

**DIABETES ACTION RESEARCH AND  
EDUCATION FOUNDATION, INC.**

**FINANCIAL REPORT**

**December 31, 2022**

**DIABETES ACTION RESEARCH AND  
EDUCATION FOUNDATION, INC.**

*Table of Contents*

**Page**

**Independent Auditors' Report**

1 – 2

**Financial Statements**

Statement of financial position

3

Statement of activities

4

Statement of functional expenses

5

Statement of cash flows

6

Notes to financial statements

7 – 9

## Independent Auditors' Report

Board of Directors  
Diabetes Action Research and Education Foundation, Inc.  
Bethesda, Maryland

### Opinion

We have audited the accompanying financial statements of the Diabetes Action Research and Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diabetes Action Research and Education Foundation, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diabetes Action Research and Education Foundation, 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.

### Correction of Error

As described in note 6 to the financial statements, Diabetes Action Research and Education Foundation, Inc. revised the method in which research grants expense is recorded. Our opinion is not modified with respect to that matter.

### Responsibilities of Management 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; 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 Diabetes Action Research and Education Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

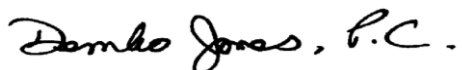
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Diabetes Action Research and Education Foundation, 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 Diabetes Action Research and Education Foundation, 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.

## **Other Information Included in the Organization's Annual Report**

Management is responsible for the other information included in the organization's annual report. The other information comprises a balance sheet, public support and revenue, and expenses, but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



*North Bethesda, Maryland  
February 22, 2023*

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**

**Current Assets**

Cash and cash equivalents	<u>\$ 1,025,547</u>
Total assets	<u><u>\$ 1,025,547</u></u>

**Liabilities and Net Assets**

**Current Liabilities**

Research grants payable	\$ 239,000
Accrued expenses	<u>1,195</u>

Total current liabilities	<u>240,195</u>
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**Net Assets**

Without donor restrictions	<u>785,352</u>
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Total liabilities and net assets	<u><u>\$ 1,025,547</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**

**Revenue**

Contributions	\$ 586,229
Foundations and grants	95,558
Legacies and bequests	14,909
Interest income	<u>1,707</u>
Total revenue	<u>698,403</u>

**Expenses**

Program services	652,383
General and administrative	48,284
Fundraising	<u>14,386</u>
Total expenses	<u>715,053</u>

**Change in net assets** (16,650)

**Net assets without donor restrictions, beginning of year, as restated** 802,002

**Net assets without donor restrictions, end of year** \$ 785,352

*The accompanying notes are an integral part of these financial statements.*

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2022**

	Program Services				General and Administrative	Fundraising	Total
	Education	Research and Treatment	Camp Programs	Total Program			
Grants to organizations	\$ -	\$ 369,000	\$ -	\$ 369,000	\$ -	\$ -	\$ 369,000
Salaries	206,811	-	-	206,811	12,495	9,394	228,700
Public awareness and promotion	25,478	-	-	25,478	-	-	25,478
Accounting services	10,195	-	-	10,195	14,741	-	24,936
Taxes - payroll	15,821	-	-	15,821	955	719	17,495
Sponsorships	-	-	15,350	15,350	-	-	15,350
Printing and publications	3,156	-	-	3,156	1,996	2,985	8,137
Bank charges	-	-	-	-	6,007	-	6,007
Postage and delivery	1,628	-	-	1,628	2,669	1,288	5,585
Licenses and fees	-	-	-	-	4,408	-	4,408
Consultants	2,900	-	-	2,900	-	-	2,900
Supplies	-	-	-	-	2,707	-	2,707
Fulfillment services	2,000	-	-	2,000	-	-	2,000
Insurance - liability	-	-	-	-	1,206	-	1,206
Travel and meetings	44	-	-	44	628	-	672
Telecommunications	-	-	-	-	463	-	463
Parking	-	-	-	-	9	-	9
Total	<u>\$ 268,033</u>	<u>\$ 369,000</u>	<u>\$ 15,350</u>	<u>\$ 652,383</u>	<u>\$ 48,284</u>	<u>\$ 14,386</u>	<u>\$ 715,053</u>

*The accompanying notes are an integral part of these financial statements.*

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2022**

**Cash flows from operating activities:**

Change in net assets	\$ (16,650)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase (decrease) in:	
Research grants payable	59,000
Accrued expenses	<u>1,195</u>
Net cash provided by operating activities	<u>43,545</u>

