

CAKE4KIDS
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS - CASH-BASIS
For the years ended December 31, 2022 and 2021

CAKE4KIDS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cake4Kids
Sunnyvale, California

Opinion

We have audited the accompanying financial statements of Cake4Kids (a California nonprofit organization) (the "Organization"), which comprise the statements of assets, liabilities, and net assets – cash-basis as of December 31, 2022 and 2021, and the related statements of support, revenue, expenses, and change in net assets – cash-basis, and functional expenses – cash-basis, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Cake4Kids as of December 31, 2022 and 2021, and its support, revenue, and expenses for the years then ended in accordance with the cash-basis of accounting as described in Note 1 of the financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cake4Kids 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash-basis of accounting as described in Note 1 of the financial statements., and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements – Continued

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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.

SD Mayer & Associates, LLP

San Francisco, California
February 13, 2024

CAKE4KIDS
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - CASH-BASIS
FOR THE YEARS ENDED DECEMBER 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 447,916	\$ 435,793
Total Assets	<u>447,916</u>	<u>435,793</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
PPP loans	97,900	97,900
Total Liabilities	<u>97,900</u>	<u>97,900</u>
Net Assets:		
Without donor restrictions	350,016	337,893
Total Net Assets	<u>350,016</u>	<u>337,893</u>
Total Liabilities and Net Assets	<u>\$ 447,916</u>	<u>\$ 435,793</u>

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

CAKE4KIDS
STATEMENTS OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - CASH-BASIS
FOR THE YEARS ENDED DECEMBER 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 168,138	\$ --	\$ 168,138	147,809	\$ --	\$ 147,809
In-kind contributions	770,575	--	770,575	573,430	--	573,430
Special events, net of expenses	207,113	--	207,113	137,353	--	137,353
PPP loans forgiveness	--	--	--	51,771	--	51,771
Other revenue	21	--	21	25	--	25
Total Support and Revenue	<u>1,145,847</u>	<u>--</u>	<u>1,145,847</u>	<u>910,388</u>	<u>--</u>	<u>910,388</u>
Expenses:						
Program services						
Cake program	998,251	--	998,251	717,317	--	717,317
Total Program Services	<u>998,251</u>	<u>--</u>	<u>998,251</u>	<u>717,317</u>	<u>--</u>	<u>717,317</u>
Supporting Services			--			
Management and general	51,518	--	51,518	37,746	--	37,746
Fundraising	83,955	--	83,955	45,876	--	45,876
Total Supporting Services	<u>135,473</u>	<u>--</u>	<u>135,473</u>	<u>83,622</u>	<u>--</u>	<u>83,622</u>
Total Expenses	<u>1,133,724</u>	<u>--</u>	<u>1,133,724</u>	<u>800,939</u>	<u>--</u>	<u>800,939</u>
Change in net assets	12,123	--	12,123	109,449	--	109,449
Net Assets, Beginning of Year	<u>337,893</u>	<u>--</u>	<u>337,893</u>	<u>228,444</u>	<u>--</u>	<u>228,444</u>
Net Assets, End of Year	<u>\$ 350,016</u>	<u>\$ --</u>	<u>\$ 350,016</u>	<u>\$ 337,893</u>	<u>\$ --</u>	<u>\$ 337,893</u>

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

CAKE4KIDS
STATEMENT OF FUNCTIONAL EXPENSES - CASH-BASIS
FOR THE YEARS ENDED DECEMBER 2022 AND 2021

	2022				2021			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Cake Program	Management and General	Fundraising	Total	Cake Program	Management and General	Fundraising	Total
Payroll and related taxes	\$ 174,278	\$ 27,123	\$ 54,246	\$ 255,647	\$ 104,353	\$ 23,509	\$ 39,773	\$ 167,635
Professional fees	--	6,715	1,811	8,526	--	8,340	1,074	9,414
Software and websites	18,906	5,629	--	24,535	10,435	584	--	11,019
In-Kind donations	770,575	--	--	770,575	573,800	--	--	573,800
Cake materials	15,771	--	--	15,771	6,347	--	--	6,347
Marketing	4,326	--	27,898	32,224	2,521	--	5,007	7,528
Supplies	8,736	--	--	8,736	18,079	--	--	18,079
Other expenses	5,659	12,051	--	17,710	1,782	5,313	22	7,117
Total expenses	<u>\$ 998,251</u>	<u>\$ 51,518</u>	<u>\$ 83,955</u>	<u>\$ 1,133,724</u>	<u>\$ 717,317</u>	<u>\$ 37,746</u>	<u>\$ 45,876</u>	<u>\$ 800,939</u>

