DEFEAT DIABETES FOUNDATION, INC.

Financial Statements

December 31, 2016

DEFEAT DIABETES FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Stapleton, Johnson & McDowell, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditors' Report

To the Board of Directors and
Finance Committee of
Defeat Diabetes Foundation, Inc.
Madeira Beach, Florida

We have audited the accompanying financial statements of Defeat Diabetes Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Defeat Diabetes Foundation, Inc. as of December 31, 2016, 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.

Stapleton, Johnson & McDowell, PA

Stapleton, Johnson & McDowell, P.A.
Certified Public Accountants

June 2, 2017

DEFEAT DIABETES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS		
Cash	$ 87,380	
Contributions Receivable	46,360	
Inventory	5,856	
Prepaid Expenses	150	
TOTAL CURRENT ASSETS		$ 139,746
PROPERTY AND EQUIPMENT		
Equipment	14,827	
Land	80,285	
Building	319,083	
Vehicles	6,014	
Less: Accumulated Depreciation	(115,034)	
NET PROPERTY AND EQUIPMENT		305,175
OTHER ASSETS		
Investments	2,505	
Deposits	205	
NET OTHER ASSETS		2,710
OTHER ASSETS		$ 447,631

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 235,771	
Deferred Officer and Director Compensation	250,376	
Notes Payable - Officers	431,000	
TOTAL CURRENT LIABILITIES		$ 917,147
LONG-TERM LIABILITIES		0
TOTAL LIABILITIES		917,147
NET DEFICIT		(469,516)
Unrestricted		
TOTAL LIABILITIES AND NET DEFICIT		$ 447,631

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DEFEAT DIABETES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE:			
DIRECT PUBLIC SUPPORT:			
Contributions	$ 777,702	$ 452,518	$ 1,230,220
Contributions – In Kind	1,196,995	0	1,196,995
Total Direct Public Support	1,974,697	452,518	2,427,215
OTHER REVENUES (LOSSES)			
List Rentals	1,619	0	1,619
Investment Gains (Losses)	(995)	0	(995)
Total Other Revenues (Losses)	624	0	624
TOTAL PUBLIC SUPPORT AND OTHER REVENUES (LOSSES)	1,975,321	452,518	2,427,839
NET ASSETS RELEASED FROM RESTRICTIONS	452,518	(452,518)	0
TOTAL PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS	2,427,839	0	2,427,839
EXPENSES:			
Program Services	1,370,466	0	1,370,466
Management and General	93,460	0	93,460
Fundraising	962,219	0	962,219
TOTAL EXPENSES	2,426,145	0	2,426,145
INCREASE (DECREASE) IN NET ASSETS	1,694	0	1,694
NET DEFICIT BEGINNING OF YEAR	(471,210)	0	(471,210)
NET DEFICIT END OF YEAR	$ (469,516)	$ 0	$ (469,516)

DEFEAT DIABETES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Advertising and Promotion	$ 160	$ 0	$ 900	$ 1,060
Automobile Expense	1,925	0	109	2,034
Banking and Caging	0	20,308	33,206	53,514
Consulting	25,463	0	0	25,463
Data Processing	2,975	9,960	10,811	23,746
Depreciation	8,085	898	0	8,983
Insurance	4,272	2,642	0	6,914
Interest	0	11,706	0	11,706
Legal and Professional	0	10,035	0	10,035
Licenses, Taxes and Permits	0	4,558	0	4,558
Mailing Lists	2,925	0	9,286	12,211
Medical Supplies	1,206,653	0	0	1,206,653
Office Expenses	11,915	6,516	0	18,431
Office Salaries	16,267	0	0	16,267
Officer Salaries	32,032	22,568	0	54,600
Payroll Taxes	3,733	1,744	0	5,477
Postage and Delivery	14,241	328	90,458	105,027
Printing and Reproduction	24,380	265	149,990	174,635
Professional Fundraising Services	0	0	667,459	667,459
Telephone and Internet	4,115	1,656	0	5,771
Travel	70	276	0	346
Videography	11,255	0	0	11,255
TOTAL FUNCTIONAL EXPENSES	$ 1,370,466	$ 93,460	$ 962,219	$ 2,426,145

DEFEAT DIABETES FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets		$ 1,694
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	$ 8,983	
Unrealized (Gain) Loss on Investments	995	
Changes in Contributions Receivable	9,592	
Changes in Inventory	10,921	
Changes in Prepaid Expenses	(150)	
Changes in Deposits	65	
Deferred Officer and Director Compensation	(53,720)	
Changes in Accounts Payable and Accrued Expenses	68,061	
		44,747
NET CASH USED BY OPERATING ACTIVITIES		46,441
CASH FLOWS FROM INVESTING ACTIVITIES	0	
NET CASH USED BY INVESTING ACTIVITIES		0
CASH FLOWS FROM FINANCING ACTIVITIES	0	
NET CASH PROVIDED BY FINANCING ACTIVITIES		0
NET INCREASE IN CASH		46,441
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR		40,939
CASH AND CASH EQUIVALENTS, AT END OF YEAR		$ 87,380