**Net increase in cash and cash equivalents** 43,545

**Cash and cash equivalents, beginning of year** 982,002

**Cash and cash equivalents, end of year** \$ 1,025,547

*The accompanying notes are an integral part of these financial statements.*



**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 1. Nature of Operations**

Diabetes Action Research and Education Foundation, Inc. (DAREF) was incorporated as a non-stock, nonprofit corporation on November 14, 1990, under the provisions of the Commonwealth of Virginia Non-Stock Corporation Act. DAREF was organized to enhance the quality of life for all people whose lives are affected by diabetes and related diseases, and focus on reducing the serious consequences of diabetes, and alleviating the illness and suffering that accompany these diseases. To this end, DAREF is an advocate for diabetes health promotion, provides educational programs for patients, families and communities, and funds grants to internationally recognized medical experts who are conducting biomedical research to discover a cure for diabetes.

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

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Basis of Presentation***

DAREF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represent the expendable net assets that are available for support of DAREF. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the DAREF and/or the passage of time and those that are subject to donor-imposed stipulations that the DAREF maintain them permanently. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the contributions are recognized.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, DAREF considers money market and escrow accounts with financial institutions to be cash and cash equivalents. DAREF liquidates donated stocks upon receipt, therefore their investment account is also considered a cash equivalent.

***Revenue Recognition***

Revenue is generated from the following services:

Contributions and grants - These transactions are unconditional contributions since money is donated from various sources with no conditions or performance obligations. Revenue is recognized upon notice of the donation, which is usually upon receipt.

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition (continued)***

Legacies and bequests - These transactions are amounts given to DAREF from a decedent's estate. Since no conditions or performance obligations exist, these are considered unconditional contributions, and revenue is recognized upon notice of the bequest.

Revenue is primarily driven by contribution funding to further DAREF's mission. This funding could be impacted by availability, legislation, and other not-for-profit competition. DAREF is currently unaware of any legislation or competition that should affect DAREF's operations or contribution funding.

***Functional Allocation of Expenses***

The costs of providing various program and administrative services have been summarized on a functional basis in the statement of activities. Salary and payroll tax expenses are allocated among program and supporting services based on time and effort. All other expenses are allocated directly to the function they support. Accordingly, both direct and indirect expenses have been allocated to the appropriate function.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

***Subsequent Events***

In preparing its financial statements, DAREF has evaluated subsequent events through February 22, 2023, which is the date the financial statements were available to be issued.

**Note 3. Concentration of Credit Risk**

DAREF maintains its cash in bank deposits with balances that may exceed \$ 250,000 from time to time, which is the amount insured by the Federal Deposit Insurance Corporation. DAREF has not experienced any losses in such accounts and monitors the credit worthiness of the financial institutions with which it conducts business. Management believes that DAREF is not exposed to any significant credit risk with respect to its cash balances at December 31, 2022.

**DIABETES ACTION RESEARCH AND EDUCATION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 4. Income Taxes**

DAREF is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under these provisions, no tax is imposed on any income related to the DAREF's tax-exempt purpose. DAREF has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022. DAREF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. DAREF's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

**Note 5. Liquidity and Availability**

The following represents DAREF's financial assets available to meet general expenditures over the next twelve months at December 31, 2022:

Financial assets at year end	
Cash and cash equivalents	\$ 1,025,547

DAREF manages its liquid position by maintaining adequate net assets without donor restrictions. Contribution income is received throughout each year and is used to cover that year's expenses. DAREF maintains its liquid cash in checking and money market accounts.

**Note 6. Prior Period Adjustment**

DAREF funds grants to medical experts for biomedical research of diabetes. In previous years, DAREF recorded the expense for these grants when the funds were paid to the grantee. DAREF has determined that the grant expense should be recognized when notification of the funding is provided to the grantee, generally the year prior to actual payment. Accordingly, the DAREF restated its financial statements for the year ended December 31, 2021. The effect of the correction was to decrease the change in net assets for 2021 by \$ 20,000. The cumulative effect decreases beginning net assets without donor restrictions for 2022 as follows:

Net assets without donor restrictions, as previously reported	\$ 822,002
Adjustment for research grants payable	<u>20,000</u>
Net assets without donor restrictions, as restated	<u><u>\$ 802,002</u></u>