

BANANAS Incorporated

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2025

BANANAS Incorporated

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Independent Auditor's Report

To the Board of Directors of
BANANAS Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BANANAS Incorporated ("BANANAS"), which comprise the statement of financial position as of June 30, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of BANANAS as of June 30, 2025, 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 ("GAAS") 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BANANAS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, 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' 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' 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.

Report on Summarized Comparative Information

We have previously audited BANANAS' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 21 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025 on our consideration of BANANAS' 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' 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' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP".

Los Angeles, California
December 12, 2025

BANANAS Incorporated

**Statement of Financial Position
June 30, 2025
with Summarized Totals at June 30, 2024**

	<u>Assets</u>	
	2025	2024
Cash and cash equivalents	\$ 4,810,895	\$ 6,561,765
Accounts receivable	3,475,256	3,106,857
Contributions receivable	329,017	525,990
Prepaid expenses and deposits	233,112	261,133
Investments	1,466,564	1,338,064
Property and equipment, net	286,873	253,073
Right-of-use assets, net	587,070	790,484
Total assets	<u>\$ 11,188,787</u>	<u>\$ 12,837,366</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 339,615	\$ 279,392
Accrued liabilities	3,620,196	5,430,554
Accrued provider payments	2,482,679	2,284,468
Operating lease liabilities	587,070	790,484
Total liabilities	<u>7,029,560</u>	<u>8,784,898</u>
Commitments and contingencies		
Net assets		
Without donor restrictions - undesignated	2,289,553	2,113,790
Without donor restrictions - board designated	1,488,188	1,361,157
Total net assets without donor restrictions	3,777,741	3,474,947
With donor restrictions	381,486	577,521
Total net assets	<u>4,159,227</u>	<u>4,052,468</u>
Total	<u>\$ 11,188,787</u>	<u>\$ 12,837,366</u>

See Notes to Financial Statements.

BANANAS Incorporated

Statement of Activities Year Ended June 30, 2025 with Summarized Totals for the Year Ended June 30, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Grant and contract revenues	\$ 40,980,019	\$ -	\$ 40,980,019	\$ 35,107,044
Contributions	396,556	166,500	563,056	423,204
In-kind revenue	138,073	-	138,073	75,607
Gain on investments	91,369	-	91,369	78,387
Interest and dividends, net	134,898	-	134,898	77,321
Other income	36,064	-	36,064	11,496
Net assets released from restrictions	362,535	(362,535)	-	-
Total revenue and support	42,139,514	(196,035)	41,943,479	35,773,059
Expenses				
Program services	40,994,078	-	40,994,078	35,887,304
Management and general	485,171	-	485,171	11,631
Fundraising and development	357,471	-	357,471	193,096
Total expenses	41,836,720	-	41,836,720	36,092,031
Change in net assets	302,794	(196,035)	106,759	(318,972)
Net assets, beginning of year	3,474,947	577,521	4,052,468	4,371,440
Net assets, end of year	\$ 3,777,741	\$ 381,486	\$ 4,159,227	\$ 4,052,468

See Notes to Financial Statements.

BANANAS Incorporated

Statement of Functional Expenses Year Ended June 30, 2025 with Summarized Totals for the Year Ended June 30, 2024

