

**BANANAS INCORPORATED**

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**FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL SCHEDULE**

**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
BANANAS Incorporated

### Report on the Financial Statements

We have audited the accompanying financial statements of BANANAS Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2018, 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.

### Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 BANANAS Incorporated as of June 30, 2018, 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Activities for Contracts with County of Alameda, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Report on Summarized Comparative Information*

We have previously audited BANANAS Incorporated's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of BANANAS Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BANANAS Incorporated's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BANANAS Incorporated's internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California  
December 14, 2018

# BANANAS INCORPORATED

## STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 1,976,649	\$ 1,620,432
Accounts receivable	623,430	784,204
Prepaid expenses and deposits	135,923	130,506
Investments (Note 3)	1,123,387	1,104,393
Property and equipment (Note 4)	<u>123,137</u>	<u>151,792</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,982,526</u></u>	<u><u>\$ 3,791,327</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 65,948	\$ 53,970
Accrued liabilities (Note 5)	413,064	469,594
Accrued provider payments	1,018,664	855,057
Due to government (Note 6)	<u>23,522</u>	<u>32,075</u>
<b>TOTAL LIABILITIES</b>	<u>1,521,198</u>	<u>1,410,696</u>
<b>NET ASSETS</b>		
Unrestricted	1,198,828	1,187,516
Board designated (Note 9)	1,192,622	1,147,174
Temporarily restricted (Note 10)	<u>69,878</u>	<u>45,941</u>
<b>TOTAL NET ASSETS</b>	<u>2,461,328</u>	<u>2,380,631</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,982,526</u></u>	<u><u>\$ 3,791,327</u></u>

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

# BANANAS INCORPORATED

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	2018	2017
<b>REVENUE AND SUPPORT</b>				
Earned revenues (Note 11)	\$ 12,785,225	\$ -	\$ 12,785,225	\$ 12,676,780
Contributions (Note 12)	131,701	110,085	241,786	311,346
In-kind contributions (Note 8)	98,803		98,803	87,585
Gain on investments	34,146		34,146	81,742
Interest and dividends	22,559		22,559	18,180
Other income	16,664		16,664	13,266
Net assets released from purpose restrictions	86,148	(86,148)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>13,175,246</b>	<b>23,937</b>	<b>13,199,183</b>	<b>13,188,899</b>
<b>EXPENSES</b>				
Program services	12,890,782		12,890,782	12,749,137
Management and general	147,906		147,906	99,575
Fundraising and development	79,798		79,798	127,049
<b>TOTAL EXPENSES</b>	<b>13,118,486</b>	<b>-</b>	<b>13,118,486</b>	<b>12,975,761</b>
<b>CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP DISTRIBUTION TO FAMILY RESOURCE NAVIGATORS</b>	<b>56,760</b>	<b>23,937</b>	<b>80,697</b>	<b>213,138</b>
Fiscal Sponsorship Distribution to Family Resource Navigators			-	(173,000)
<b>CHANGE IN NET ASSETS</b>	<b>56,760</b>	<b>23,937</b>	<b>80,697</b>	<b>40,138</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,334,690</b>	<b>45,941</b>	<b>2,380,631</b>	<b>2,390,533</b>
<b>DISTRIBUTION TO FAMILY RESOURCE NAVIGATORS' NET ASSETS (NOTE 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,040)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,391,450</b>	<b>\$ 69,878</b>	<b>\$ 2,461,328</b>	<b>\$ 2,380,631</b>

