

**DIABETES PREVENTION AND
AID FUND, INC.**

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

September 30, 2010 and 2009

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	2
<i>Statements of Activities</i>	3
<i>Statements of Functional Expenses</i>	4-5
<i>Statements of Cash Flows</i>	6
NOTES TO FINANCIAL STATEMENTS	7-11



James E. Raftery, CPA, PC

606 N. Stapley Drive
Mesa, Arizona 85203

(480) 835-1040
FAX (480) 835-8832

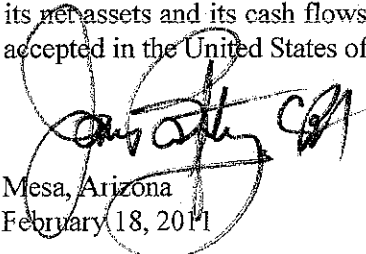
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Diabetes Prevention and Aid Fund, Inc.
Peoria, Arizona

I have audited the accompanying statements of financial position of Diabetes Prevention and Aid Fund, Inc., (an Arizona nonprofit organization) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diabetes Prevention and Aid Fund, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Mesa, Arizona
February 18, 2011

DIABETES PREVENTION AND AID FUND, INC.
STATEMENTS OF FINANCIAL POSITION
September 30,

ASSETS

	<u>2010</u>	<u>2009</u>
<i>Current Assets</i>		
Cash	\$ 26,680	\$ 22,595
Pledges receivable, net	76,636	70,575
Other receivables	481	-
Total Current Assets	<u>103,797</u>	<u>93,170</u>
 <i>Property and Equipment, net</i>	 <u>1,933</u>	 <u>-</u>
	 <u><u>\$ 105,730</u></u>	 <u><u>\$ 93,170</u></u>

LIABILITIES AND NET ASSETS

<i>Liabilities</i> - Accrued expenses	\$ 1,277	\$ -
 <i>Net Assets</i> - Unrestricted	 <u>104,453</u>	 <u>93,170</u>
	 <u><u>\$ 105,730</u></u>	 <u><u>\$ 93,170</u></u>

See accompanying notes to financial statements

DIABETES PREVENTION AND AID FUND, INC.
STATEMENTS OF ACTIVITIES
Years Ended September 30,

	<u>2010</u>	<u>2009</u>
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 2,562,741	\$ 2,644,505
Contributions	123,820	222,922
Thrift store:		
Sales	7,100	-
Cost of goods sold	<u>(7,100)</u>	<u>-</u>
Total Support	2,686,561	<u>2,867,427</u>
 <i>Expenses</i>		
Program services	2,654,601	2,762,334
Management services	20,427	14,193
Fundraising services	250	-
Total Expenses	<u>2,675,278</u>	<u>2,776,527</u>
 Increase in Net Assets	11,283	90,900
 <i>Net Assets, beginning of year</i>	<u>93,170</u>	<u>2,270</u>
 <i>Net Assets, end of year</i>	<u>\$ 104,453</u>	<u>\$ 93,170</u>

See accompanying notes to financial statements

DIABETES PREVENTION AND AID FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010

	Program	Supporting Services		Totals
	Services	Management	Fundraising	
Gifts-in-kind	\$ 2,555,641	\$ -	\$ -	\$ 2,555,641
Program support	56,000	-	-	56,000
Program development	32,400	3,600	-	36,000
Accounting	-	12,123	-	12,123
Salaries	5,144	1,286	-	6,430
Telephone	2,545	636	-	3,181
Travel and meetings	1,080	136	-	1,216
Bank fees	-	876	-	876
Supplies	656	164	-	820
Website maintenance	538	135	-	673
Penalties and fines	-	652	-	652
Licenses and fees	-	644	-	644
Payroll taxes	497	124	-	621
Advertising	-	-	250	250
Depreciation expense	54	13	-	67
Postage	46	12	-	58
Dues and subscriptions	-	26	-	26
	<u>\$ 2,654,601</u>	<u>\$ 20,427</u>	<u>\$ 250</u>	<u>\$ 2,675,278</u>

