

BANANAS INCORPORATED

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
BANANAS Incorporated

Opinion

We have audited the accompanying financial statements of BANANAS Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BANANAS Incorporated as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BANANAS Incorporated 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 opinions.

Responsibilities of Management for the Financial Statements

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 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 BANANAS Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

continued

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards *Government Auditing Standards*, and the Uniform Guidance, 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 BANANAS Incorporated'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 BANANAS Incorporated'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.

INDEPENDENT AUDITORS' REPORT

continued

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 November 6, 2023, 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
November 6, 2023

BANANAS INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With comparative totals at June 30, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 4,595,963	\$ 2,939,568
Accounts receivable	2,311,966	2,071,152
Prepaid expenses and deposits	198,514	123,864
Investments (Note 4)	1,244,316	1,273,158
Property and equipment (Note 5)	205,144	187,944
Right-of-use assets - operating leases (Note 7)	988,357	-
TOTAL ASSETS	<u><u>\$ 9,544,260</u></u>	<u><u>\$ 6,595,686</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 220,060	\$ 278,337
Accrued liabilities (Note 6)	2,009,142	932,072
Accrued provider payments	1,955,261	1,837,543
Right-of-use liabilities - operating leases (Note 7)	988,357	-
TOTAL LIABILITIES	<u>5,172,820</u>	<u>3,047,952</u>
NET ASSETS		
Without donor restrictions - undesignated	2,035,487	1,862,465
Without donor restrictions - board designated (Note 10)	1,261,137	1,349,164
With donor restrictions (Note 11)	1,074,816	336,105
TOTAL NET ASSETS	<u>4,371,440</u>	<u>3,547,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,544,260</u></u>	<u><u>\$ 6,595,686</u></u>

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

BANANAS INCORPORATED

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT				
Earned revenues (Note 12)	\$ 18,940	\$ 26,432,250	\$ 26,451,190	\$ 24,522,735
Contributions (Note 13)	393,348	1,329,500	1,722,848	751,016
In-kind revenue (Note 15)	111,676		111,676	-
Gain (loss) on investments	54,295		54,295	(194,971)
Interest and dividends	53,557		53,557	45,813
Other income	33,229		33,229	76,202
Tenant rental	4,375		4,375	7,504
Net assets released from restrictions (Note 11)	27,023,039	(27,023,039)	-	-
TOTAL REVENUE AND SUPPORT	<u>27,692,459</u>	<u>738,711</u>	<u>28,431,170</u>	<u>25,208,299</u>
EXPENSES				
Program services	27,218,503		27,218,503	24,976,391
Management and general	192,551		192,551	100,900
Fundraising and development	196,410		196,410	184,838
TOTAL EXPENSES	<u>27,607,464</u>	<u>-</u>	<u>27,607,464</u>	<u>25,262,129</u>
CHANGE IN NET ASSETS	84,995	738,711	823,706	(53,830)
NET ASSETS, BEGINNING OF YEAR	<u>3,211,629</u>	<u>336,105</u>	<u>3,547,734</u>	<u>3,601,564</u>
NET ASSETS, END OF YEAR	<u>\$ 3,296,624</u>	<u>\$ 1,074,816</u>	<u>\$ 4,371,440</u>	<u>\$ 3,547,734</u>