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

# BANANAS INCORPORATED

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	Program Services				Total Program Services	Support Services		Total Expenses	
	Resource, Referral, and Training	Alternative Payment Program	Family Resource Network	Other Programs		Management and General	Fundraising and Development	2018	2017
Salaries	\$ 550,610	\$ 664,236	\$ -	\$ -	\$ 1,214,846	\$ 527,716	\$ 47,334	\$ 1,789,896	\$ 2,316,569
Payroll taxes and employee benefits	226,589	299,687			526,276	151,374	13,229	690,879	876,092
Total personnel costs	777,199	963,923	-	-	1,741,122	679,090	60,563	2,480,775	3,192,661
Provider payments		9,806,775			9,806,775			9,806,775	8,702,159
Professional and contractual services	97,956	64,975			162,931	67,770	5,844	236,545	465,169
Rent	38,703	67,298			106,001	48,186	2,821	157,008	178,722
Office expenses and training materials	79,534	35,948			115,482	22,569	7,313	145,364	122,540
In-kind expenses					-	98,803		98,803	87,585
Utilities	13,393	23,218			36,611	11,221	1,016	48,848	46,809
Telecommunications	9,149	15,905			25,054	7,687	712	33,453	47,592
Bank charges	935	8,417			9,352	12,378	69	21,799	17,689
Communication	5,777	10,068			15,845	4,855	507	21,207	18,642
Depreciation					-	20,682		20,682	17,650
Travel and conferences	13,012	2,734			15,746	2,502	568	18,816	32,082
Dues and subscriptions	8,225				8,225	2,437	200	10,862	11,296
Miscellaneous					-	8,836		8,836	18,900
Insurance	2,385	4,136			6,521	2,007	185	8,713	16,265
Total functional expenses before administration expense allocation	1,046,268	11,003,397	-	-	12,049,665	989,023	79,798	13,118,486	12,975,761
Administration expense allocation	83,081	758,036	-	-	841,117	(841,117)	-	-	-
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 1,129,349</b>	<b>\$ 11,761,433</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,890,782</b>	<b>\$ 147,906</b>	<b>\$ 79,798</b>	<b>\$ 13,118,486</b>	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,140,002	\$ 10,578,090	\$ 879,612	\$ 151,433	\$ 12,749,137	\$ 99,575	\$ 127,049		\$ 12,975,761

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

# BANANAS INCORPORATED

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 80,697	\$ 40,138
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,682	17,650
Depreciation of due to government assets	8,553	8,553
(Gain) on investments	(34,146)	(81,742)
Re-invested income	(1,836)	-
Distribution to Family Resource Navigators from prior years' net assets	-	(50,040)
(Increase) decrease in operating assets:		
Accounts receivable	160,774	(143,602)
Prepaid expenses and deposits	(5,417)	15,569
Increase (decrease) in operating liabilities:		
Accounts payable	11,978	(33,860)
Accrued liabilities	(56,530)	(19,373)
Accrued provider payments	163,607	100,727
Due to government	(8,553)	(8,553)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>339,809</u>	<u>(154,533)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(753,416)	(135,028)
Proceeds from sale of investments	770,404	128,069
Purchase of property and equipment	(580)	(42,109)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>16,408</u>	<u>(49,068)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	356,217	(203,601)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,620,432</u>	<u>1,824,033</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,976,649</u></u>	<u><u>\$ 1,620,432</u></u>

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



# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

BANANAS Incorporated (“BANANAS”) is a nonprofit public benefit corporation established under the laws of California in 1974. BANANAS provides a wider range of child care and parenting services in Northern Alameda County. A substantial portion of their funding is received from the California Department of Education (“CDE”) and other state, federal and local government agencies, most of which are on a reimbursable basis. The major programs provided by BANANAS are as follows:

***Resource, Referral, and Training*** – Resource, Referral, and Training programs provide child care referrals, child rearing information, support and services to parents and a wide variety of technical assistance to child care providers. Services include child care resource and referrals, parenting classes, child care provider trainings and coaching and playgroups. Resource, Referral and Training programs are primarily funded by CDE. Other funding sources are local government and foundations.

***Child Care/Alternative Payment*** – Child Care Payment Programs subsidizes the child care costs of qualified low-income parents while they are working, looking for employment, or in school or training. Some provide respite services for parents who are in crisis situations. Child Care Payment Programs are primarily funded by CDE. Other funding sources are local government.

### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

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

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of BANANAS are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenue generated by providing services, receiving unrestricted contributions, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

**Unrestricted – Board Designated.** These are comprised of resources which the Board of Directors have established from organization funds (not donor restricted) to be retained and invested rather than expended. For the purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2018. Unrestricted – board designated net assets consists of BANANAS' endowment fund investments totaling \$1,192,622.

**Temporarily Restricted.** BANANAS reports gifts of cash and other assets as temporarily 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 the purpose of the 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 purpose restrictions. BANANAS has temporarily restricted net assets of \$69,878 at June 30, 2018.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit BANANAS to expend all of the income (or other economic benefits) derived from the donated assets. BANANAS has no permanently restricted net assets at June 30, 2018.

#### Cash and Cash Equivalents

BANANAS has defined cash and cash equivalents as cash in banks, cash on hand, and certificates of deposits with an original maturity of three months or less.

