

**SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

# **SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.**

**FINANCIAL STATEMENTS – DECEMBER 31, 2021**

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Steven H. Emerson, CPA, CGFM, CGAP, CFE,  
CITP, CGMA

Guiding the Accounting Profession

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Southeastern Diabetes Education Services, Inc.

### Opinion

I have audited the accompanying financial statements of Southeastern Diabetes Education Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Diabetes Education Services, Inc. as of December 31, 2021, 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 of Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Southeastern Diabetes Education Services, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Southeastern Diabetes Education Services, 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

My 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 my 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and access 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 Southeastern Diabetes Education Services, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeastern Diabetes Education Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*Steven H. Emerson, CPA, CGFM, CGAP, CFE, CITP, CGMA*

Steven H. Emerson, CPA, CGFM, CGAP, CFE, CITP, CGMA  
Birmingham, Alabama

March 11, 2022

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

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### ASSETS

|                           |              |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 761,738   |
| Investments               | 443,303      |
| Prepaid expenses          | 3,804        |
| Other assets              | <u>1,357</u> |

*TOTAL ASSETS* \$ 1,210,202

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES:

|                  |                  |
|------------------|------------------|
| Deferred revenue | <u>\$ 96,354</u> |
|------------------|------------------|

*TOTAL CURRENT LIABILITIES* 96,354

*TOTAL LIABILITIES* 96,354

#### NET ASSETS:

|                            |               |
|----------------------------|---------------|
| Without donor restrictions | 1,050,828     |
| With donor restrictions    | <u>63,020</u> |

*TOTAL NET ASSETS* 1,113,848

*TOTAL LIABILITIES AND NET ASSETS* \$ 1,210,202

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

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

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|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---|-------------------------------|----------------------------|---------------------|
| <b><i>Revenues, gains and other support</i></b> |                               |                            |                     |
| Contributions from individuals                  | \$ 185,895                    | -                          | \$ 185,895          |
| Foundations & charitable trusts                 | 344,949                       | -                          | 344,949             |
| Civic club contributions                        | 86,551                        | -                          | 86,551              |
| Corporations                                    | 67,085                        | -                          | 67,085              |
| Grants  | 5,000                         | -                          | 5,000               |
| Camp enrollment                                 | 97,869                        | -                          | 97,869              |
| Program operations                              | 947,073                       | -                          | 947,073             |
| Sales from store                                | 6,106                         | -                          | 6,106               |
| Investment income                               | 363                           | -                          | 363                 |
| Realized gain on investments                    | 4,147                         | -                          | 4,147               |
| Unrealized gain on investments                  | 21,728                        | -                          | 21,728              |
|   | <hr/>                         | <hr/>                      | <hr/>               |
| <i>Total revenues, gains and other support</i>  | 1,766,766                     | -                          | 1,766,766           |
| <b><i>Expenses and losses</i></b>               |                               |                            |                     |
| Program services                                | 1,489,029                     | -                          | 1,489,029           |
| Management and general                          | 34,068                        | -                          | 34,068              |
| Fund-raising                                    | 72,707                        | -                          | 72,707              |
|   | <hr/>                         | <hr/>                      | <hr/>               |
| <i>Total expenses and losses</i>                | 1,595,804                     | -                          | 1,595,804           |
| <b><i>Change in net assets</i></b>              | 170,962                       | -                          | 170,962             |
| <i>Net assets at beginning of year</i>          | 879,866                       | 63,020                     | 942,886             |
|   | <hr/>                         | <hr/>                      | <hr/>               |
| <i>Net assets at end of year</i>                | <u>\$ 1,050,828</u>           | <u>\$ 63,020</u>           | <u>\$ 1,113,848</u> |

The accompanying notes are an integral part of the financial statements.

