

EXTRAFOOD
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
REPORT ON AUDIT OF FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

January 31, 2025

Board of Directors
ExtraFood
Kentfield, California

Opinion

I have audited the accompanying financial statements of ExtraFood (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the eighteen months then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ExtraFood as of June 30, 2024, and the changes in net assets and its cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of ExtraFood and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 ExtraFood's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 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, including omissions, 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, I:

- 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 ExtraFood'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ExtraFood's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Healy and Associates
Concord, California

EXTRAFOOD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,123,477
Grants and contributions receivable	<u>142,904</u>

Total current assets 1,266,381

Fixed assets, net 117,447

TOTAL ASSETS \$ 1,383,828

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 44,172
Accrued PTO payable	17,661
Accrued payroll payable	<u>48,300</u>

TOTAL LIABILITIES 110,133

NET ASSETS

Without donor restrictions	1,148,695
With donor restrictions	<u>125,000</u>

TOTAL NET ASSETS 1,273,695

TOTAL LIABILITIES AND NET ASSETS \$ 1,383,828

EXTRAFOOD

STATEMENT OF ACTIVITIES

EIGHTEEN MONTHS ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
In-kind food donations	\$ 15,688,730	\$ -	\$ 15,688,730
Contributions	1,621,598	277,500	1,899,098
Program service fees	463,248	-	463,248
Government grants	296,868	-	296,868
Fundraising events:			
Gross	48,009		
Less: expenses	<u>(2,846)</u>		
Other income	1,179	-	1,179
	<u>18,116,786</u>	<u>277,500</u>	<u>18,394,286</u>
Net assets released from restriction	<u>364,500</u>	<u>(364,500)</u>	<u>-</u>
Total revenue and support	<u>18,481,286</u>	<u>(87,000)</u>	<u>18,394,286</u>
EXPENSES:			
Program	17,488,523	-	17,488,523
Supporting services:			
General and administrative	188,785	-	188,785
Fundraising	<u>329,850</u>	<u>-</u>	<u>329,850</u>
Total expenses	<u>18,007,158</u>	<u>-</u>	<u>18,007,158</u>
Change in net assets	474,128	(87,000)	387,128
NET ASSETS, beginning of year	<u>674,567</u>	<u>212,000</u>	<u>886,567</u>
NET ASSETS, end of year	<u>\$ 1,148,695</u>	<u>\$ 125,000</u>	<u>\$ 1,273,695</u>

See Notes to Financial Statements

EXTRAFOOD

STATEMENT OF FUNCTIONAL EXPENSES

EIGHTEEN MONTHS ENDED JUNE 30, 2024

	Program	General and Administrative	Fundraising	Total
EXPENSES:				
Personnel	\$ 1,279,750	\$ 91,037	\$ 238,927	\$ 1,609,714
Payroll taxes	101,757	7,111	18,718	127,586
Employee benefits	89,282	13,740	26,895	129,917
Total personnel	1,470,789	111,888	284,540	1,867,217
In-kind food distributed	15,688,730	-	-	15,688,730
Marketing	37,796	2,654	10,989	51,439
Depreciation	50,275	-	-	50,275
Vehicle expenses	48,282	-	-	48,282
Insurance	17,233	26,911	3,109	47,253
Consultants	39,997	-	-	39,997
Pilot meals expenses	38,306	-	-	38,306
Professional fees	234	32,361	300	32,895
Telecommunications and technology	25,283	470	447	26,200
Occupancy	20,769	1,377	3,594	25,740
Fundraising supplies and other	895	82	22,602	23,579
Small equipment, computers, and hardware	16,950	922	236	18,108
Volunteer tools	11,847	-	-	11,847
Volunteer recognition	10,967	-	-	10,967
Software fees	2,010	5,087	80	7,177
Travel and meals	4,098	495	1,113	5,706
Payroll fees	268	5,404	-	5,672
Bank charges	40	9	4,419	4,468
Printing and copying	1,525	94	240	1,859
Office supplies	1,157	447	134	1,738
Postage and shipping	297	194	761	1,252
Dues and memberships	775	50	132	957
Board expenses	-	340	-	340
Total expenses	<u>\$ 17,488,523</u>	<u>\$ 188,785</u>	<u>\$ 332,696</u>	<u>\$ 18,010,004</u>
Less expenses included with revenues on the statement of activities:				
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>(2,846)</u>	<u>(2,846)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 17,488,523</u>	<u>\$ 188,785</u>	<u>\$ 329,850</u>	<u>\$ 18,007,158</u>

EXTRAFOOD
STATEMENT OF CASH FLOWS
EIGHTEEN MONTHS ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 387,128
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Adjustments to reconcile change in net assets to
cash provided by operating activities:

Depreciation	50,275
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CHANGES IN ASSETS AND LIABILITIES:

Receivables	132,368
Accounts payable and accrued expenses	39,004
Accrued payroll and related expenses	<u>11,157</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>619,932</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	<u>(101,396)</u>
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NET CASH USED BY INVESTING ACTIVITIES	<u>(101,396)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	518,536
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CASH AND CASH EQUIVALENTS, beginning of year	<u>604,941</u>
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CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,123,477</u></u>
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SUPPLEMENTAL INFORMATION - NON-CASH ACTIVITY:

Donated food included in in-kind support	<u><u>\$ 15,688,730</u></u>
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Distributed in-kind food included in the expenses	<u><u>\$ (15,688,730)</u></u>
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EXTRAFOOD
NOTES TO FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED JUNE 30, 2024

NOTE A – NATURE OF ACTIVITIES

ExtraFood (Organization) is a California nonprofit public benefit corporation, founded in 2013 with its principal office in Kentfield, California. The Organization's mission is to help end hunger and wasted food in the Bay Area. The food recovery program rescues excess fresh food from businesses, schools, and gardens and immediately delivers it to people facing food insecurity.