#### Accounts Receivable

Accounts receivable are receivables from governmental agencies and are deemed fully collectible. Therefore, no allowance for doubtful accounts has been provided.

#### Investments

BANANAS values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

BANANAS is required to measure certain investments and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand and five hundred dollars (\$1,500) and the useful life is greater than one year.

Acquisitions of furniture and leasehold improvements with government grant funding during the year are recognized as expenses to the grant providing resources for such acquisitions, since these items are deemed the property of the funding agency. The funding agency has a reversionary interest in such assets; and, upon their disposition, any funds derived therefrom are subject to governmental regulations. To track such assets, however, BANANAS also records in property and equipment the cost of the asset and a corresponding liability for the same amount to show the reversionary interest (see Note 6).

#### **Concentration of Credit Risks**

BANANAS places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. BANANAS has not incurred losses related to these investments. BANANAS' Board of Directors reviews investment and cash management policies on a regular basis.

The primary receivable balance outstanding at June 30, 2018 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of BANANAS' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 95% of BANANAS total revenue is derived from government contracts (earned revenues).

continued

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Donated Materials and Services**

BANANAS received contributions for non-cash services and materials. Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2018, BANANAS received in-kind contributions of \$98,803, comprising of \$97,500 in donated services and \$1,303 in donated materials that satisfy the criteria for recognition (see Note 8).

#### **Income Taxes**

BANANAS is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by BANANAS in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. BANANAS' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### **Functional Allocation of Expenses**

Costs for providing BANANAS' programs and other activities have been presented in the Statement of Functional Expenses. Salaries, wages and payroll related costs are allocated to the programs based on actual time spent by employees on each program, with those benefiting more than one program being allocated across programs. Wages not allocated to programs are allocated to general and administrative or development. All allowable direct costs are charged directly to programs. All allowable direct costs that benefit more than one program are allocated to programs based on a Full Time Equivalent (FTE) allocation. All other general and administrative costs that cannot be identified to a specific program are allocated to programs through an indirect percentage allocation.

#### **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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BANANAS' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through December 14, 2018, the date which the financial statements were available for issue. No events or transactions have occurred during this period that would appear to require recognition or disclosure in the financial statements.

### 3. Investments

Investments at June 30, 2018 consist of the following:

Mutual funds	\$1,066,814
Alternative investment	<u>56,573</u>
	<u>\$1,123,387</u>

### 4. Property and Equipment

Property and equipment at June 30, 2018 consist of the following:

Leasehold improvements	\$ 326,279
Equipment	18,853
Furniture and fixtures	<u>9,587</u>
	354,719
Less: accumulated depreciation	<u>(231,582)</u>
	<u>\$ 123,137</u>

Depreciation expense for the year ended June 30, 2018 was \$20,682.

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# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 5. Accrued Liabilities

Accrued liabilities at June 30, 2018 consist of the following:

Unearned revenues	\$123,974
Accrued vacation	100,420
Employer 403(b) contribution payable	90,485
Other accrued liabilities	62,489
Accrued payroll	<u>35,696</u>
	<u>\$413,064</u>

### 6. Due to Government

Due to government represents the net book value of assets purchased by BANANAS with government funds in which BANANAS does not retain ownership. Due to government as of June 30, 2018 was \$23,522, and the corresponding asset at net book value is recorded in property and equipment at June 30, 2018. This account changes with the purchase of assets with government funds and the recorded depreciation on such assets.

### 7. Commitments and Contingencies

#### Obligations Under Operating Leases

BANANAS leases real property under operating leases. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2019	\$157,008
2020	157,008
2021	<u>117,756</u>
	<u>\$431,772</u>

Rent expense under operating leases for the year ended June 30, 2018 was \$157,008.

#### Contracts

BANANAS' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, BANANAS has no provisions for the possible disallowance of program costs on its financial statements.

continued

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 8. In-kind Contributions

In-kind contributions for the year ended June 30, 2018 consists of the following:

Donated services	
Legal	\$80,000
Construction	<u>17,500</u>
	97,500
Donated materials	<u>1,303</u>
	<u>\$98,803</u>

### 9. Board Designated Endowment Funds

Unrestricted board designated net assets represents organization funds that are to be retained and invested rather than expended. At June 30, 2018, unrestricted board designated net assets were \$1,192,622.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization and also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

BANANAS classifies as unrestricted board designated net assets (a) the initial contribution to the endowment fund from funds designated by the Board of Directors, and (b) the respective annual net changes to these investments.