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

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|                        | Program<br>Services | Management<br>and General | Fund-<br>Raising | Total               |
|------------------------|---------------------|---------------------------|------------------|---------------------|
| Salaries               | \$ 169,282          | \$ 20,120                 | \$ 35,211        | \$ 224,613          |
| Payroll taxes          | 13,286              | 1,558                     | 2,727            | 17,571              |
| Professional fees      | 21,662              | 8,122                     | -                | 29,784              |
| Marketing/Fundraising  | -                   | 55                        | 26,424           | 26,479              |
| Training & Education   | 905                 | -                         | 744              | 1,649               |
| Volunteer services     | 15,657              | -                         | -                | 15,657              |
| Office expense         | 4,648               | 843                       | 1,434            | 6,925               |
| Bank charges           | 2,941               | 101                       | -                | 3,042               |
| Information Technology | 13,321              | 973                       | 973              | 15,267              |
| Insurance              | 21,145              | 135                       | 218              | 21,498              |
| Interest expense       | -                   | 1,237                     | -                | 1,237               |
| Program supplies       | 121,455             | 320                       | 24               | 121,799             |
| Program operations     | 947,073             | -                         | -                | 947,073             |
| Travel                 | 16,083              | -                         | 3,646            | 19,729              |
| Occupancy              | 138,407             | -                         | 250              | 138,657             |
| Retirement             | 3,164               | 604                       | 1,056            | 4,824               |
|                        | <hr/>               | <hr/>                     | <hr/>            | <hr/>               |
| TOTAL EXPENSES         | <u>\$1,489,029</u>  | <u>\$ 34,068</u>          | <u>\$ 72,707</u> | <u>\$ 1,595,804</u> |

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

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

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|   |                  |
|---|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                  |
| Change in net assets  | \$ 170,962       |
| Adjustments to reconcile change in net assets to cash provided by operating activities: |                  |
| Increase in prepaid expenses  | (422)            |
| Decrease in accrued expenses  | (600)            |
| Decrease in accrued expenses and accounts payable                                       | (2,063)          |
| Decrease in deferred revenue  | (31,204)         |
|   | <hr/>            |
| <i>Net cash provided by operating activities</i>  | <i>136,673</i>   |
|   | <hr/>            |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                  |
| Purchases of investments  | (225,875)        |
|   | <hr/>            |
| <i>Net cash used by investing activities</i>  | <i>(225,875)</i> |
|   | <hr/>            |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                  |
| Payments on long term borrowings  | (150,000)        |
|   | <hr/>            |
| <i>Net cash used by financing activities</i>  | <i>(150,000)</i> |
|   | <hr/>            |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (239,202)        |
| .   |                  |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR   | 1,000,940        |
|   | <hr/>            |
| CASH AND CASH EQUIVALENTS - END OF YEAR   | \$ 761,738       |
|   | <hr/>            |

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

# **SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021**

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### **NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southeastern Diabetes Education Services, Inc. (the "Organization") was founded in 1949 with the primary objective of teaching children and others to manage and live with their diabetes. Diabetic education is provided by a comprehensive diabetes treatment team composed of volunteer physicians, nurses, nutritionists, pharmacists, educators, counselors and others while participants attend camp sessions and educational seminars at various locations in Alabama and Northwest Florida.

#### ***Basis of accounting***

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

#### ***Cash and cash equivalents***

For purposes of preparing the statement of cash flows, cash and cash equivalents includes cash in checking accounts and short-term investments having a maturity of three months or less at purchase date.

#### ***Recognition of donor restrictions***

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### ***Income taxes***

The Organization is organized under Section 501(c) (3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. In addition, the State of Alabama has also granted the Organization tax-exempt status.

#### ***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. Accordingly, actual results could differ from those estimates.

#### ***Expense allocation***

The costs of providing various program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

#### ***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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### NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Classes of Net Assets*

In accordance with GAAP, where applicable, the financial statements report amounts separately by classes of net assets:

- 1) Without donor restrictions amounts are those currently available at the discretion of the Board for use in the Organization's programs.
- 2) With donor restrictions amounts are those that are restricted by donors for specific operating purposes.

### NOTE 2 – INVESTMENTS

Southeastern Diabetes Education Services, Inc. uses a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1: Pricing is based on observable inputs, such as quoted prices in active markets.
- Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3: Pricing inputs are generally unobservable and include situations where there is little, if any market activity for the investment. The inputs into the determination of fair value require management's judgment or estimates, based on assumptions, which market participants would use in pricing the assets or liabilities.