The Organization serves it beneficiaries through the following programs:

Food Rescue – The Organization rescues excess fresh food from Bay Area businesses, schools and non-profits and immediately delivers the food to safety net partners - such as senior housing centers, after-school programs, and homeless shelters - serving at-risk children, seniors, and families, 365 days a year and free of charge.

Gleaning – The organization gleans or picks up excess produce from backyards, farms, and community gardens.

Meal Making – The Organization also operates a Community Meals program, which uses the excess capacity of restaurants and caterers to create and distribute freshly-made meals to people in need.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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

EXTRAFOOD**NOTES TO FINANCIAL STATEMENTS****EIGHTEEN MONTHS ENDED JUNE 30, 2024**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accounting Method and Basis of Presentation (Continued)**

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, if any, with maturity dates of three months or less, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Contributions Receivable

Grants and contributions receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. All grants and contributions receivable as of June 30, 2024 are expected to be paid within one year. Management did not consider an allowance for doubtful accounts necessary as of June 30, 2024.

Fixed Assets

Fixed asset additions, in excess of \$5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, typically seven years. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

EXTRAFOOD

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Tax Exemption Status

The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Revenue Recognition

The Organization is supported primarily through in-kind donations and contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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 substantially met.

The Organization recognizes donated food as revenue at fair value when received and distributed. Food is distributed on the same day received and is valued at industry rate per pound distributed. Donated food is distributed to beneficiaries of the programs described in Note A.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under the cost-reimbursable grants.

EXTRAFOOD**NOTES TO FINANCIAL STATEMENTS****EIGHTEEN MONTHS ENDED JUNE 30, 2024**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition (Continued)**

The Organization has approximately \$339,185 in cost-reimbursable grants that have not been recognized at June 30, 2024 because qualifying expenditures have not been incurred.

Program service fees are recognized when the service is provided.

Other In-kind Donations

The Organization receives substantial support in the form of volunteer services; however, they do not meet the criteria for recognition. Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services for the eighteen months ended June 30, 2024 was \$0.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited by time spent in the functional area by personnel.

NOTE C – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents accounts in financial institutions. Cash and cash equivalents, exceeding federally insured limits totaled \$716,974 as of June 30, 2024. In addition, the Organization has \$326 in funds on deposit in institutions that do not insure the deposits.

The Organization derived a significant portion (85%) of its revenue from donated food. Any loss of those donations could have an impact on the Organization's ability to provide services.

At June 30, 2024, two funders accounted for 90% of total receivables (52% and 38%).

EXTRAFOOD
NOTES TO FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED JUNE 30, 2024

NOTE D – FIXED ASSETS

Fixed assets as of June 30, 2024 are comprised of the following:

Vehicles	\$ 250,249
Accumulated depreciation	<u>(132,802)</u>
Total fixed assets	<u>\$ 117,447</u>

Depreciation expense is \$50,275 for the eighteen months ended June 30, 2024.

NOTE E – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at June 30, 2024, is \$17,661, and is reflected in the accompanying financial statements.

In addition, the Organization offers unlimited paid time off to its Executive Director and Deputy Executive Director, whose time is accounted for in the period it is used. Their amount of paid time off liability at June 30, 2024, could not be determined and is thus not reflected in the accompanying financial statements.

The Organization offers participation in a 401(k) plan for eligible employees. The plan allows for discretionary employer matching of the employee salary deferral. Employer retirement matching expense for the eighteen months ended June 30, 2024 is \$0.

NOTE F – IN-KIND DONATIONS

For the eighteen months ended June 30, 2024, donations of food were received as follows:

<u>Category</u>	<u>Valuation Technique</u>	<u>Quantity</u>	<u>Total Received</u>
Food donations – various sources	≈\$2.50-\$3.39/lb current food industry standard	4,758,200 lbs	<u>\$15,688,730</u>
Total in-kind donations			<u>\$15,688,730</u>

NOTE G – LEASES

The Organization leases its space in Kentfield, California, on a month-to-month basis, at a rate of approximately \$1,400 per month. Rental expense for the eighteen months ended June 30, 2024 was \$25,740.

EXTRAFOOD**NOTES TO FINANCIAL STATEMENTS****EIGHTEEN MONTHS ENDED JUNE 30, 2024**

NOTE H – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,123,477
Receivables	<u>142,904</u>
Total financial assets	1,266,381
Less:	
Net assets with purpose restrictions to be met in one year	<u>(125,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,141,381</u></u>

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

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

For the eighteen months ended June 30, 2024, net assets with donor restrictions had the following activity:

Nature of Restriction	Beginning Balance	Income and Contribution	Released from Restriction	Ending Balance
Time	\$ 212,000	\$ 277,500	(\$ 364,500)	\$ 125,000
Total	<u>\$ 212,000</u>	<u>\$ 277,500</u>	<u>(\$ 364,500)</u>	<u>\$ 125,000</u>

NOTE J – RELATED PARTY

The Executive Director of the Organization is a voting member of the Board of Directors.

NOTE K – SUBSEQUENT EVENTS

In August 2024, ExtraFood entered into a Grant and Transfer of Assets Agreement with Food Runners, a California 501(c)3 organization, whereby ExtraFood received ownership of certain assets of Food Runners but did not assume any pre-closing liabilities related to the assets received.

The Organization has evaluated subsequent events for recognition and disclosure through January 31, 2025, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024, that required recognition or disclosure in the financial statements.