



FOODCYCLE LA

FoodCycle
(A Nonprofit Corporation)
Audited Financial Statements
As of and for the Years Ended July 31, 2024 and 2023
With Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors FoodCycle

Opinion

We have audited the financial statements of FoodCycle (the Organization), a nonprofit corporation, which comprise the statements of financial position as of July 31, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years 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 the Organization as of July 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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, 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 the Organization'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 the Organization'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.

**Glendale, California
December 4, 2024**

FoodCycle
Statements of Financial Position

ASSETS	July 31	
	2024	2023
Current assets		
Cash	\$ 120,636	\$ 71,252
Accounts receivable	23,566	60,948
Other current assets	-	767
Total current assets	144,202	132,967
Property and equipment, net	519,262	110,879
Total assets	\$ 663,464	\$ 243,846
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other current liabilities	\$ 2,880	\$ 10,160
Net Assets		
Without donor restrictions	660,584	233,686
Total liabilities and net assets	\$ 663,464	\$ 243,846

See notes to financial statements.

**FoodCycle
Statements of Activities**

	Years ended July 31	
	2024	2023
Revenues and support without donor restrictions		
Grants	\$ 686,400	\$ 226,176
Contributions	309,871	187,747
Program revenues	136,955	133,043
In-kind donations	82,543	76,022
Others	248	50
Total revenues and support without donor restrictions	1,216,017	623,038
Expenses		
Program services	620,877	423,538
Supporting services:		
General and administrative	146,539	123,795
Fundraising	21,703	34,725
Total expenses	789,119	582,058
Change in net assets	426,898	40,980
Net assets at beginning of year	233,686	192,706
Net assets at end of year	\$ 660,584	\$ 233,686

See notes to financial statements.

FoodCycle
Statement of Functional Expenses
Year ended July 31, 2024

	Program Services	General and Administrative	Fundraising Services	Total
Salaries and employee benefits	\$ 390,181	\$ 45,543	\$ 18,500	\$ 454,224
Depreciation	68,737	-	-	68,737
Contract services	-	62,700	-	62,700
Insurance	43,669	17,961	-	61,630
Rent, parking and utilities	61,515	-	-	61,515
Supplies	20,831	489	28	21,348
Auto	17,110	-	-	17,110
Software	-	11,810	-	11,810
Equipment rental	8,630	-	-	8,630
Volunteers	5,773	-	-	5,773
Travel and meetings	2,889	-	-	2,889
Printing and copying	-	2,648	-	2,648
Others	1,542	5,388	3,175	10,105
	<u>\$ 620,877</u>	<u>\$ 146,539</u>	<u>\$ 21,703</u>	<u>\$ 789,119</u>

See notes to financial statements.

FoodCycle
Statement of Functional Expenses
Year ended July 31, 2023

	Program Services	General and Administrative	Fundraising Services	Total
Salaries and employee benefits	\$ 302,692	\$ 33,416	\$ 20,834	\$ 356,942
Contract services	-	62,279	-	62,279
Depreciation	37,574	-	-	37,574
Rent, parking and utilities	24,197	-	10,184	34,381
Insurance	28,105	2,299	-	30,404
Software	-	13,627	-	13,627
Auto	8,722	-	-	8,722
Travel and meetings	6,586	-	-	6,586
Printing and copying	-	5,858	-	5,858
Equipment rental	3,990	-	-	3,990
Supplies	2,467	120	262	2,849
Volunteers	2,512	-	-	2,512
Others	6,693	6,196	3,445	16,334
	<u>\$ 423,538</u>	<u>\$ 123,795</u>	<u>\$ 34,725</u>	<u>\$ 582,058</u>

See notes to financial statements.

FoodCycle
Statements of Cash Flows

	Years ended July 31	
	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 426,898	\$ 40,980
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	68,737	37,574
Loss on sale of investment	-	286
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	37,382	(7,122)
Other current assets	767	(767)
Decrease in accounts payable and other current liabilities	(7,280)	(40,281)
Net cash provided by operating activities	526,504	30,670
Cash flow from an investing activities		
Purchases of property and equipment	(477,120)	-
Proceeds from sale of investment	-	4,000
Cash (used in) provided by an investing activities	(477,120)	4,000
Net increase in cash	49,384	34,670
Cash, beginning of year	71,252	36,582
Cash, end of year	\$ 120,636	\$ 71,252

See notes to financial statements.

