

**THE DIAPER BANK OF CONNECTICUT,
INC.**

**FINANCIAL STATEMENTS
AND STATE SINGLE AUDIT**

**YEARS ENDED
JUNE 30, 2023 AND 2022**

THE DIAPER BANK OF CONNECTICUT,
INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Diaper Bank of Connecticut, Inc.
North Haven, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Diaper Bank of Connecticut, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 present fairly, in all material respects, the financial position of The Diaper Bank of Connecticut, Inc. as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Diaper Bank of Connecticut, 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 opinions.

Prior Period Financial Statements

The financial statements of The Diaper Bank of Connecticut, Inc. as of June 30, 2022 were audited by other auditors whose report dated November 15, 2022 expressed an unmodified opinion on those statements.

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.

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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 Diaper Bank of Connecticut, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards and *Government 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 and *Government 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 The Diaper Bank of Connecticut, 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 The Diaper Bank of Connecticut, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, on our consideration of The Diaper Bank of Connecticut, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Diaper Bank of Connecticut, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Diaper Bank of Connecticut, Inc.'s internal control over financial reporting and compliance.

Beers, Hamerman, Cohen & Burger, P.C.

New Haven, Connecticut
February 22, 2024

THE DIAPER BANK OF CONNECTICUT, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 292,827	\$ 512,966
Grants Receivable	-	3,295
Inventories	833,283	639,360
Prepaid Expenses	85,130	66,498
Equipment - Net	<u>18,772</u>	<u>25,434</u>
TOTAL ASSETS	<u>\$ 1,230,012</u>	<u>\$ 1,247,553</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 41,150	\$ 17,180
Refundable advance	<u>191,940</u>	<u>233,088</u>
Total Liabilities	<u>233,090</u>	<u>250,268</u>
Net Assets		
Without donor restrictions	995,190	997,285
With donor restrictions	<u>1,732</u>	<u>-</u>
Total Net Assets	<u>996,922</u>	<u>997,285</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,230,012</u>	<u>\$ 1,247,553</u>

See accompanying notes to the financial statements.

THE DIAPER BANK OF CONNECTICUT, INC.
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2023			Year ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support						
Grant revenue						
Governmental	\$ 1,213,001	\$ -	\$ 1,213,001	\$ 1,022,561	\$ -	\$ 1,022,561
Private	80,000	-	80,000	72,805	-	72,805
Contributions	363,850	55,000	418,850	524,591	-	524,591
Contributions of nonfinancial assets	716,580	-	716,580	465,050	-	465,050
Dues	14,258	-	14,258	2,795	-	2,795
Fundraising	50,563	-	50,563	51,699	-	51,699
Net assets released from restrictions						
Restrictions satisfied by payments	<u>53,268</u>	<u>(53,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	<u>2,491,520</u>	<u>1,732</u>	<u>2,493,252</u>	<u>2,139,501</u>	<u>-</u>	<u>2,139,501</u>
Operating Expenses						
Program	2,252,776	-	2,252,776	1,605,571	-	1,605,571
Management and general	177,292	-	177,292	145,928	-	145,928
Fundraising	<u>63,547</u>	<u>-</u>	<u>63,547</u>	<u>57,208</u>	<u>-</u>	<u>57,208</u>
Total Operating Expenses	<u>2,493,615</u>	<u>-</u>	<u>2,493,615</u>	<u>1,808,707</u>	<u>-</u>	<u>1,808,707</u>
Change in Net Assets	(2,095)	1,732	(363)	330,794	-	330,794
Net Assets, Beginning of Year	<u>997,285</u>	<u>-</u>	<u>997,285</u>	<u>666,491</u>	<u>-</u>	<u>666,491</u>
Net Assets, End of Year	<u>\$ 995,190</u>	<u>\$ 1,732</u>	<u>\$ 996,922</u>	<u>\$ 997,285</u>	<u>\$ -</u>	<u>\$ 997,285</u>

See accompanying notes to the financial statements.