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

BANANAS INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

	Program Services		Total Program Services	Support Services		Total Expenses	
	Resource, Referral, and Training	Alternative Payment Program		Management and General	Fundraising and Development	2023	2022
Salaries	\$ 1,344,388	\$ 1,351,417	\$ 2,695,805	\$ 1,124,196	\$ 70,855	\$ 3,890,856	\$ 3,590,426
Payroll taxes and employee benefits	456,815	471,657	928,472	210,110	20,310	1,158,892	1,117,947
Total personnel costs	1,801,203	1,823,074	3,624,277	1,334,306	91,165	5,049,748	4,708,373
Provider payments		17,768,490	17,768,490			17,768,490	16,869,648
Provider stipends, training and supplies	2,694,089		2,694,089	111		2,694,200	1,940,290
Professional and contractual services	427,774	20,288	448,062	51,982	63,084	563,128	648,554
Information technology services	117,180	137,541	254,721	58,239	4,662	317,622	228,003
Office expenses	46,978	86,617	133,595	74,699	8,454	216,748	151,873
Rent	67,473	68,727	136,200	33,242	11,685	181,127	180,000
Donation expense			-	162,122		162,122	-
Facilities	45,849	47,289	93,138	27,237	1,350	121,725	120,779
In-kind expenses (Note 15)	110,464		110,464	712	500	111,676	-
Staff expenditures	14,656	4,952	19,608	88,803	1,350	109,761	138,926
Utilities	20,345	21,019	41,364	11,678	939	53,981	47,902
Dues and subscriptions	11,076	15,484	26,560	13,125	7,498	47,183	42,076
Telecommunications	21,189	15,118	36,307	9,511	681	46,499	43,740
Travel and conferences	30,050	6,370	36,420	8,176	301	44,897	19,866
Bank charges	39	3,259	3,298	36,969		40,267	56,045
Depreciation			-	35,354		35,354	28,204
Communication	56,238	65,043	121,281	(99,715)	4,509	26,075	15,731
Insurance	5,024	5,195	10,219	2,890	232	13,341	11,494
Board expenses			-	2,389		2,389	4,875
Miscellaneous			1	867		868	5,388
Volunteer expenses			-	263		263	362
Total functional expenses before administration expense allocation	5,469,627	20,088,467	25,558,094	1,852,960	196,410	27,607,464	25,262,129
Administration expense allocation	558,403	1,102,006	1,660,409	(1,660,409)	-	-	-
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 6,028,030	\$ 21,190,473	\$ 27,218,503	\$ 192,551	\$ 196,410	\$ 27,607,464	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 4,405,920	\$ 20,570,471	\$ 24,976,391	\$ 100,900	\$ 184,838		\$ 25,262,129

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

BANANAS INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 823,706	\$ (53,830)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	35,354	28,204
Depreciation due to government assets	-	130
(Gain) loss on investments	(54,295)	194,971
Re-invested income	(32,015)	-
Amortization of right-of-use assets - operating leases	192,483	-
Paycheck protection program loan forgiven	-	(74,794)
(Increase) decrease in operating assets:		
Accounts receivable	(240,814)	(1,317,518)
Prepaid expenses and deposits	(74,650)	34,480
Increase (decrease) in operating liabilities:		
Accounts payable	(58,277)	108,660
Accrued liabilities	1,077,070	(1,172,118)
Accrued provider payments	117,718	347,216
Due to government	-	(130)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,786,280	(1,904,729)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(33,719)	(16,149)
Proceeds from sale of investments	148,871	-
Purchase of property and equipment	(52,554)	(77,224)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	62,598	(93,373)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of operating leases	(192,483)	-
Repayment of paycheck protection program loan balance	-	(512,208)
NET CASH (USED) BY FINANCING ACTIVITIES	(192,483)	(512,208)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,656,395	(2,510,310)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,939,568	5,449,878
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,595,963	\$ 2,939,568
NON-CASH OPERATING ACTIVITIES:		
Right-of-use-assets/lease liabilities - operating lease from adoption of ASC-842	\$ 1,180,840	\$ -

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

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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 Social Services (“CDSS”), 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 & 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 and support to child care providers. Services include child care resource and referrals, parenting classes, child care provider trainings, coaching and playgroups. Resource, Referral and Training programs are primarily funded by CDSS, CDE, local government funding sources 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 CDSS, CDE and local government funding sources.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, resources to be retained and invested rather than expended.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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 relates 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 five thousand dollars 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 assets and a corresponding liability for the same amount to show the reversionary interest.