SUPPLEMENTAL DISCLOSURES

INTEREST PAID	$ 0
INCOME TAXES PAID	$ 0

DEFEAT DIABETES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 – ORGANIZATION OF THE FOUNDATION

Defeat Diabetes Foundation, Inc. (the "Foundation") was incorporated November 21, 1991 under the laws of the State of Florida as a non-profit corporation and solicits contributions through professional fund raisers, direct mail campaigns on a national basis, co-ventures, through its web-site and personal contacts.

The mission of the Foundation is to inform, educate and alert the general public, diabetics, pre-diabetics and elected officials about the disease, its prevention and the consequences of undiagnosed and/or poorly managed diabetes and to provide accurate, up to date and practical information on the treatment and self management of the disease. The Foundation's evolving activities are literary, educational and may encompass any activities which fall within the meaning of Section 501(c) (3) of the Internal Revenue Code.

The Foundation is located in Madeira Beach, Florida, is supported by concerned individuals and is operated by contracted, salaried and volunteer services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance, if any, is based on prior years' experience and managements analysis of specific promises made.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted contributions if the restrictions are met (either by passage of time or by use) in the reporting period in which the contributions are recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Contributed Services

No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program and fundraising mission, but these services do not meet the criteria for recognition as contributed services. Management is not able to estimate the amount of hours contributed by these volunteers.

Property and Equipment

The Organization capitalizes property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line methods over estimated useful lives ranging from five to thirty-nine years.

Contributions Receivable

The Foundation uses the reserve method of accounting for bad debts, and management is of the opinion that all receivables are collectible and that no allowance for bad debts is required at December 31, 2016. All receivables are expected to be received in less than one year.

Income Taxes

The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation owes no taxes to the Federal Government or any State Government for the year ended December 31, 2016. The 2013, 2014 and 2015 corporate tax returns are subject to examination by the Internal Revenue Service and the state of Florida, generally for a three year period from the date they were filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash flow is expressed in terms of "cash and cash equivalents". Cash equivalents include short-term highly liquid investments such as bank and money market accounts, together with certificates of deposit with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Valuation of Investments

The Foundation carries all investments in debt securities and investments in equity securities and equity funds and fixed income funds with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements). Interest income is accrued as earned. Investment income consists of interest income realized and unrealized gains and losses, which are reported net of investment advisory fees and are included in the change in net assets in the accompanying Statement of Activities. Security transactions are recorded on a trade date basis. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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.

Account Groupings

Certain prior year account groupings have been modified to conform with the current year presentation.

Advertising

The Foundation expenses advertising costs as they are incurred and advertising communication costs the first time the advertising takes place.

Inventories

The Foundation maintains an inventory of donated medical supplies and printed materials for program use. Donated items are recorded at estimated fair value and purchased items are recorded at cost.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification. The Foundation's principal program activities comprise:

The KIDD™ Project

- Defeat Diabetes® Screening Test Brochures are provided free of charge to schools and other civic organizations for children, faculty and staff and their families throughout the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Functional Expenses-Continued

- KIDD™ Curriculum – The KIDD™ Curriculum was developed to fill a missing gap that explains the relationship between nutrition, fitness, obesity and diabetes (and other chronic disorders). Conveniently packaged on a CD, a curriculum includes information about diabetes, the risk factors, warning signs, complications and ways to prevent the disease. In addition, it provides extensive information on nutrition and ways to incorporate regular physical activity into daily routines.

Social Media

- Series of forty (40) exercise videos designed for use at home and office; offered at no charge to users on You Tube.

- Twitter

Public Service Announcements

- D.A.N. Project (Diabetes Awareness Now) is a Defeat Diabetes® Awareness Project and is a Public Service Announcement campaign about the dangers of undiagnosed diabetes.

- Monthly radio and television PSA's.

Defeat Diabetes Foundation Website

- The Foundation maintains the website – (www.DefeatDiabetes.org).

- Defeat Diabetes Foundation provides a free online monthly newsletter, E-Lerts™, featuring important information for diabetics, their families and the general public.

Other Activities

- Public Awareness - Defeat Diabetes Foundation provides information to the general public including the Defeat Diabetes® Screening Test Brochures, emphasizing Diabetes Risk factors, Warning Signs and Harsh Realities.