THE DIAPER BANK OF CONNECTICUT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2023				Year Ended June 30, 2022			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Diapers distributed	\$ 1,345,277	\$ -	\$ -	\$ 1,345,277	\$ 855,540	\$ -	\$ -	\$ 855,540
Salaries	434,791	115,945	28,987	579,723	364,269	97,138	24,285	485,692
Warehouse and office rent	197,855	6,120	-	203,975	205,501	6,048	-	211,549
Professional fees	59,385	15,837	3,960	79,182	62,083	16,555	4,139	82,777
Bad debts	24,744	-	-	24,744	-	-	-	-
Warehouse and delivery	38,201	-	-	38,201	22,942	-	-	22,942
Health insurance	37,206	9,922	2,481	49,609	9,213	2,457	614	12,284
Payroll taxes	34,574	9,221	2,306	46,101	43,044	11,478	2,870	57,392
Insurance	25,107	6,696	1,674	33,477	4,687	1,250	313	6,250
Payroll services	16,425	4,380	1,095	21,900	358	95	24	477
Marketing and promotions	-	-	18,951	18,951	-	-	21,623	21,623
Computer supplies and software	9,140	2,438	610	12,188	11,908	3,969	-	15,877
Office supplies	8,248	2,200	550	10,998	8,565	2,284	571	11,420
Communications	5,825	1,554	389	7,768	4,687	1,250	313	6,250
Depreciation	4,995	1,333	334	6,662	4,997	1,332	333	6,662
Travel	4,840	-	-	4,840	-	-	-	-
Merchant fees	3,033	810	203	4,046	4,072	1,086	271	5,429
Dues and subscriptions	2,296	613	154	3,063	2,850	758	190	3,798
Fundraising	-	-	1,797	1,797	-	-	1,605	1,605
Professional development	834	223	56	1,113	855	228	57	1,140
	<u>\$ 2,252,776</u>	<u>\$ 177,292</u>	<u>\$ 63,547</u>	<u>\$ 2,493,615</u>	<u>\$ 1,605,571</u>	<u>\$ 145,928</u>	<u>\$ 57,208</u>	<u>\$ 1,808,707</u>

See accompanying notes to the financial statements.

THE DIAPER BANK OF CONNECTICUT, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (363)	\$ 330,794
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	6,662	6,662
Changes in operating assets and liabilities:		
Grants receivable	3,295	29,005
Inventories	(193,923)	(174,292)
Prepaid expenses	(18,632)	(62,146)
Accounts payable	23,970	(20,531)
Deferred revenue	<u>(41,148)</u>	<u>115,588</u>
Net Cash (Used) Provided by Operating Activities	<u>(220,139)</u>	<u>225,080</u>
Change in Cash	(220,139)	225,080
Cash, Beginning of Year	<u>512,966</u>	<u>287,886</u>
Cash, End of Year	<u>\$ 292,827</u>	<u>\$ 512,966</u>

See accompanying notes to the financial statements.

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Diaper Bank of Connecticut, Inc. ("Organization") was organized to ensure that families living in poverty have an adequate supply of diapers, women's period supplies and incontinence products; to raise awareness that "basic human needs" includes these products and that these needs are not being met for individuals and families living in poverty; and to advocate for policy reform so that these supplies are included in the definition and provision for the "basic human needs" of families. The Organization is supported primarily through grants and private contributions.

New Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and lease liabilities on the statement of financial position of lessees for operating leases, along with the disclosure of key information about leasing arrangements. Adoption of Topic 842 is effective for nonpublic companies for annual reporting periods beginning after December 15, 2021. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. The Organization adopted this standard effective July 1, 2022.

The Organization elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Organization's leases are all for 12 months or less and are therefore not required to recognize a right-of-use asset and lease liability and the adoption of Topic 842 did not have a material impact on the statement of financial position, statement of activities, or statement of cash flows.

Basis of Presentation

The Organization reports 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

Net assets without donor restrictions represent available resources other than donor-restricted contributions.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure.

Advertising

Advertising costs are expensed in the period they are incurred.