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2023 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 93% of BANANAS total revenue is derived from government contracts (earned revenues).

Recently Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. BANANAS's financial statements for the year ended June 30, 2023 are presented in accordance with ASU 2020-07.

Also BANANAS adopted (FASB) (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2021. BANANAS financial statements for the year ended June 30, 2023 are presented in accordance with ASU 2016-02.

Right-of-Use Assets and Liabilities – Operating Leases

BANANAS recognizes and measures its leases in accordance with (FASB) ASC 842, *Leases*. BANANAS determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. BANANAS recognizes a lease liability and a right-of-use ("ROU") asset at the commencement date of the lease.

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise BANANAS uses its incremental borrowing rate based on the information available at the commencement date for all lease.

BANANAS incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized as equal to rent payments regardless of the point in time during the duration of the lease.

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, 2023, BANANAS received in-kind contributions that satisfy the criteria for recognition. See Note 15 for details.

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.

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

Revenue and Revenue Recognition

BANANAS recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of BANANAS' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BANANAS has incurred expenditures in compliance with specific contract or grant provisions.

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.

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, 2022, from which the summarized information was derived.

Reclassification

Certain amounts from the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation.

Subsequent Events

Management has evaluated subsequent events through November 6, 2023, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

BANANAS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. BANANAS has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, BANANAS considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments. The Finance Committee of the Board of Directors meets bimonthly to review all financial aspects of the organization and meets annually with BANANAS' financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, BANANAS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 4,595,963
Investments	1,244,316
Accounts receivable	<u>2,311,966</u>
Total financial assets	8,152,245
Less: funds subject to time and purpose restrictions	(1,074,816)
Board designated funds	(1,261,137)
Agency payables	<u>(2,175,321)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,640,971</u>

4. Investments

Investments at June 30, 2023 consist of the following:

Mutual funds	\$1,167,116
Alternative investments	<u>77,200</u>
	<u>\$1,244,316</u>

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

Leasehold improvements	\$ 556,621
Equipment	32,451
Furniture and fixtures	<u>20,557</u>
	609,629
Less: accumulated depreciation	<u>(404,485)</u>
	<u>\$ 205,144</u>

Depreciation expense for the year ended June 30, 2023 was \$35,354.

6. Accrued Liabilities

Accrued liabilities at June 30, 2023 consist of the following:

Unearned revenues	\$ 853,252
Due to funder	730,077
Accrued vacation	234,858
Accrued payroll	144,621
Other accrued liabilities	<u>46,334</u>
	<u>\$2,009,142</u>

7. Right-of-Use Assets and Liabilities - Operating Leases

BANANAS has an operating lease for its office space and equipment, which has been recorded in compliance with (ASU) 2016-02. The operating lease monthly payments remains the same throughout the term of the lease. The ROU assets represent BANANAS's right to use underlying assets for the lease term, and lease liabilities represent BANANAS's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities, all of which arise from operating lease, were calculated based on the present value of future lease payments over the lease terms. BANANAS has made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of June 30, 2023, was 2.8%. The lease payments are recognized as equal to rent payments regardless of the point in time during the duration of the lease.

BANANAS recognized ROU assets of \$988,357 and operating lease liabilities totaling \$988,357 in its Statement of Financial Position as of June 30, 2023.

Future minimum payments, by year and in the aggregate, under this lease consists of the following:

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

7. Right-of-Use Assets and Liabilities - Operating Leases, continued

<u>Year ending June 30,</u>	
2024	\$ 225,547
2025	225,547
2026	224,106
2027	219,895
2028	<u>174,895</u>
Total lease payments	1,069,990
Less: present value discount	<u>(81,633)</u>
	<u>\$ 988,357</u>

Rent expense under operating lease for the year ended June 30, 2023 was \$189,530.

8. Line of Credit

BANANAS has a revolving line of credit that is secured by investments in the amount of \$750,000 from a bank, at a variable rate of interest equal to the LIBOR Rate plus the Spread, due upon demand. There was no outstanding balance at June 30, 2023.

