

*HappyBottoms*

**Independent Accountants' Review Report  
and  
Financial Statements**

**December 31, 2011**



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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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To the Board of Trustees  
HappyBottoms  
Kansas City, Missouri

We have reviewed the accompanying statement of financial position of HappyBottoms (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*TPP Certified Public Accountants, LLC*

August 1, 2012

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**HAPPYBOTTOMS**  
**STATEMENT OF FINANCIAL POSITION**

	<u>December 31</u>
	<u>2011</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 26,438
Inventory	61,465
Prepaid diapers	<u>1,282</u>
Total Current Assets	89,185
<b>Equipment, at cost net of accumulated depreciation</b>	 <u>2,251</u>
	<u><u>\$ 91,436</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
 <b>Net Assets</b>	
Unrestricted	\$ 72,499
Temporarily restricted	<u>18,937</u>
	<u>91,436</u>
	<u><u>\$ 91,436</u></u>

*See independent accountants' review report and accompanying notes.*

**HAPPYBOTTOMS**  
**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Public support			
Corporate contributions	\$ 97,540	\$ -	\$ 97,540
Individual contributions	31,360	-	31,360
Foundation and trust grants	3,500	1,500	5,000
Nonprofit organization grants	500	-	500
Federal grants	-	17,655	17,655
Total public support	<u>132,900</u>	<u>19,155</u>	<u>152,055</u>
Other revenue			
T-Shirt income	120	-	120
Miscellaneous income	150	-	150
Total other revenue	<u>270</u>	<u>-</u>	<u>270</u>
Net assets released from restrictions	<u>218</u>	<u>(218)</u>	<u>-</u>
<b>Total Revenues</b>	<b>133,388</b>	<b>18,937</b>	<b>152,325</b>
<b>Expenses</b>			
Program services	38,918	-	38,918
Supporting services:			
Fundraising	-	-	-
Management and general	21,971	-	21,971
<b>Total Expenses</b>	<u>60,889</u>	<u>-</u>	<u>60,889</u>
<b>Changes in net assets</b>	<b>72,499</b>	<b>18,937</b>	<b>91,436</b>
<b>Net assets, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$ 72,499</u>	<u>\$ 18,937</u>	<u>\$ 91,436</u>

See independent accountants' review report and accompanying notes.

**HAPPYBOTTOMS**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2011

	Program Services	Supporting Services			Total Expenses
	Total	Management and General	Fundraising	Total	
Diaper purchase expense	\$ 34,832	\$ -	\$ -	\$ -	\$ 34,832
Outside contract services	-	6,400	-	6,400	6,400
Information technology expense	-	4,254	-	4,254	4,254
Marketing expense	-	4,238	-	4,238	4,238
Printing, copying, and postage	-	3,727	-	3,727	3,727
Warehouse utilities	1,833	-	-	-	1,833
Insurance - liability, directors, and officers	763	1,035	-	1,035	1,798
Client health education	1,150	-	-	-	1,150
Administrative equipment and supplies	-	844	-	844	844
Memberships and dues	-	650	-	650	650
Warehouse labor	340	-	-	-	340
Depreciation	-	250	-	250	250
Causes and Paypal fees	-	164	-	164	164
Facilities rental	-	150	-	150	150
Board meeting expenses	-	149	-	149	149
Bank fees	-	50	-	50	50
Training	-	50	-	50	50
Government fees	-	10	-	10	10
	<b>\$ 38,918</b>	<b>\$ 21,971</b>	<b>\$ -</b>	<b>\$ 21,971</b>	<b>\$ 60,889</b>

See independent accountants' review report and accompanying notes.

**HAPPYBOTTOMS**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31  
**2011**

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**Cash Flows From Operating Activities**

Increase in net assets	\$	91,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		250
Net changes in operating assets and liabilities:		
Inventory		(61,465)
Prepaid diapers		(1,282)
Net cash provided by operating activities		<u>28,939</u>

**Cash Flows From Investing Activities**

Acquisition of property and equipment		(2,501)
Net cash used in investing activities		<u>(2,501)</u>

**Net increase in cash and cash equivalents** 26,438

**Cash and cash equivalents, beginning of year** -

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**Cash and cash equivalents, end of year** \$ 26,438

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*See independent accountants' review report and accompanying notes.*

**HAPPYBOTTOMS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

Following is a summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements for HappyBottoms (“the organization”).

**1. Organization**

HappyBottoms is a Kansas City, Missouri organization established to acquire diapers through drives and donations. These diapers are distributed through partner agencies to low income children. The organization works to increase community awareness of the basic health need and advocate for policy change.

The organization’s donor base for cash contributions primarily consist of nonprofit organization grants, foundation and trust grants, corporate contributions, individual contributions, and federal grants. Gifts in kind are also received primarily from local companies.