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(CONTINUED)

Contributions

Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release from obligation) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor 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 accompanying statement of activities as net assets released from restrictions.

Contributions that are unrestricted by the donor are reported as an increase in net assets without donor restrictions as are contributions with donor-imposed restrictions that expire in the reporting period in which the contributions are recognized.

Government Grants

A portion of the Organization's revenue is derived from cost-reimbursable state and federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as a contribution when the Organization has met the conditions of the grant, which is generally that the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Property and Equipment

Property and equipment are stated at cost or fair value if donated and depreciated using the straight-line method over the estimated useful lives of the assets, which are between five and seven years. The Organization's capitalization threshold is \$500.

Inventories

Inventories consist primarily of diapers and incontinence products and is stated at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and health insurance, which are allocated on the basis of estimates of time and effort, as well as depreciation, occupancy and other expenses.

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(CONTINUED)

Revenue from Contracts with Customers

Revenue from contracts with customers consist of the following:

	Year Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Dues	\$ 14,258	\$ 2,795

Revenue for dues is recognized as the services are provided. Determining when control transfers require management to make judgements that affect the timing of revenue recognized. The Organization believes that the preceding method provides a faithful depiction of the transfer of control of its services.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Inventory

Inventory is recorded at the lower cost (first-in, first-out method) or net realizable value and consists of diapers, women's period supplies and incontinence products. Donated inventory items are valued at the time of receipt using current market.

Donated Services

The Organization recognizes donated services that will create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates

The preparation of financial statements in accordance 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. Accordingly, actual results could differ from those estimates.

Reclassifications

Prior period financial statement amounts have been reclassified to conform to current period presentation.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Liquidity

The operations and programs of the Organization are primarily funded by governmental grants and private contributions. The Organization reviews its operations on a weekly basis and monitors cash flows accordingly. Most of the government agencies have contracted grants through September 2023 and the Organization is expecting to continue to provide the services that the governmental agencies are funding.

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – (CONTINUED)

Liquidity – (Continued)

The public support revenues are unpredictable for the future; however, the same 2023 programs are planned to occur in 2024.

The Organization maintains a \$25,000 line of credit with a bank to meet any short-term liquidity needs.

Availability of Financial Assets

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	June 30,	
	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash	\$ 292,827	\$ 512,966
Grants receivable	-	3,295
	<u>292,827</u>	<u>516,261</u>
Less Amounts Not Available to be Used		
for General Expenditures within One Year Due to Restrictions	<u>1,732</u>	<u>91,544</u>
Financial Assets Available to Meet General Expenditures		
over the Next 12 Months	<u>\$ 291,095</u>	<u>\$ 424,717</u>

NOTE 3 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities consist of the following:

	Year Ended	
	December 31,	
	<u>2023</u>	<u>2022</u>
Period supplies	\$ 428,288	\$ 14,615
Diapers	195,903	269,839
Warehouse/Office Space	74,679	66,780
Adult incontinence products	14,621	107,952
Professional Services	2,775	2,000
Supplies	214	-
Youth incontinence products	100	493
Miscellaneous	-	3,371
	<u>\$ 716,580</u>	<u>\$ 465,050</u>

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - CONTRIBUTIONS OF NONFINANCIAL ASSETS – (CONTINUED)

The Organization recognizes contributed nonfinancial assets within operating revenue and support. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization receives large volumes of donated products to distribute to the public. These donated products include women’s hygiene products, diapers, and incontinence products. The value of these products is based on the value of similar products purchased by the Organization. When the Organization receives the products, they record them in inventory in the statement of financial position. When the products are distributed, they are included in the statement of functional expenses as diapers distributed.

The Organization requires warehouse and office space to carry out their operations. For the years ended June 30, 2023, and 2022 the Organization received a portion of their warehouse and office space at no cost. As such, the amount recorded for rent is based on the value of rent charged for identical or similar space in the local market.

The Organization occasionally receives contributed professional services in the way of consulting services. Contributed services are valued and reported at the estimated fair value in the financial statements. The fees are based on current rates for similar services.