	2025						2024
	Program services			Support services			
	Community services	Alternative payment	Total	Management and general	Fundraising and development	Total	Total
Salaries	\$ 1,418,029	\$ 1,824,435	\$ 3,242,464	\$ 2,091,435	\$ 66,822	\$ 5,400,721	\$ 4,786,031
Payroll taxes and employee benefits	541,241	740,438	1,281,679	490,805	29,129	1,801,613	1,445,415
Total personnel expenses	1,959,270	2,564,873	4,524,143	2,582,240	95,951	7,202,334	6,231,446
Provider payments	-	31,034,423	31,034,423	-	-	31,034,423	25,571,658
Provider stipends, training and supplies	695,766	4,627	700,393	1,500	1,414	703,307	1,935,785
Professional and contractual services	744,995	75,770	820,765	132,579	119,235	1,072,579	820,464
Information technology services	180,773	245,674	426,447	200,161	8,374	634,982	373,718
Rent	54,414	75,063	129,477	47,272	8,360	185,109	229,366
Office	23,851	34,626	58,477	98,663	9,038	166,178	208,364
Staff expenditures	939	12,573	13,512	165,030	479	179,021	149,047
Facilities	42,939	58,027	100,966	37,727	2,489	141,182	127,964
In-kind expenses	44,323	-	44,323	-	93,750	138,073	75,607
Utilities	20,689	29,728	50,417	19,524	1,291	71,232	73,087
Dues and subscriptions	24,970	14,038	39,008	15,792	8,512	63,312	66,486
Communication	77,332	101,688	179,020	(170,544)	5,690	14,166	61,292
Telecommunications	25,763	20,909	46,672	15,393	906	62,971	53,140
Depreciation	-	-	-	47,332	-	47,332	40,567
Travel and conferences	30,461	5,620	36,081	23,611	1,832	61,524	37,400
Bank charges	-	-	-	31,943	-	31,943	14,894
Insurance	-	-	-	16,746	-	16,746	14,834
Miscellaneous/other	-	-	-	6,186	150	6,336	5,667
Donation	-	-	-	3,970	-	3,970	1,245
Total functional expenses before administrative expense allocation	3,926,485	34,277,639	38,204,124	3,275,125	357,471	41,836,720	\$ 36,092,031
Administration expense allocation	357,680	2,432,274	2,789,954	(2,789,954)	-	-	
Total 2025 functional expenses	\$ 4,284,165	\$ 36,709,913	\$ 40,994,078	\$ 485,171	\$ 357,471	\$ 41,836,720	
Total 2024 functional expenses	\$ 4,555,718	\$ 31,331,586	\$ 35,887,304	\$ 11,631	\$ 193,096	\$ 36,092,031	

See Notes to Financial Statements.

BANANAS Incorporated

Statement of Cash Flows Year Ended June 30, 2025 with Summarized Totals for the Year Ended June 30, 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 106,759	\$ (318,972)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	47,332	40,567
Gain on investments	(91,369)	(78,387)
Amortization of right of use assets	203,414	197,873
Changes in operating assets and liabilities		
Accounts receivable	(368,399)	(794,891)
Pledges receivable	196,973	(525,990)
Prepaid expenses and deposits	28,021	(62,619)
Accounts payable	60,223	59,332
Accrued liabilities	(1,810,358)	3,421,412
Accrued provider payments	198,211	329,207
Operating lease liabilities	(203,414)	(197,873)
Net cash provided by (used in) operating activities	<u>(1,632,607)</u>	<u>2,069,659</u>
Cash flows from investing activities		
Purchase of investments	(126,369)	(79,370)
Proceeds from sale of investments	89,238	64,009
Purchases of property and equipment	<u>(81,132)</u>	<u>(88,496)</u>
Net cash used in investing activities	<u>(118,263)</u>	<u>(103,857)</u>
Net increase in cash and cash equivalents	(1,750,870)	1,965,802
Cash and cash equivalents, beginning	<u>6,561,765</u>	<u>4,595,963</u>
Cash and cash equivalents, end	<u><u>\$ 4,810,895</u></u>	<u><u>\$ 6,561,765</u></u>

See Notes to Financial Statements.

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

Note 1 - Business and summary of significant accounting policies

Business activity

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"), 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:

Community Services – Community Services provides resources, classes, and technical support for families and child care providers with young children. For parents, the Family Resource and Navigation team offers parenting classes, parent coaching, child care referrals, and access to a wide range of programs, including Brilliant Baby college savings accounts, basic need navigation services, BANANAS Aid, Diapers, navigation for families experiencing homelessness, and families in the foster care system. The Provider Services team offers professional development coaching and workshops for ECE professionals, support for children with inclusion needs, playgroups for families and informal caregivers, and licensing technical assistance. Community Service programs are primarily funded by CDSS, 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 and local government funding sources.

Basis of accounting

The financial statements of BANANAS have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

BANANAS is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets that are not subject to explicit donor-imposed stipulations. These net assets may be designated for specific purposes by action of the Board.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature, such as those that will be met by operation of law that can be fulfilled by actions of BANANAS or 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.