**2. Basis of Accounting**

The financial statements of the organization have been prepared on the accrual basis of accounting.

**3. Cash and Cash Equivalents**

Cash and cash equivalents are liquid investments with original maturities at the date of purchase of three months or less and consist primarily of non-interest-bearing checking accounts.

**4. Inventory**

Inventory consists of diapers held for distribution. Inventory is stated at cost and is valued using the first in, first out (FIFO) method.

**5. Equipment**

Equipment is recorded at cost and depreciated over the estimated useful life of five years. Annual depreciation is primarily computed using the straight-line method. The organization capitalizes equipment over a nominal amount. Maintenance and repairs are charged to expense as incurred.

**6. Prepaid Diapers**

The organization maintains a prepaid diaper account for diapers at a local organization which were paid for but not yet redeemed.



**HAPPYBOTTOMS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE A – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES  
(CONTINUED)**

**7. Net Assets**

***Unrestricted Net Assets***

Unrestricted net assets are available for use in general operations.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets consist of amounts that are subject to donor restrictions. The organization is permitted to use up or expend the donated assets in accordance with the donor restriction.

The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 are reported in the statement of activities as net assets released from restrictions.

**8. Description of Program and Supporting Services**

***Program Services***

The program services category includes expenses for distribution of diapers, distribution of educational material and related utility and insurance expenses for the warehouse where diapers are stored.

***Supporting Services***

**Fundraising**

Provides the structure necessary to encourage and secure financial support from individuals, organizations and corporations.

**Management and General**

This supporting service category includes the functions necessary to secure proper administrative functioning of the organization's governing board, maintain an adequate working environment and manage financial responsibilities of the organization.

**HAPPYBOTTOMS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE A – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES  
(CONTINUED)**

**9. Expenses**

Expenses are recognized by the organization during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

**10. Functional Allocation of Expenses**

The cost of providing various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**11. Donated Services and Materials**

A substantial number of volunteers have donated significant amounts of time to the organization's program services and to its fund-raising campaigns. In addition, the executive director, program manager and other administrative functions are provided solely by volunteers. Accordingly, no amounts for these services and functions have been recognized in the statement of activities.

The organization does not recognize revenue for donated services. The organization recognizes revenue for certain donated materials and supplies based on their fair market value at the date of donation.

**12. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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. Actual results could differ from those estimates.

**13. Advertising**

The organization records advertising expenses when such costs are incurred. The total amount charged to advertising expense for December 31, 2011 was \$4,238.

**HAPPYBOTTOMS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE B – EQUIPMENT**

Equipment consists of the following for the year ended December 31, 2011:

Equipment	\$ 2,501
Less: accumulated depreciation	<u>(250)</u>
	<u><u>\$ 2,251</u></u>

Depreciation expense totaled \$250 for the year ended December 31, 2011.

**NOTE C – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 were restricted for the following purposes:

Diaper purchases	\$ 1,282
Capacity building	<u>17,655</u>
	<u><u>\$ 18,937</u></u>

**NOTE D – NET ASSETS RELEASED FROM RESTRICTION**

Temporarily restricted net assets released from restriction for the year ended December 31, 2011 included \$218 for diaper purchases.

**NOTE E – DONATED SERVICES AND MATERIALS**

The organization recognized revenue for certain donated materials and supplies for the year ended December 31, 2011. Revenue was recognized for these items in the statement of activities based on their fair market value at the time of donation. These donations included diapers valued at \$83,443 and software and print materials valued at \$5,491.

The organization received donated warehouse space valued at \$6,000 for the year ended December 31, 2011. This warehouse space was primarily used for the program services of the organization.

The organization also received donated services and materials that included website design, marketing materials, office supplies, software, phones, and shelving. The value of these donations amounted to \$34,400 and was not recognized as revenue for the year ended December 31, 2011. These donated services and materials primarily benefited the supporting services of the organization.

**HAPPYBOTTOMS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE F – INCOME TAXES**

The organization has received an exemption from the Internal Revenue Service (IRS) from Federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code. The organization is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. For the year ended December 31, 2011 no income was recognized for purposes unrelated to the exempt purpose of the organization, therefore, no related tax expense has been recorded.

On January 1, 2011, the organization adopted the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The implementation of FASB ASC Topic 740-10 had no impact on the organization's financial statements and, accordingly, no interest or penalties were accrued as of January 1, 2011. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the year ended December 31, 2011 and, accordingly, there is no liability for unrecognized tax benefits.

The organization files IRS Form 990 annually with the Federal Government and is still open to examination by taxing authorities for 2011.

**NOTE G – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 1, 2012, the date on which the financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in these financial statements.