NOTE 4 - INVENTORIES

Inventories totaled \$833,283 and \$639,360 as of June 30, 2023 and June 30, 2022, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 39,299	\$ 39,299
Less: accumulated depreciation	<u>(20,527)</u>	<u>(13,865)</u>
	<u>\$ 18,772</u>	<u>\$ 25,434</u>

NOTE 6 - LINE OF CREDIT

The Organization maintains a line of credit with a limit of \$25,000. Principal and interest are payable on demand. Interest is provided at prime plus 3.75 percent and is secured by the assets of the Organization. There was no outstanding balance on the line of credit as of June 30, 2023 and 2022.

THE DIAPER BANK OF CONNECTICUT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions consist of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
UWGNH - Early Head Start - Diapers	\$ 1,732	\$ -

NOTE 8 - OPERATING LEASES

The Organization leases office and warehouse space on a month-to-month basis. The total monthly rental expense per the lease agreement was \$12,062 through December 2022 and was reduced to \$11,153 through June 2023 as the Organization's space needs decreased. The fair value of the monthly rent was \$17,629 through January 2023 and \$16,297 through June 2023. See Note 3. Total rent expense for the years ended June 30, 2023 and 2022 was \$203,975 and \$211,549, respectively.

NOTE 9 - CONCENTRATIONS AND CREDIT RISK

Credit Risk

The Organization maintains cash deposits with various banks and financial institutions that at various times may exceed federally insured limits. As of June 30, 2023, and 2022, cash held in excess of federally insured limits was \$103,071 and \$189,597, respectively.

Concentration of Revenue Sources

The Organization derives substantial portions of its revenue from federal and state grants. Should the relationship with any of these organizations be jeopardized or these organizations lose their own funding sources, it is possible the Organization would be unable to continue in its current size and scope.

The Organization received \$715,893 (41%) and \$972,932 (60%) of revenue from the State of Connecticut Department of Social Services for the years ended June 30, 2023 and 2022, respectively, and \$385,250 (22%) of revenue from the State of Connecticut Office of Early Childhood Education for the year ended June 30, 2023.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Financial awards from governmental entities in the form of grants and fees are subject to a special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 11 - SUBSEQUENT EVENTS

The Organization implemented changes in preparation for the ending of some Covid related emergency funding. The Organization terminated its lease with its current landlord and entered into a new lease. The Organization also reduced some staffing positions. The Organization did not have any additional subsequent events through February 22, 2024 which is the date the financial statements were available to be issued.

STATE SINGLE AUDIT



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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH “GOVERNMENT AUDITING STANDARDS”

To the Board of Directors of
The Diaper Bank of Connecticut, Inc.
North Haven, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Diaper Bank of Connecticut, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Diaper Bank of Connecticut, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Diaper Bank of Connecticut, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Diaper Bank of Connecticut, Inc.’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Diaper Bank of Connecticut, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Diaper Bank of Connecticut, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Diaper Bank of Connecticut, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beers, Hamerman, Cohen & Burger, P.C.

New Haven, Connecticut
February 22, 2024



Beers, Hamerman, Cohen & Burger, PC
Certified Public Accountants and Business Consultants

Audit
Tax
Advisory
Assurance
Valuation
Litigation Support

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors of
The Diaper Bank of Connecticut, Incorporated
North Haven, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited The Diaper Bank of Connecticut, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the Office of Policy Management's *Compliance Supplement* that could have a direct and material effect on each of The Diaper Bank of Connecticut, Inc.'s major state programs for the year ended June 30, 2023. The Diaper Bank of Connecticut, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Diaper Bank of Connecticut, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State Single Audit Act (C.G.S. Section 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Diaper Bank of Connecticut, Inc., and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of The Diaper Bank of Connecticut, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Diaper Bank of Connecticut, Inc.'s state programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Diaper Bank of Connecticut, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Diaper Bank of Connecticut, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Diaper Bank of Connecticut, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Diaper Bank of Connecticut, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of The Diaper Bank of Connecticut, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Beers, Hamerman, Cohen & Burger, P.C.