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

CAKE4KIDS
NOTES TO FINANCIAL STATEMENTS – CASH-BASIS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cake4Kids was founded in September, 2010 in Sunnyvale, CA by Libby Gruender to provide free birthday cakes to foster children and at-risk youth in the San Francisco Bay Area. Cake4Kids seeks to provide services to underprivileged youth through the gift of baked goods. Cake4Kids partners with local bakers and youth service providers throughout the country with goal of making children smile, one bite at a time. Cake4Kids has grown throughout the years and are now serving more than 900 youth agencies and baking over 12,000 cakes annually.

Basis of Accounting

The accompanying financial statements have been prepared on the cash-basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The cash-basis of accounting differs from GAAP primarily because revenues are recognized when received rather than when earned and expenses are recorded when paid rather than when incurred. The financial statements therefore present only cash and cash equivalents and changes therein in the form of cash receipts and disbursements.

Basis of Presentation

Cake4Kids reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions are assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be based on a particular use. Restrictions may be met by the passage of time or by actions of Cake4Kids. Certain restrictions may need to be maintained in perpetuity as directed by the donor.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Cake4Kids reports any donor-restricted support, that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period, as net assets without donor restrictions.

CAKE4KIDS
NOTES TO FINANCIAL STATEMENTS – CASH-BASIS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In-kind Contributions

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation, are recorded at the estimated fair value in the period received. Donated materials are recorded at their estimated fair value in the period received.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, marketing expenses, and software and websites which is allocated on the basis of estimates of time and effort. Cake4Kids's major programs are as follows:

Program services – Include the activities necessary to ensure the entity's mission is advanced. Consists of costs related to the delivery of baked goods to agencies who distribute to the youth.

Management and general – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Income Tax Status

Cake4Kids is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Cake4Kids is also exempt from California income tax under Section 23701d of the California Revenue and Taxation Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CAKE4KIDS
NOTES TO FINANCIAL STATEMENTS – CASH-BASIS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – CONCENTRATIONS

Credit Risk

Cake4Kids maintains its cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances at December 31, 2022 and December 31, 2021 amounted to \$199,997 and \$185,308, respectively.

NOTE 3 – RELATED PARTY TRANSACTIONS

Cake4Kids’s Board members provided donations amounted to \$14,400 and \$7,000 during the years ended December 31, 2022 and 2021, respectively.

NOTE 4 – PAYCHECK PROTECTION PROGRAM (PPP) LOANS

During 2021, Cake4Kids received two loans totaling \$51,771 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. Cake4Kids accounts for the loans as a conditional grant that is expected to be forgiven, conditioned on Cake4Kids incurring qualifying expenses. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. Cake4Kids is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Any unforgiven portion is payable over five years. Cake4Kids received full forgiveness for both loans.

On May 18, 2020 Cake4Kids entered into a loan agreement with the Small Business Administration. The loan is payable in monthly installments beginning a year from the date of the promissory note, with a 30 year term. The loan was received in the amount of \$97,900 at a 2.75% interest rate and carries the full amount on the balance sheet as of December 31, 2021 and 2022. Interest only payments have made since becoming due.

NOTE 5 – LIQUIDITY AND AVAILABILITY

The following reflects Cake4Kids’s financial assets as of December 31, 2022 and 2021 remained relatively consistent from year to year. The financial assets available for general expenditure within one year of the statement of financial position dates include the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 447,916	\$ 435,793
Financial assets at year-end	<u>\$ 447,916</u>	<u>\$ 435,793</u>

As part of Cake4Kids’s management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CAKE4KIDS
NOTES TO FINANCIAL STATEMENTS – CASH-BASIS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 – IN-KIND CONTRIBUTIONS

Cake4Kids recognized donated cakes received at their estimated fair values. During the years ended December 31, 2022 and 2021, donated cakes were as follows:

	<u>2022</u>	<u>2021</u>
Donated cakes	<u>\$ 770,575</u>	<u>\$ 573,430</u>

Donated cakes were received from several donors. The fair value of the donated cakes was determined by management using the estimated cost of supplies and labor associated with cake preparation. Management evaluated the price of cakes from various sources to determine an average cost for supplies and the associated labor.

NOTE 7 – SUBSEQUENT EVENTS

Cake4Kids evaluated subsequent events for recognition and disclosure through February 13, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in these financial statements.