NOTE 1 ORGANIZATION

FoodCycle (the “Organization”) is a nonprofit organization currently operating in the state of California, principally in the greater Los Angeles metro area. The purpose of the Organization is to reduce hunger and decrease the negative environmental impact of throwing away food, by providing Los Angeles area homeless shelters, food banks and soup kitchens with food that grocers and restaurateurs would otherwise let go to waste, as well as educating the public about the issue of food waste in America. The Organization’s mission is to provide healthy food to food-insecure communities and to keep food waste out of landfills, which has a positive effect on climate change. The Organization collaborates with local community organizations and uses innovative technology to bridge the gap between surplus food and communities in need.

To achieve this mission, the Organization utilizes electric vehicles and solar-powered refrigeration and its employees, as well as 230 trained volunteers (in the year ended July 31, 2024) who use an application to track donated food pickups and drop-offs. In that period, the Organization kept more than 4,700 tons of edible food from landfills, and provided more than 7.9 million meals during that same time period. The pertinent figures for the year ended July 31, 2023 are that 271 trained volunteers working together with employees kept more than 3,100 tons of food from landfills and provided more than 5.2 million meals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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. Donor restricted contributions whose restrictions are met within the same reporting period as received are reported as contributions without donor restrictions in the accompanying financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization's cash and cash equivalents includes deposit accounts with financial institutions and highly liquid investments with original maturities of three months or less. As of July 31, 2024 and 2023, the Organization has no cash equivalents.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. Management assesses the collectability of the receivables on an annual basis.

As of July 30, 2024 and 2023, accounts receivable consist primarily of amounts due from government agencies for grants and food transportation services provided by the Organization. Management believes the receivables are fully collectible within one year; therefore, no allowance for doubtful accounts was recorded.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. The Organization capitalizes all property and equipment purchases with useful lives of 12 months or more, regardless of amount. Major renewals and improvements are capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the assets are expensed currently. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Furniture, fixtures and equipment	5 to 9 years
Vehicles	5 years

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the assets. There were no indicators of impairment during the years ended July 31, 2024 and 2023.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grants and Contributions

Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance, whichever is applicable. Revenues from other grants are recognized on an accrual basis as earned according to the provisions of the grant.

Contributions are recognized 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 right of return, are not recognized until the conditions on which they depend have been substantially met. As of July 31, 2024 and 2023, the Organization has not received any conditional promises to give wherein the conditions are not yet met.

Program Revenues

Program revenue includes food recovery initiatives aimed at reducing food waste. The Organization contracts with government agencies and commercial waste haulers to collect and distribute donated food from sources including grocery stores, restaurants, and food manufacturers, delivering it to other nonprofit entities for a fee. The service is generally based on either the weight of food delivered or predetermined flat rate. The fees are recorded as program revenues and are recognized when the services are rendered or when the goods are delivered.

In-kind Donations

Donated services are reported as in-kind donations when those services (1) create or enhance non-financial assets or (2) require specialized skills or services that would be typically purchased if not provided by donation. Donated services meeting these recognition criteria are recorded as revenue and as an expense based on estimated fair values.

During the years ended July 31, 2024 and 2023, the Organization received contributed professional services valued at \$82,543 and \$76,022, respectively. Such amounts are recorded at estimated fair value determined which are based on information provided by third-party service providers on the date of contribution and are reported as in-kind donations in the statements of activities and as salaries and employee benefits in the statements of functional expenses.