New Haven, Connecticut
February 22, 2024

THE DIAPER BANK OF CONNECTICUT, INC.
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2023

State Grantor/ Pass-through Grantor/ Program	State Grant Program Core-CT Number	Total Expenditures
<u>Department of Social Services</u>		
Community Services - Project DSS000000010401	16160	\$ <u>715,893</u>
<i>Total Expenditures of State Financial Assistance</i>		\$ <u><u>715,893</u></u>

See accompanying notes to the schedule of expenditure of state financial assistance.

THE DIAPER BANK OF CONNECTICUT, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (schedule) includes the state grant activity of The Diaper Bank of Connecticut, Inc. (Organization), under programs of the State of Connecticut for the year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the schedule presents only a selected portion of the operations of The Diaper Bank of Connecticut, Inc. it is not intended and does not present the financial position, changes in net assets or cash flows of The Diaper Bank of Connecticut, Inc.

The accounting policies of The Diaper Bank of Connecticut, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

Expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

NOTE 2 - SUB-RECIPIENTS

There were no awards passed through to sub-recipients for the year ending June 30, 2023.

THE DIAPER BANK OF CONNECTICUT, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

State Financial Assistances

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes No

Major programs:

State Grantor and Program	State Core-CT Number	Expenditures
<u>Department of Social Services</u>		
SID 16160 - Project DSS000000010401	19DSS6003J0	<u>\$ 715,893</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

II. FINANCIAL STATEMENT FINDINGS

2023 - 01 Internal Controls Surrounding Financial Reporting (Material Weakness in Internal Control Over Financial Reporting)

Criteria: The Organization should have internal controls in place to ensure that all transactions are recorded in the proper period with accounting principles generally accepted in the United States of America.

Condition: The financial statements required several material adjustments to be in accordance with generally accepted accounting principles that were identified by audit procedures.

THE DIAPER BANK OF CONNECTICUT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

II. FINANCIAL STATEMENT FINDINGS – (CONTINUED)

2023 - 01 Internal Controls Surrounding Financial Reporting (Material Weakness in Internal Control Over Financial Reporting) – (Continued)

Context: The Organization does not currently have oversight from someone with advanced knowledge of accounting principles generally accepted in the United States of America.

Effect: There were several material adjustments to correct the financial statements.

Recommendation: We recommend that the Organization thoroughly review the financial statements on a regular basis with a board member or other consultant that has advanced knowledge of accounting principles generally accepted in the United States of America.

Responsible Official's Response: Management agrees and will implement procedures to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

III.STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONS COSTS

No findings.

The Diaper Bank of Connecticut
State Single Audit Corrective Action Plan
For the Fiscal Year Ended June 30, 2023

Office of Policy and Management
450 Capitol Avenue MS-54MFS
Hartford, Connecticut 06106-1379

Municipal Finance Services Unit Att: William Plummer

AUDIT FINDINGS

Finding Reference Number: 2023-01 Internal Controls Surrounding Financial Reporting (Material Weakness in Internal Control Over Financial Reporting)

Description of Finding: The financial statements required several material adjustments to be in accordance with generally accepted accounting principles that were identified by audit procedures.

Statement of Concurrence or Nonconcurrence: We concur with the finding.

Corrective Action: The Organization will implement procedures to ensure that the financial statements are prepared in accordance with generally accepted accounting principles. We will expand our staff to include a contracted Chief Financial Officer that has an understanding of US GAAP nonprofit accounting in order to provide the necessary amount of oversight such that our financial reporting on a monthly, quarterly and annual basis will be in line with US GAAP principles.

Name of Contact Person: Janet Stolfi Alfano, Chief Executive Officer
203-934-7009 ext 110
janet@thediaperbank.org

Projected Completion Date: June 30, 2024

If the Office of Policy and Management has questions regarding this Plan, please call Janet Stolfi Alfano at 203-934-7009 ext 110.

Sincerely yours,



Janet Stolfi Alfano
Chief Executive Officer