expenses		
Diapers	\$ 106,719	\$ 186,865
Unrestricted contributions/assets		
Computers	<u>-</u>	<u>5,302</u>
	\$ 106,719	\$ 192,167

The Organization both purchases diapers and receives donations of diapers. These diapers are distributed in every major outreach effort of the Organization to fulfill its mission. The donated diapers are valued using an estimated retail value.

Note 12. Concentrations

Of the Organization's total revenues for 2021, approximately 15% and 12% represents funds received from diaper donations and one grant contract, respectively. For 2020, diaper donations represent 22% of total revenues.

Note 13. Subsequent Events

The Organization has evaluated subsequent events through October 27, 2022 the date on which the financial statements were available to be issued.