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# **THE DIATRIBE FOUNDATION**

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## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The diaTribe Foundation  
San Francisco, California

### **Opinion**

We have audited the accompanying financial statements of the diaTribe Foundation, a non-profit organization (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of earnings and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Organization'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 Organization'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.

*Cambaliza McGee LLP*

Cambaliza McGee LLP  
Newport Beach, CA  
September 7, 2023

**THE DIATRIBE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,453,184	\$ 2,730,090
Net pledge receivables	952,285	383,100
Other receivable	5,500	-
Prepaid expenses	26,158	149,108
Total current assets	3,437,127	3,262,298
Long-term assets:		
Security deposit	6,500	6,500
Total assets	\$ 3,443,627	\$ 3,268,798
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 70,135	\$ 170,172
Accrued expenses	78,518	55,333
Deferred revenue	135,000	152,500
Total current liabilities	283,653	378,005
Net assets:		
Without donor restrictions	3,109,974	2,890,793
With donor restrictions	50,000	-
Total net assets	3,159,974	2,890,793
Total liabilities and net assets	\$ 3,443,627	\$ 3,268,798

See notes to financial statements and independent auditor's report.

**THE DIATRIBE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Operating revenue and support:				
Contributions	\$ 860,033	\$ 2,910,550	\$ 3,770,583	\$ 3,676,349
Grant revenue	-	275,000	275,000	88,750
Other revenue	213,299	-	213,299	54,019
Net assets released from restrictions	3,135,550	(3,135,550)	-	-
	<u>4,208,882</u>	<u>50,000</u>	<u>4,258,882</u>	<u>3,819,118</u>
Expenses:				
Program services	3,070,024	-	3,070,024	2,787,558
Management and general	586,951	-	586,951	375,590
Fundraising	332,726	-	332,726	264,846
	<u>3,989,701</u>	<u>-</u>	<u>3,989,701</u>	<u>3,427,994</u>
Change in net assets	219,181	50,000	269,181	391,124
Net assets, beginning of year	<u>2,890,793</u>	<u>-</u>	<u>2,890,793</u>	<u>2,499,669</u>
Net assets, end of year	<u>\$ 3,109,974</u>	<u>\$ 50,000</u>	<u>\$ 3,159,974</u>	<u>\$ 2,890,793</u>

See notes to financial statements and independent auditor's report.

**THE DIATRIBE FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Totals</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Expenses:				
Consulting	\$ 440,598	\$ 95,491	\$ 41,761	\$ 577,850
Contributors and lectures	-	-	62,738	62,738
Donations	200,746	-	-	200,746
Information technology	205,662	8,695	6,386	220,743
Insurance	-	26,925	-	26,925
Marketing	248,615	-	9,670	258,285
Office supplies	8,207	1,059	778	10,044
Other expenses	40,061	12,998	22,094	75,153
Outside contract services	47,750	-	-	47,750
Payroll taxes	91,253	11,776	8,649	111,678
Professional fees	-	225,872	-	225,872
Rent	65,647	8,471	6,222	80,340
Salaries and benefits	1,456,940	188,013	138,092	1,783,045
Telephone	4,677	604	443	5,724
Travel	205,261	-	30,717	235,978
Website	54,607	7,047	5,176	66,830
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ 3,070,024	\$ 586,951	\$ 332,726	\$ 3,989,701

See notes to financial statements and independent auditor's report.

**THE DIATRIBE FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Totals</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Expenses:				
Consulting	\$ 471,373	\$ 35,698	\$ 28,210	\$ 535,281
Contributors and lectures	-	3,000	37,560	40,560
Donations	96,114	-	-	96,114
Information technology	239,214	24,004	18,027	281,245
Insurance	-	20,818	-	20,818
Marketing	255,487	-	19,136	274,623
Office supplies	9,486	993	785	11,264
Other expenses	24,357	16,574	20,618	61,549
Outside contract services	138,112	14,460	11,427	163,999
Payroll taxes	88,013	9,215	7,282	104,510
Professional fees	-	96,698	-	96,698
Rent	66,601	7,674	6,064	80,339
Salaries and benefits	1,343,369	140,652	111,150	1,595,171
Telephone	3,403	356	282	4,041
Travel	10,906	1,142	902	12,950
Website	41,123	4,306	3,403	48,832
Total expenses	<u>\$ 2,787,558</u>	<u>\$ 375,590</u>	<u>\$ 264,846</u>	<u>\$ 3,427,994</u>

See notes to financial statements and independent auditor's report.