Cash equivalents

BANANAS considers all highly-liquid investments with a maturity at the date of purchase of three months or less to be cash equivalents.

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

Investments

Investments are reported at their fair values in the accompanying statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as contributions with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as contributions with donor restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions. Gifts of land, buildings and equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulation, BANANAS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. At June 30, 2025, all contributions receivable are due within one year.

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 substantially met. There were no conditional promises to give at June 30, 2025.

Accounts receivable

Accounts receivable are receivables from governmental agencies and are stated at unpaid balances less an allowance for doubtful accounts. BANANAS provides for losses on receivables using the allowance method, which is based on experience and other circumstances. There is no allowance for doubtful accounts at June 30, 2025.

Grants and contracts

Grants and contracts revenue are conditioned upon certain performance requirements and 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. Amounts received prior to incurring qualifying expenditures are reported as unearned revenue and are included in accrued liabilities in the statement of financial position. At June 30, 2025, BANANAS has received grant advances of \$2,377,638, which is included in accrued liabilities in the accompanying statement of financial position.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which generally range from five to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term. Expenditures for major renewals and improvements that extend the useful lives of property and

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

equipment are capitalized. BANANAS capitalizes property and equipment with a cost of over \$5,000 and an estimated useful life of one year or more. Expenditures for repairs and maintenance are charged to expense as incurred.

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.

Long-lived assets

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. BANANAS reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. No impairments were recorded during the year ended June 30, 2025.

Accounting for leases

BANANAS recognizes right of use assets and operating lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Lease expense is recognized on a straight-line basis over the term of the lease. The option to extend the lease term is not included in the right of use assets and liabilities recorded, when applicable, as BANANAS is not reasonably certain to exercise the option to extend the lease. BANANAS has elected the practical expedient of not separating lease components from nonlease components.

Fair value measurements

BANANAS values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

Donated materials and services

BANANAS received contributions for non-cash materials. Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. BANANAS has not recorded contributed services for the year ended June 30, 2025.

Income taxes

BANANAS is a not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. However, BANANAS is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No provision for income taxes is included in the accompanying financial statements.

BANANAS has no unrecognized tax benefits at June 30, 2025. BANANAS' federal and state income tax returns prior to fiscal years 2022 and 2021, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management has analyzed the tax positions taken by BANANAS and has concluded that, as of June 30, 2025, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

If applicable, BANANAS recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accounts payable and accrued expenses in the statement of financial position.

Use of estimates

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

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 allocation. All other general and administrative costs that cannot be identified to a specific program are allocated to programs through an indirect percentage allocation.

Comparative totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. The financial statements also do not include full financial statement disclosures from the prior year. 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, 2024, from which the summarized information was derived.

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Notes to Financial Statements June 30, 2025

Subsequent events

BANANAS has evaluated the impact of subsequent events through December 12, 2025, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and availability

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, receivables, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, BANANAS consider 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 change 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.

At June 30, 2025, BANANAS has the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 4,810,895
Accounts receivable	3,475,256
Pledges receivable	329,017
Investments	<u>1,466,564</u>
	<u>10,081,732</u>
Less: funds subject to time and purpose restrictions	(381,486)
Less: Board designated funds	<u>(1,488,188)</u>
	<u>\$ 8,212,058</u>

Note 3 - Investments

At June 30, 2025, investments consist of the following:

Mutual funds	
Equities	\$ 796,151
Fixed income	446,854
Alternative investments	<u>223,559</u>
Total investments	<u>\$ 1,466,564</u>

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

At June 30, 2025, financial assets that are carried at fair value are classified in the table below in one of the three categories as described in Note 1:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	\$ 796,151	\$ -	\$ -	\$ 796,151
Fixed income	446,854	-	-	446,854
Alternative investments	223,559	-	-	223,559
Total	<u>\$ 1,466,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,466,564</u>

Financial assets valued using Level 1 inputs are based on quoted market prices within active markets and are valued on a recurring basis. BANANAS reviews valuations and assumptions provided by investment fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. For the year ended June 30, 2025, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although BANANAS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BANANAS' policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the year ended June 30, 2025.