Some of the Organization's investments are held by Wells Fargo and consist of money market funds and mutual funds. These investments are considered Level 1. The fair market value of the investments available for sale at December 31, 2021 consisted of the following:

|                    |                  |
|--------------------|------------------|
| Money Market Funds | \$ 1,615         |
| Mutual Funds       | <u>67,058</u>    |
|                    | <u>\$ 68,673</u> |

The remaining investment of \$374,630 is held by The Community Foundation of South Alabama in an agency fund and is recorded at cost.

# SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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### NOTE 3 – NET ASSETS

The Organization has classified the initial gift of funds as an asset with donor restrictions. To the extent that the fair value in that account exceeds the initial gift, the excess is reflected as an asset with donor restrictions. In years of market declines where the fair value of the account decreases below the asset with donor restrictions, the Organization does not reflect a negative balance in the asset with donor restrictions.

#### Net Assets with Donor Restrictions

The portion of perpetual endowment funds that are required to be retained permanently by explicit donor stipulation:

|   |                 |
|---|-----------------|
| Special Gifts – SDES Endowment – Restricted for Scholarships  | \$31,746        |
| Special Gifts – Diabetic Clinic Mobile  | 16,274          |
| Special Gifts – Community Foundation of Alabama and an individual –<br>Restricted to General Operating Expenses from Income | <u>15,000</u>   |
|   | <u>\$63,020</u> |

### NOTE 4 – DONATED SERVICES, MATERIALS, EQUIPMENT AND PROPERTY

Donated services from professionals have been recorded as Program Operations income and expenses. Donations primarily included professional medical services from endocrinologists, physicians, registered nurses, pharmacists, nutritionists, and counselors provided at program services. The value of these gifts for the year ended December 31, 2021 amounted to \$294,069.

The Organization receives donated medical supplies from pharmaceutical and medical equipment and supply companies including: insulins, syringes, insulin pump supplies, blood glucose testing meters and strips, and other medications and equipment from miscellaneous sources. This support has been recorded as Program Operations income and expenses. The value of these gifts for the year ended December 31, 2021 amounted to \$653,004.

### NOTE 5 – DEBT

The Organization secured a loan from the United States Small Business Administration on May 16, 2020 due to the effects of the COVID 19 virus which affected the United States in early 2020. The amount of the note was \$150,000 to be paid in monthly installments of \$641 beginning May 16, 2021 with an interest rate of 2.75% per annum. The Organization paid the principal and interest due on the loan on March 17, 2021 in the amount of \$153,300 which was the principal amount of \$150,000 and the accrued interest due of \$3,300.

The \$5,000 in SBA COVID 19 EIDL Advance was forgiven by the United States Small Business Administration on March 17, 2021 and is recognized as grant income in 2021.

### NOTE 6 – INCOME TAX STATUS

The Organization qualifies as a tax exempt organization under the IRS Code Section 501(c)(3) and, therefore, no provision for income taxes is made in the accompanying financial statements.

### NOTE 7 – LEASE COMMITMENTS

The Organization normally leases Camp Seale Harris program sites from various lessors including: Annually renewable Easter Seals Camp ASCCA facility at \$110,000 for three weeks and two weekends. Additional lease commitments are made within the fiscal year of program at: YMCA Camp Chandler, Dothan Westgate Park, Dothan Eastgate Park, Camp Tuscoba, Vision Ministries, GSNCA Kanawahala and others as needed. Birmingham Program office lease is contracted annually at \$1,650 per month through April 30, 2023. Lease expense is included in occupancy expense.

# **SOUTHEASTERN DIABETES EDUCATION SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021**

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### **NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events. No events have occurred through March 11, 2022, which was the date the financial statements were available for issue, that would have a material effect or require disclosure in the financial statements, other than those that have been disclosed.

### **NOTE 9 - CONCENTRATION OF SUPPORT**

In 2021, the Organization received approximately 42% of its total revenues from grants received from foundations and charitable trusts and 23% from individuals. The continuation of this support is essential for the organization to continue its stated charitable purpose. Program operations in the amount of \$947,073 were not included in the calculation as these are donated services, materials, equipment and property.