**THE DIATRIBE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ 269,181	\$ 391,124
Adjustments to reconcile change in net assets to net cash provided by operations:		
Adjustments to reconcile excess of support:		
(Increase) decrease in net pledge receivables	(569,185)	172,484
Decrease (increase) in prepaid expenses	122,950	(120,198)
(Increase) decrease in other receivable	(5,500)	200,000
(Decrease) increase in accounts payable	(100,037)	167,410
Decrease in deferred revenue	(17,500)	(192,500)
Increase in accrued expenses	23,185	19,504
Net cash (used in) provided by operating activities	(276,906)	637,824
Net (decrease) increase in cash	(276,906)	637,824
Cash and cash equivalents, beginning of year	2,730,090	2,092,266
Cash and cash equivalents, end of year	\$ 2,453,184	\$ 2,730,090

See notes to financial statements and independent auditor's report.

**THE DIATRIBE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE A – ORGANIZATION**

Organization's Activities

The diaTribe Foundation (the "Organization") was created as a tax-exempt 501(c)(3) non-profit Organization in 2013 in San Francisco, California. The Organization's goal is to improve the lives of people with diabetes, pre-diabetes and obesity, and to advocate for action.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 dated August 2016 and the provisions of the American Institute of Certified Public Accountants ("AICPA") "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: These are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: These are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

**THE DIATRIBE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Contributions – (Continued)

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and when the assets are placed in service.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For all nonpublic and other entities, the amendments in this Update became effective for fiscal years beginning after December 15, 2021. The Organization only maintains month-to-month leases therefore, the new guidance does not have a significant impact on the Organization's results of operations, cash flows and financial condition.

Functional Expenses

Functional expenses are those expenses incurred by the Organization in the accomplishment of its stated mission. The cost of providing the various program and other activities of the Organization have been summarized on a functional basis in the statement of activities and statement of functional expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses have been allocated on a reasonable basis and have been consistently applied. Personnel expenses are allocated on the basis of time and effort.

**THE DIATRIBE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Fixed Assets

Fixed assets are depreciated using the straight-line method over the estimated useful life of the assets.

It is the Organization's policy to capitalize fixed asset purchases over \$2,500, determined by cost if purchased or fair value if contributed lesser amounts are expensed.

Cash and Cash Equivalents

Cash and cash equivalents include short-term highly liquid investments, such as certificates of deposit or money market funds that are readily convertible to known amounts of cash.

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains cash balances in bank accounts which, at times, exceed the federal insurable limit. The Organization has not experienced any losses from cash concentration and management does not believe it is exposed to any significant risk.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and related State of California code sections. The Organization files its Form 990, on the accrual basis of accounting, in the U.S. Federal jurisdiction and the State of California. The Organization's Form 990 is subject to examination by the Internal Revenue Service for three years after it was filed.

Management believes the Organization had no uncertain tax positions as of December 31, 2022 and 2021.

**THE DIATRIBE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**NOTE C – NET PLEDGES RECEIVABLE**

Unconditional promises to give are included in the financial statements as pledges and revenue of the appropriate net asset category. Net pledges as of December 31, 2022 and 2021 were \$952,285 and \$383,100, respectively, and are expected to be realized within one year.

**NOTE D – DEFERRED REVENUE**

Deferred revenue represents conditional donations that depend on the related events taking place during 2023 or 2022. As of December 31, 2022 and 2021, deferred revenue totaled \$135,000 and \$152,500, respectively.

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets as of December 31, 2022, consist of the following:

Stigma program	\$ 50,000
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**THE DIATRIBE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,453,184	\$ 2,730,090
Net pledges receivables	<u>952,285</u>	<u>383,100</u>
	3,405,469	3,113,190
Less those unavailable for general expenditures with one year, due to deferred revenues for events taking place in 2023 and 2022, respectively	<u>(135,000)</u>	<u>(152,500)</u>
Financing assets available to meet cash needs for general expenditures within one year	<u>\$ 3,270,469</u>	<u>\$ 2,960,690</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE G – ORGANIZATION 401(k) PLAN**

The Organization has set up a 401(k)-retirement savings plan for employees. The plan is funded to a substantial extent by elective contributions of up to 15% of the employee's pre-tax salary. The Organization contributed \$47,801 and \$50,220, respectively, during the years ended December 31, 2022 and 2021.

**NOTE H – SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through September 7, 2023, the date the financial statements were available to be issued.

On August 1, 2023, the Organization entered into a two-year office lease agreement which calls for monthly payments of \$2,300 commencing on September 1, 2023.