See accompanying notes to financial statements

DIABETES PREVENTION AND AID FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009

	Program	Supporting Services		Totals
	Services	Management	Fundraising	
Gifts-in-kind	\$ 2,644,505	\$ -	\$ -	\$ 2,644,505
Program support	114,250	-	-	114,250
Accounting	-	11,224	-	11,224
Program development	2,700	300	-	3,000
Legal Fees	-	2,145	-	2,145
Website Maintenance	879	220	-	1,099
Bank fees	-	279	-	279
Licenses and fees	-	25	-	25
	<u>\$ 2,762,334</u>	<u>\$ 14,193</u>	<u>\$ -</u>	<u>\$ 2,776,527</u>

See accompanying notes to financial statements

DIABETES PREVENTION AND AID FUND, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30,

	2010	2009
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 124,378	\$ 152,347
Cash paid to suppliers	(118,293)	(132,022)
Net Cash Provided By Operating Activities	6,085	20,325
<i>Cash Flows from Investing Activities</i>		
Purchase of fixed assets	(2,000)	-
Net Cash (Used) By Investing Activities	(2,000)	-
<i>Net Increase in Cash and Cash Equivalents</i>	4,085	20,325
<i>Beginning Cash and Cash Equivalents</i>	22,595	2,270
<i>Ending Cash and Cash Equivalents</i>	\$ 26,680	\$ 22,595
 <i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Increase in net assets	\$ 11,283	\$ 90,900
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	67	-
(Increase) in operating assets		
Pledges Receivable	(6,061)	(70,575)
Other receivables	(481)	-
Increase in operating liabilities		
Accrued expenses	1,277	-
<i>Net Cash Provided By Operating Activities</i>	\$ 6,085	\$ 20,325

See accompanying notes to financial statements

DIABETES PREVENTION AND AID FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization reports in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations. The Organization reports adhere to the following accounting policies:

Corporate Organization

Diabetes Prevention and Aid Fund, Inc. ("the Organization") is a 501(c)(3) nonprofit organization incorporated May 12, 1995 in the State of Arizona. Diabetes Prevention and Aid Fund, Inc. is formerly known as Feeding America's Children, Inc and Borderland Food Bank. In September of 2007, Feeding America's Children, Inc. (FKA Borderland Food Bank) assets and liabilities were purchased by Feed My People's Children's Charity, who took over the statewide collection and distribution of excess agricultural products to the needy. The Organization was then inactive until November 19, 2007, when it began its new purpose of promoting and encouraging the collection and distribution of food to those in need, and educating charitable classes of persons in aspect of self help in nutritional matters in diabetes prevention in southern Arizona, throughout the state of Arizona, the United States of America and in foreign locations.

Beginning in 2010, the Organization began operation of a thrift store located on the premises of Borderland Food Bank in Nogales, Arizona. The thrift store generates income from the sale of merchandise donated to the Organization in support of the Organization's ongoing programs.

Fair Value of Financial Instruments

The following methods and assumptions were used by Diabetes Prevention and Aid Fund, Inc. in estimating its fair value disclosures for financial instruments:

Cash: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Receivables: Receivables are carried at net realizable value, which equals the principal outstanding less an allowance for uncollectible balances and the costs of collecting accounts.

The estimated fair values of Diabetes Prevention and Aid Fund, Inc. instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash	\$ 26,680	\$ 26,680
Pledges receivable	\$ 76,636	\$ 76,636
Other receivables	\$ 481	\$ 481

The Organization estimates that the fair value of all financial instruments at September 30, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Financial Position.

DIABETES PREVENTION AND AID FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its statement of Accounting Standards Codification (ASC). Under the Standards for the Financial Statements of Not-For-Profit Organizations the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporary or permanently restricted net assets to date.

Revenue and Support Recognition

Support restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues of the current restricted fund when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expended are reported as temporarily restricted deferred revenue.