Additionally, approximately 230 volunteers (figure per fiscal year ended July 2024) have contributed, in the aggregate, a significant amount of time to the Organization, assisting with program services, administrative tasks, and fundraising and development activities. While the estimated (unaudited) fair value of the contributed services amounted to \$1,293,419 and \$1,297,342 for the years ended July 31, 2024 and 2023, respectively, these amounts were not recognized in the accompanying financial statements because the services do not meet the necessary criteria for recognition under GAAP.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In-kind Donations (Continued)

Volunteer expenses reported in the statements of functional expenses represent the costs of volunteer events that includes volunteer T-shirts, event prizes, food, and party favors totaling \$5,773 and \$2,512 for the years ended July 31, 2024 and 2023, respectively.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative and fundraising services benefited.

The expenses that are allocated include salaries and employee benefits, contract services, which are allocated based on time and effort, and facilities and equipment, and utilities allocated based on occupancy rate. Such allocations are determined by management on an equitable basis.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Accounting Standards Codification (ASC) Topic 842, *Leases* not to recognize right-of-use assets and lease liabilities for leases with a term of 12 months or less.

The existing lease agreement of the Organization has a lease term of less than 12 months or on a month-to-month basis, does not include an option to purchase the underlying asset at the end of the lease term, and does not provide the Organization enforceable rights to extend the lease term.

Income Taxes

The Organization is organized as a Nevada nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. As such, the Organization is also exempt from the corporate income/franchise tax imposed by the California Franchise Tax Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in the Code.

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Organization's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. As of July 31, 2024, information returns subsequent to 2019 filed by the Organization are subject to examination by the taxing authorities.

Fair Value of Financial Instruments

Financial instruments primarily consist of accounts receivable and accounts payable and other current liabilities. The Organization estimates that the fair value of its financial instruments at July 31, 2024 and 2023 does not differ materially from its aggregate carrying value recorded in the accompanying statements of financial position. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Risk and Uncertainties

Certain services of the Organization are governed by contracts from governmental agencies and private sources. There can be no assurance that the Organization will be able to obtain future contracts as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current contracts, or the inability to obtain future contracts, could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Concentrations of Credit Risk

The assets that potentially subject the Organization to concentrations of credit risk consist of cash and accounts receivable. Management believes the risk of loss is minimal.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of July 31, 2024 and 2023, reduced by amounts not available for use within one year of the statements of financial position date.

	2024	2023
Cash	\$ 120,636	\$ 71,252
Account receivable	23,566	60,948
Financial assets available to meet general expenditures over the next twelve months	\$ 144,202	\$ 132,200

The Organization's goal is to maintain financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months. The Organization operates with a balanced budget and regularly monitors liquidity to meet operating needs and other contractual commitments while striving to maximize the investment of available funds.

Also, the Organization has a \$50,000 line of credit available to support liquidity needs. See Note 5.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of July 31, 2024 and 2023 consists of the following:

	2024	2023
Furniture, fixtures and equipment	\$ 182,303	\$ 9,624
Vehicles	482,686	178,245
	664,989	187,869
Less accumulated depreciation	(145,727)	(76,990)
	\$ 519,262	\$ 110,879

For the years ended July 31, 2024 and 2023, depreciation reported in the statements of functional expenses amounted to \$68,737 and \$37,574, respectively.

NOTE 5 LINE OF CREDIT

On February 22, 2024, the Organization executed a \$50,000 line of credit with City National Bank. During the initial year, borrowings under the line of credit accrue interest at the stated introductory annual percentage rate (APR) plus the stated introductory daily rate, which was 7.52% as of February 22, 2024. The introductory rate expires on February 22, 2025, and the interest rate will then be the bank's prime interest rate plus 2.5%.

NOTE 5 LINE OF CREDIT (CONTINUED)

The line of credit agreement requires the Organization to comply with certain non-financial covenants and is secured by a right of setoff against the Organization's accounts held at the bank. As of July 31, 2024, there were no outstanding drawings from the line of credit.

NOTE 6 SUBSEQUENT EVENTS

Management of the Organization has evaluated the events or transactions that occurred subsequent to July 31, 2024 through December 4, 2024, the date the accompanying financial statements were available to be issued, and determined that no subsequent events required recognition or disclosure in the accompanying financial statements.



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