Note 4 - Property and equipment

At June 30, 2025, property and equipment consist of the following:

Leasehold improvements	\$ 713,664
Equipment	32,451
Furniture and fixtures	<u>33,143</u>
	779,258
Less accumulated depreciation	<u>(492,385)</u>
	<u>\$ 286,873</u>

For the year ended June 30, 2025, depreciation expense was \$47,332.

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Notes to Financial Statements June 30, 2025

Note 5 - Accrued liabilities

Accrued liabilities at June 30, 2025 consist of the following:

Unearned revenues	\$ 2,377,638
Due to funder	728,642
Accrued vacation	315,585
Accrued payroll	160,566
Other accrued liabilities	<u>37,765</u>
	<u>\$ 3,620,196</u>

Note 6 - 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 plus the Spread, due upon demand. There was no outstanding balance at June 30, 2025.

Note 7 - Operating leases

BANANAS has various lease agreements for its office space and equipment. The operating lease monthly payments remain the same throughout the terms of the lease. The right-of-use assets represent BANANAS' right to use underlying assets for the lease term, and lease liabilities represent BANANAS' obligation to make lease payments arising from the lease. The right of use assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. BANANAS elected 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, 2025, 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 right-of-use assets of \$587,070 and operating lease liabilities of \$587,070 in the accompanying statement of financial position as of June 30, 2025.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2026	\$ 196,876
2027	192,633
2028	192,633
2029	<u>10,469</u>
	592,611
Less: amounts representing interest	<u>(5,541)</u>
	<u>\$ 587,070</u>

At June 30, 2025, the weighted-average remaining lease term of BANANAS' operating leases was 3.70 years.

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

Note 8 - Net assets with donor restrictions

At June 30, 2025, net assets with donor restrictions consist of the following:

Restricted for time or purpose:	
Childcare Access Referral Ensured (CARE)	\$ 255,015
Early Care Spaces	42,736
BANANAS Aid	<u>83,735</u>
Total	<u>\$ 381,486</u>

Note 9 - Board designated endowment

Net assets without donor restrictions - board designated represents organization funds that are to be retained and invested rather than expended. At June 30, 2025, BANANAS has a board designated endowment of \$1,488,188, which consists of (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 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 contributions 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.

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

The composition of endowment funds by type of fund as of June 30, 2025 are as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	<u>\$ 1,488,188</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	\$ 1,361,157	\$ -	\$ 1,361,157
Investment income, net	127,031	-	127,031
Endowment net assets, end	<u>\$ 1,488,188</u>	<u>\$ -</u>	<u>\$ 1,488,188</u>

Board designated net assets without donor restrictions at June 30, 2025 consist of the following:

Mutual funds, equities, alternative investments	\$ 1,466,564
Money markets and certificates of deposits	<u>21,624</u>
Total investments	<u>\$ 1,488,188</u>

Note 10 - 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 for 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 disallowances of program costs on its financial statements.

Note 11 - Grants and contract revenues

Grants and contract revenues for the year ended June 30, 2025 consist of the following:

Government contracts	\$ 40,953,035
Health and safety classes	19,048
Family fees	<u>7,936</u>
Total	<u>\$ 40,980,019</u>

BANANAS Incorporated

Notes to Financial Statements June 30, 2025

Government contracts for the year ended June 30, 2025 consist of the following:

Federal funds passed through the State of California	\$ 14,808,463
Federal funds passed through the County of Alameda	583,998
Federal funds passed through First 5 Alameda	101,799
Federal funds - other	12,933
State of California	21,190,068
County of Alameda	1,730,260
First 5 of Alameda	347,287
City of Berkeley	93,333
City of Oakland	1,475,138
Other	609,756
Total	<u><u>\$ 40,953,035</u></u>

Note 12 - Contributions

Contributions for the year ended June 30, 2025, consisted of the following:

Foundations	\$ 301,800
Individual	155,874
Corporate	29,583
Special events	75,799
Total	<u><u>\$ 563,056</u></u>

Note 13 - In-kind donations

In-kind donations for the year ended June 30, 2025 consisted of the following:

Donated goods	<u><u>\$ 138,073</u></u>
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BANANAS received donated goods from an organization which supports its mission. Such goods, if not donated, would have been paid for by BANANAS. Accordingly, BANANAS has recorded revenue and corresponding expense for the year ended June 30, 2025 amounting to \$138,073 which was for its Resource, Referral, and Training Programs. There were no donor restrictions on the in-kind donations as of June 30, 2025. The fair market value was determined through active markets of identical or similar items.