#### Investment Objectives, Asset Allocation, and the Disbursement Policy

BANANAS has adopted investment and spending policies approved by the Board of Directors for endowment assets to generate additional annual income to augment its operating budget primarily in the area of human resources. Under this policy as approved by the Board of Directors, the endowment assets shall be managed consistent with the need to maintain the purchasing power of the fund's annual contribution to BANANAS as well as to protect the corpus value against inflation.

The investments shall be limited to good quality or investment grade common and preferred stocks or insured, government guaranteed or fixed maturity debt rated with investment grade ratings. Lower quality equity or debt can be considered as part of an investment diversified platform. Investment strategies which reduce BANANAS' risk of equity ownership and/or enhance the endowment fund's income, may also be employed.

The investments shall be reflective of BANANAS' overall corporate sense of social responsibility; promoting equality, justice, and environmental sensitivity.

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 9. Board Designated Endowment Funds, continued

Investments in debt or equity of any company whose primary income is derived from products or services related to the nuclear industry or arms production or the prison industrial complex are specifically prohibited. In addition, BANANAS will not invest in any company which derives 15% or more of its revenues from tobacco products as specified by the Alameda County Children and Families Commission (First 5 Alameda County).

A maximum of 50% of the endowment fund's total value at time of investment may be invested in equities. No more than 35% of the equity allocations may be invested in international equities. Up to 20% of the endowment fund can be invested in alternative investment vehicles. The remainder of the endowment fund shall be allocated to fixed income, and no more than 40% of the fixed income allocation may be invested in debt issued by foreign corporations or governments.

Endowment net assets composition by type of fund as of June 30, 2018:

	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total Endowment Assets</b>
Board designated endowment funds	<u>\$1,192,622</u>	<u>\$ -</u>	<u>\$1,192,622</u>

Changes in endowment net assets for the year ended June 30, 2018:

	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total Endowment Assets</b>
Endowment net assets, beginning of year	\$1,147,174	\$ -	\$1,147,174
Investment gain, net of fees	<u>45,448</u>	<u>-</u>	<u>45,448</u>
Endowment net assets, end of year	<u>\$1,192,622</u>	<u>\$ -</u>	<u>\$1,192,622</u>

Board designated unrestricted net assets at June 30, 2018 consist of the following:

Mutual funds, equities, fixed income, and alternative investment	\$1,123,387
Money markets and certificates of deposits	<u>69,235</u>
Total investments	<u>\$1,192,622</u>

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consist of the following:

Health and safety for child care providers and sick child care	\$46,714
Child care provider training	20,500
Toolkit project	<u>2,664</u>
	<u>\$69,878</u>

For the year ended June 30, 2018, net assets released from purpose restrictions were \$86,148.

continued



# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 11. Earned Revenues

Earned revenues for the year ended June 30, 2018 consist of the following:

Government contracts	\$12,483,955
Family fees	249,293
Fee for service revenues	42,790
Other earned revenues	<u>9,187</u>
	<u>\$12,785,225</u>

Government contracts for the year ended June 30, 2018 consist of the following:

California Department of Education – Child Development Programs	\$10,819,909
County of Alameda – Alternative Payment Programs	685,482
City of Berkeley – Child Care Subsidies and QRIS Program	377,068
First 5 Alameda County – Prop 10 Support	275,000
County of Alameda – Licensed Resource Parent Child Care Program	139,498
First 5 Alameda County – Family, Friend and Neighbor (“FFN”)	72,075
County of Alameda–Child Abuse Prevention Intervention Treatment	40,000
Other government contracts	35,643
County of Alameda – Homeless Navigation Program	28,753
City of Berkeley – Play and Learn Playgroups	<u>10,527</u>
	<u>\$12,483,955</u>

### 12. Contributions

Contributions for the year ended June 30, 2018 consist of the following:

Foundations	\$108,773
Individual	101,274
Corporate	33,362
Special events (net of expenses of \$5,087)	<u>(1,623)</u>
	<u>\$241,786</u>

### 13. Employee Benefit Plan

BANANAS has an Internal Revenue Code Section 403(b) qualified defined contribution retirement plan covering all of its employees, subject to certain eligibility requirements. Employees who are at least 21 years of age and have completed 2 years of service with BANANAS are eligible to participate in the Plan. Total employer contributions made for the year ended June 30, 2018 were \$88,585.