9. Commitments and Contingencies

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.

10. Board Designated Endowment Funds

Net assets without donor restrictions – board designated represents organization funds that are to be retained and invested rather than expended. At June 30, 2023, unrestricted board designated net assets were \$1,399,573.

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 net assets without donor restrictions – board designated (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.

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

10. Board Designated Endowment Funds, continued

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.

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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Board designated endowment funds	<u>\$1,261,137</u>	<u>\$ -</u>	<u>\$1,261,137</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year	\$1,349,164	\$ -	\$1,349,164
Investment gain, net of fees	(88,027)		(88,027)
Endowment net assets, end of year	<u>\$1,261,137</u>	<u>\$ -</u>	<u>\$1,261,137</u>

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

10. Board Designated Endowment Funds, continued

Board designated unrestricted net assets at June 30, 2023 consist of the following:

Mutual funds, equities, fixed income, and alternative investments	\$1,244,316
Money markets and certificates of deposits	<u>16,821</u>
Total investments	<u>\$1,261,137</u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

Childcare Access Referral Ensured (CARE)	\$ 907,305
FFN services	139,747
CARE subsidies	27,626
FCC services	<u>138</u>
	<u>\$1,074,816</u>

For the year ended June 30, 2023, net assets released from purpose restrictions were \$27,023,039.

12. Earned Revenues

Earned revenues for the year ended June 30, 2023 consist of the following:

Government contracts	\$26,432,250
Health and safety classes revenue	<u>18,940</u>
	<u>\$26,451,190</u>

Government contracts for the year ended June 30, 2023 consist of the following:

California Department of Social Services – Child Development Programs	\$21,478,603
County of Alameda – Alternative Payment Programs	2,273,814
City of Oakland- Head Start Program	791,925
City of Oakland – Healthy Havenscourt Early Care	462,380
County of Alameda – Foster Care Child Care Allowance Program	457,261
First 5 Alameda County – Prop 10 Support	256,075
Other government contracts	143,327
City of Berkely – Child Care Subsidies, QRIS and Playgroups	135,885
First 5 Alameda County – Homeless Navigation	100,000
City of Berkely – QRS	98,397
First 5 Alameda County – Family, Friend and Neighbor (“FFN”)	79,549
County of Alameda – Child Abuse Prevention Intervention Treatment Programs	78,209
County of Alameda – Office of Education	<u>76,825</u>
	<u>\$26,432,250</u>

continued

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

13. Contributions

Contributions for the year ended June 30, 2023 consist of the following:

Foundations	\$1,486,019
Individual	209,827
Corporate	19,685
Special events	<u>7,317</u>
	<u>\$1,722,848</u>

14. 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, 2023 were \$225,852.

15. In-kind Donations

In-kind donations for the year ended June 30, 2023 consists of the following:

Donated goods	\$110,464
Donated services	<u>1,212</u>
	<u>\$111,676</u>

BANANAS received donated goods and services from individuals and an organization which supports its mission. Such goods and services, if not donated, would have been paid for by BANANAS. Accordingly, BANANAS has recorded revenue and corresponding expense for the year ended June 30, 2023 amounting to \$111,676 of which \$110,464 was for its Resource, Referral and Training Program, \$500 for Fundraising and \$712 for Management and General. There were no donor restrictions on the in-kind donations as of June 30, 2023.

The established fair value of donated goods and services received was based upon the value of the goods if purchased by BANANAS and the hourly rate normally charged by service providers.