Note 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 two years of service with BANANAS are eligible to participate in the Plan. Total employer contributions made for the year ended June 30, 2025 were \$244,632.

Supplementary Information

BANANAS Incorporated

**Schedule of Activities for Contracts with County of Alameda
For the Year Ended June 30, 2025**

Contract Number:	900624	900624	900624	900153	MOU	MOU	900153	SB140	902443	
Contract Period:	7/1/24 - 6/30/25	7/1/24 - 6/30/25	7/1/24 - 6/30/25	7/1/24 - 6/30/25	8/1/20-12/31/24	10/1/24 - 6/30/25	7/1/24 - 6/30/25	7/1/24 - 6/30/25	12/12/24-12/31/25	
Contract Amount:	\$107,000	\$61,000	\$589,000	\$78,724	\$284,204	\$25,000	\$2,010,000	\$70,955	\$148,067	
	Navigation Services	Trauma- Informed Training and Coaching	Subsidized Child Care	Child Abuse Prevention Intervention Treatment	Inclusive Early Education Expansion Program Grant	Alameda County UPK Mixed Delivery Grant	California Alternative Payment Program (CAPP)	SB140-Provider Plus Rate Allocations	ARPA Concrete Support	Total
Activities without donor restrictions										
Revenue, gains and other support	\$ 99,802	\$ 57,860	\$ 367,711	\$ 77,973	\$ 27,344	\$ 25,000	\$ 1,474,817	\$ 70,955	\$ 112,796	\$ 2,314,258
Total revenue and support	99,802	57,860	367,711	77,973	27,344	25,000	1,474,817	70,955	112,796	2,314,258
Expenses										
Salaries	55,712	22,714	19,642	23,273	17,019	18,975	122,841	-	13,806	293,981
Payroll taxes and employee benefits	23,781	10,351	6,769	7,997	4,795	410	51,196	-	3,004	108,303
Total personnel expenses	79,492	33,065	26,412	31,270	21,814	19,385	174,037	-	16,811	402,284
Provider payments (Subsidized Childcare)	-	-	322,364	-	-	-	1,235,966	67,407	-	1,625,737
Provider stipends, training and supplies (P	379	10,135	43	-	-	-	217	-	93,058	103,833
Professional and contractual services	-	2,000	191	34,553	-	2,100	1,957	-	-	40,800
Information technology services	5,081	2,776	5,841	2,053	1,351	558	18,636	-	-	36,296
Office expenses	628	-	191	-	-	-	956	-	-	1,775
Rent	2,378	1,020	2,178	782	551	264	5,337	-	246	12,755
Facilities	1,823	780	526	605	408	64	4,119	-	198	8,523
Staff expenditures	-	355	125	-	-	-	624	-	-	1,104
Utilities	947	407	269	310	218	45	2,104	-	99	4,399
Dues and subscriptions	-	609	927	-	-	-	639	-	-	2,175
Telecommunications	1,216	285	189	218	153	100	1,488	-	70	3,718
Travel and conferences	-	-	24	6	-	120	120	-	-	270
Bank charges	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Communication	3,439	1,576	3,581	1,035	378	1,576	6,905	-	520	19,010
Insurance	-	-	-	-	-	-	-	-	-	-
Indirect/administration expenses	4,421	4,851	4,850	7,143	2,472	787	21,712	3,548	1,794	51,577
Total expenses	99,802	57,860	367,711	77,973	27,344	25,000	1,474,817	70,955	112,796	2,314,258
Change in net assets	-	-	-	-	-	-	-	-	-	-
Net assets, beginning	-	-	-	-	-	-	-	-	-	-
Net assets, end	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
BANANAS Incorporated

We have audited, 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 ("*Government Auditing Standards*"), the financial statements of BANANAS Incorporated ("BANANAS"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BANANAS' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BANANAS' internal control. Accordingly, we do not express an opinion on the effectiveness of BANANAS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BANANAS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Los Angeles, California
December 12, 2025



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