continued

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds				
Large value	\$ 195,410	\$ -	\$ -	\$ 195,410
Large blend	161,840			161,840
Large growth	112,952			112,952
Diversified emerging markets	58,652			58,652
Small blend	<u>49,372</u>	<u>          </u>	<u>          </u>	<u>49,372</u>
	<u>578,226</u>	<u>          </u>	<u>          </u>	<u>578,226</u>
Fixed income				
Mid blend	198,715			198,715
Intermediate government bonds	109,338			109,338
Corporate bonds	29,777			29,777
High yield bonds	19,740			19,740
World bonds	<u>9,903</u>	<u>          </u>	<u>          </u>	<u>9,903</u>
	<u>367,473</u>	<u>          </u>	<u>          </u>	<u>367,473</u>
Alternative investments				
Large blend	47,782			47,782
Large growth	24,949			24,949
Large value	18,066			18,066
Mid blend	12,403			12,403
Mid growth	6,221			6,221
Small blend	5,913			5,913
Non-traditional bonds	<u>5,781</u>	<u>          </u>	<u>          </u>	<u>5,781</u>
	<u>121,115</u>	<u>          </u>	<u>          </u>	<u>121,115</u>
Total mutual funds	<u>1,066,814</u>	<u>          </u>	<u>          </u>	<u>1,066,814</u>
Alternate investment				
Mid core	<u>56,573</u>	<u>          </u>	<u>          </u>	<u>56,573</u>
Total alternate investment	<u>56,573</u>	<u>          </u>	<u>          </u>	<u>56,573</u>
Fair value at June 30, 2018	<u>\$1,123,387</u>	<u>\$          </u>	<u>\$          </u>	<u>\$1,123,387</u>

The fair value of equity, fixed income, equities, and alternate investments have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

continued

# BANANAS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 14. Fair Value Measurements, continued

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
In-kind contributions – services	\$ -	\$97,500	\$ -	<b>\$97,500</b>
In-kind contributions – materials		<u>1,303</u>		<u><b>1,303</b></u>
Fair value at June 30, 2018	<u>\$ -</u>	<u><b>\$98,803</b></u>	<u>\$ -</u>	<u><b>\$98,803</b></u>

The fair value of in-kind contributions of services and materials has been measured on a non-recurring basis using quoted prices for similar services and assets in inactive markets (Level 2 inputs).

## SUPPLEMENTAL SCHEDULE

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# BANANAS INCORPORATED

## SCHEDULE OF ACTIVITIES FOR CONTRACTS WITH COUNTY OF ALAMEDA

For the year ended June 30, 2018

<b>Contract Number:</b>	<b>900624</b>	<b>CAPP-7000</b>	<b>900153-14335</b>
<b>Contract Period:</b>	<b>7/1/17 - 6/30/18</b>	<b>7/1/17 - 6/30/18</b>	<b>7/1/17 - 6/30/18</b>
<b>Contract Amount:</b>	<b>\$ 303,790</b>	<b>\$ 685,482</b>	<b>\$ 40,000</b>

<b>Contract/Program Description</b>	<b>Licensed Resource Parent Child Care Program</b>	<b>Alternate Payment</b>	<b>Child Abuse Prevention Intervention Treatment</b>	<b>Total</b>
<b>Revenue and support</b>				
Earned revenues	\$ 139,498	\$ 685,482	\$ 40,000	\$ 864,980
<b>Total revenue and support</b>	<b>139,498</b>	<b>685,482</b>	<b>40,000</b>	<b>864,980</b>
<b>Expenses</b>				
Salaries	7,400	59,068	13,364	79,832
Payroll taxes and employee benefits	2,548	28,806	5,488	36,842
Total personnel costs	9,948	87,874	18,852	116,674
Provider payments	115,340	567,075		682,415
Administration expense	12,673	12,034	1,018	25,725
Professional and contractual services	315	4,194	16,435	20,944
Rent	481	6,651	876	8,008
Office expenses and training materials	77	2,093	2,015	4,185
Utilities	171	2,234	335	2,740
Telephone	120	1,500	225	1,845
Communication	76	947	143	1,166
Bank charges	81	489	22	592
Insurance	31	391	59	481
Travel and conferences	185		20	205
<b>Total expenses</b>	<b>139,498</b>	<b>685,482</b>	<b>40,000</b>	<b>864,980</b>
<b>Change in net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report.