- The Media Outreach campaign informs and educates the Media of the dangers of diabetes.

- Advocacy Program - Mr. Diabetes® testifies before all levels of elected officials and Civic Organizations to bring awareness of the diabetic condition to governments and their health agencies. He has also acted as Goodwill Ambassador for the U.S. State Department in Kuwait and Eritrea for their conferences on diabetes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Functional Expenses-Continued

- Mr. Diabetes® meets with leaders of the medical community as well as hospitals, Diabetes Support Groups and Senior Citizen Groups, Schools, Camps, and other venues.
- Medical Supplies – this program distributes donated medical supplies to individuals and organizations worldwide.

April is Defeat Diabetes ® month, which includes a calendar of daily events during the month of April, emphasizing fitness and nutritional activities.

NOTE 3 – DEFERRED OFFICER AND DIRECTOR COMPENSATION

Deferred officer and director compensation represents amounts the Foundation owes to its officers and directors for agreed upon salaries which have not been paid. The amounts are due on demand and non-interest bearing.

NOTE 4 – CONCENTRATIONS

Approximately 86% of the direct public support and 95% of total receivables for the year ended December 31, 2016 resulted from program, fundraising and management and general activities with two professional fundraisers.

NOTE 5 – ALLOCATION OF JOINT COSTS

In 2016, the Foundation incurred joint costs of $212,089 for informational materials and activities that included fund-raising appeals. Of those costs, $145,860 was allocated to fund-raising expense, $45,937 was allocated to Program Services and $20,292 was allocated to management and general expense.

Joint costs are allocated amongst the following functional expense categories:

Bank Charges and Caging	$ 20,292
Mailing Lists	12,211
Data Processing Services	12,423
Postage and Delivery	57,580
Printing and Stationery	99,230
Professional Services	10,353
	$ 212,089

NOTE 6 – NOTES PAYABLE – OFFICERS

The Foundation Officers have loaned the Foundation $431,000. The loans earn interest at rates that range from 1.36% to 3.18%. Interest expense for Officers loans was $11,706 during 2016. Accounts payable and accrued expenses include $106,847 of accrued interest to officers at year end.

NOTE 6 – NOTES PAYABLE – OFFICERS-Continued

On March 23, 2009 the Organization executed a mortgage deed securing the current and future officer loans with all of the Organization's assets. The security agreement applies to all existing and future loan advances up to a total of $500,000, made within twenty (20) years of the date of the agreement.

NOTE 7 – RELATED PARTY TRANSACTIONS

Deferred officer compensation is further discussed in Note 3. Notes payable to officers is further discussed in Note 6. Accounts payable and accrued expenses include unreimbursed travel and operating expenses of $20,685 due to officers.

A member of the Board of Directors provided $10,070 of consulting services to the Foundation and $958 in costs for these services are included in accounts payable and accrued expenses.

NOTE 8 – INVESTMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy: All of the Foundation's investments valuations have been determined in accordance with Level 1 valuation techniques.

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies. Assets in this level include debt securities and partnerships that hold Level 1 assets, provided that the Foundation has the ability to redeem the investment in the near term, and real estate held for investment if measured by a current appraisal.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include alternative investments, real estate held for investment if measured using management estimates, investments in partnerships and limited liability companies, and beneficial interests in charitable remainder trust.

The Foundation's investments consisted of donated publicly traded stock that management intends to hold. The investments are reported at Level 1 fair market value as follows:

Value at original donation/purchase	$ 4,000
Accumulated unrealized loss in fair market value	(1,495)
Fair market value of investment	$ 2,505

NOTE 8 – INVESTMENTS-Continued

Current year investment gains (losses) are comprised of the following:

Appreciation (Depreciation) in fair market value	$ (995)
Investment gains (losses)	$ (995)

NOTE 9 - DATE OF MANAGEMENTS' REVIEW

In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through June 2, 2017, the date the financial statements were available to be issued.

NOTE 10 - IN-KIND CONTRIBUTIONS

During 2016 the Foundation arranged for the in-kind contribution, acquisition and distribution of diabetic pharmaceuticals and medical supplies with estimated fair market values of $1,169,730 and $1,169,730 respectively.

The fair market value of the pharmaceuticals was estimated based on an average of multiple unit data points, as available. The data points utilized included the following:

1) Red Book Average Wholesale Price (AWP)
2) Red Book Wholesale Acquisition Cost (WAC) *
3) Federal Upper Limit (FUL)
4) National Average Drug Acquisition Cost (NADAC)

* When the Red Book does not publish a WAC value, the AWP value was reduced by 30-31% to serve as the WAC value.