The Organization recognizes pledges as revenue under FASB ASC Not-For-Profit Entities: Revenue Recognition. Under the FASB ASC contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with initial maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset in excess of \$500. Property and equipment is recorded at cost. Depreciation is recognized using the straight-line method over the assets' estimated five year life.

DIABETES PREVENTION AND AID FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the Organization's management.

Income Taxes

The Organization is a public charity, nonprofit organization as defined in the Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair Value Measurement

The Organization measures the fair value of gift-in-kind revenues and expenses in accordance with FASB ASC, Fair Value Measurements and Disclosures. The standard provides a hierarchy for prioritizing inputs to valuation techniques:

- Level 1 - inputs are unadjusted quoted prices in active markets
- Level 2 - inputs are observable market data, generally other than quoted prices.
- Level 3 - inputs are significant unobservable data.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's gift in kind revenue and expenses as of September 30, 2010 and 2009 were measured at a wholesale fair value using level 3 inputs obtained from independent studies.

Gifts in Kind

The Organization records humanitarian donations of food, clothing and miscellaneous materials in accordance with industry standards which is in compliance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Organization distributes the goods for charitable purposes. All such donations are reported as increases in unrestricted net assets as the donor has not restricted the donated asset to a specific purpose and has given the Organization unilateral power to redirect the goods to another beneficiary. Donated materials for September 30, 2010 and 2009 were \$2,562,741 and \$2,644,505, respectively.

DIABETES PREVENTION AND AID FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Gifts in Kind (Cont'd)

During the years ended September 30, 2010 and 2009 Diabetes Prevention and Aid Fund, Inc. distributed approximately 1,703,761 and 1,763,003 pounds of donated food, respectively to member agencies (and other food banks). The distributed food is valued at \$1.50 per pound, which amounts to \$2,555,641 and \$2,644,505, respectively. The Organization did not have any donated food on hand at September 30, 2010 and 2009.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended September 30, 2010 were \$250. There were no advertising costs for the year ended September 30, 2009.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 18, 2011.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following for the year ended September 30, 2010:

Vehicles	\$	2,000
Less Accumulated Depreciation		<u>(67)</u>
	\$	<u>1,933</u>

Depreciation expense was \$67 for the year ended September 30, 2010. The Organization did not have vehicles or depreciation expense for the year ended September 30, 2009.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable consisted of the following for the years ended September 30:

	<u>2010</u>	<u>2009</u>
Federated Campaign Pledges	\$ 102,181	\$ 94,100
Less 25% shrinkage	<u>(25,545)</u>	<u>(23,525)</u>
	<u>\$ 76,636</u>	<u>\$ 70,575</u>

The allowance for shrinkage is an estimate based on historical performance, federation estimates and projection trends.

DIABETES PREVENTION AND AID FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – CONCENTRATIONS

The Organization received 99% and 49% of cash support in 2010 and 2009 from federated campaigns. Total cash contributions received from federated campaigns in 2010 and 2009 was \$122,233 and \$109,922, respectively. The Organization received 100% of their gift-in-kind contributions in 2010 and 2009 from a single non-profit entity. Total gift-in-kind contributions received from this entity in 2010 and 2009 was \$2,555,641 and \$2,644,505, respectively. If this support does not continue in the future, there might be substantial doubt about the Organization's ability to continue as a going concern. Management believes this support will continue in the future, and if not the support can be replaced from other sources.

NOTE E – SIGNIFICANT ACCOUNTING ESTIMATES

The Organization participates in the Combined Federal Campaign (CFC) in which federal employees are eligible to participate by selecting one or more charitable organizations to receive donations as a payroll deduction from the employee's compensation. The amount of pledges to eventually be collected is an estimate. The Organization estimates shrinkage of approximately 25% from what was pledged to what is eventually collected. Based on the history of the Organization and CFC, management believes this reduction reasonably states the true net value of what it will receive. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional adjustments that is possible.

NOTE F – ACCRUED EXPENSES

At September 30, 2010, accrued expenses consisted of payroll tax withholdings totaling \$1,277. The Organization had no accrued expenses at September 30, 2009.