BANANAS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

16. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds				
Large growth	\$ 248,887	\$ -	\$ -	\$ 248,887
Large value	184,056			184,056
Large blend	95,465			95,465
Diversified emerging markets	62,880			62,880
Small blend	<u>42,452</u>			<u>42,452</u>
	<u>633,740</u>			<u>633,740</u>
Fixed income				
Mid blend	186,780			186,780
Corporate bonds	72,848			72,848
Intermediate government bonds	72,112			72,112
Intermediate core bonds	62,051			62,051
World bonds	<u>31,088</u>			<u>31,088</u>
	<u>424,879</u>			<u>424,879</u>
Alternative investments				
Large blend	44,050			44,050
Mid growth	19,366			19,366
Large growth	19,358			19,358
Non-traditional bonds	12,826			12,826
Macro trading	6,468			6,468
Mid blend	<u>6,429</u>			<u>6,429</u>
	<u>108,497</u>			<u>108,497</u>
Total mutual funds	<u>1,167,116</u>	<u>-</u>	<u>-</u>	<u>1,167,116</u>
Alternate investment				
Mid core	<u>77,200</u>			<u>77,200</u>
Total alternate investment	<u>77,200</u>	<u>-</u>	<u>-</u>	<u>77,200</u>
Fair value at June 30, 2023	<u>\$1,244,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,244,316</u>

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

SUPPLEMENTARY INFORMATION

BANANAS INCORPORATED

SCHEDULE OF ACTIVITIES FOR CONTRACTS WITH COUNTY OF ALAMEDA

For the year ended June 30, 2023

Contract Number:	900624	900624	900624	900153	MOU	CAPP-1000	CAPP-2000
Contract Period:	7/1/22 - 6/30/23	7/1/22 - 6/30/23	7/1/22 - 6/30/23	7/1/22 - 6/30/23	8/10/20-12/31/24	7/1/21 - 6/30/23	7/1/22 - 6/30/24
Contract Amount:	\$ 107,022	\$ 60,762	\$ 588,905	\$ 78,724	\$ 273,204	\$ 1,643,431	\$ 1,968,085

Contract/Program Description	Navigation Services	Trauma- Informed Training and Coaching	Child Care Subsidies	Child Abuse Prevention Intervention Treatment	Inclusive Early Prevention Intervention Treatment	Alternative Payment	Alternative Payment	Total
Revenue and support								
Earned revenues	\$ 80,373	\$ 33,129	\$ 343,759	\$ 78,209	\$ 76,825	\$ 933,363	\$ 1,340,451	\$ 2,886,109
Total revenue and support	80,373	33,129	343,759	78,209	76,825	933,363	1,340,451	2,886,109
Expenses								
Salaries	46,006	15,887	13,462	16,560	43,414	66,722	125,897	327,948
Payroll taxes and employee benefits	17,902	5,974	5,440	5,064	15,394	19,852	43,354	112,980
Total personnel costs	63,908	21,861	18,902	21,624	58,808	86,574	169,251	440,928
Provider payments			289,218			819,375	1,115,147	2,223,740
Administration expenses	3,393	1,836	31,251	7,108	6,946	10,363	20,482	81,379
Information technology services	4,315	1,489	1,440	1,883	3,714	4,717	12,331	29,889
Professional and contractual services			107	27,965		57	1,107	29,236
Provider and family support		5,117		15,002				20,119
Rent	2,663	845	678	648	2,449	3,141	4,994	15,418
Communication	1,839	620	570	1,035	1,748	2,668	3,471	11,951
Facilities	1,877	650	508	450	1,689	2,005	4,133	11,312
Office expenses	180		339	1,999		1,149	3,676	7,343
Utilities	802	269	226	205	539	1,032	1,638	4,711
Telephone	1,196	199	163	240		654	1,293	3,745
Dues and subscriptions			155	50		257	1,711	2,173
Staff expenditures		50	49		747	40	726	1,612
Insurance	200	68	56		185	234	430	1,173
Travel and conferences		125	64			746	18	953
Bank charges			33			351	43	427
Total expenses	80,373	33,129	343,759	78,209	76,825	933,363	1,340,451	2,886,109
Change in net assets	-	-	-	-	-	-	-	-
Net assets, beginning of year	-	-	-	-	-	-	-	-
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.