

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11



Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tapfound, Inc.
dba: Taproot Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Tapfound, Inc. dba: Taproot Foundation (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tapfound, Inc. dba: Taproot Foundation as of September 30, 2015, 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.

Other Matter

Summarized Comparative Information

We have previously audited Tapfound, Inc. dba: Taproot Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

San Francisco, California
January 19, 2016

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TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

STATEMENT OF FINANCIAL POSITION

September 30, 2015

With comparative totals at September 30, 2014

	2015	2014
Assets		
Cash and cash equivalents (Note 2)	\$ 1,534,213	\$ 1,849,577
Grants receivable (Note 3)	531,000	663,483
Contracts receivable	314,500	354,890
Other receivables	2,187	4,904
Prepaid expenses	128,428	88,719
Property and equipment (Note 4)	416,990	614,370
	\$ 2,927,318	\$ 3,575,943
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 107,238	\$ 317,745
Accrued vacation	102,459	82,623
Accrued liabilities	92,856	106,799
Deferred revenue	377,927	439,354
Deferred rent	116,156	98,384
	796,636	1,044,905
Net assets		
Unrestricted	1,115,058	1,069,562
Temporarily restricted (Note 7)	1,015,624	1,461,476
	2,130,682	2,531,038
	\$ 2,927,318	\$ 3,575,943

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

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>2014</u>
Revenue and support				
Grants	\$ 234,800	\$ 3,227,990	\$ 3,462,790	\$ 3,756,390
Contract fees	1,760,937		1,760,937	1,631,558
In-kind contributions (Note 8)	1,734,423		1,734,423	1,171,533
Other income	86,357		86,357	4,055
Contributions	79,491		79,491	64,732
Net assets released from time restrictions	77,550	(77,550)	-	-
Net assets released from purpose restrictions	3,596,292	(3,596,292)	-	-
Total revenue and support	<u>7,569,850</u>	<u>(445,852)</u>	<u>7,123,998</u>	<u>6,628,268</u>
Expenses				
Program services	6,144,482		6,144,482	4,927,419
Administration	561,170		561,170	564,816
Fundraising	818,702		818,702	505,321
Total expenses	<u>7,524,354</u>	<u>-</u>	<u>7,524,354</u>	<u>5,997,556</u>
Change in net assets	45,496	(445,852)	(400,356)	630,712
Net assets, beginning of year	<u>1,069,562</u>	<u>1,461,476</u>	<u>2,531,038</u>	<u>1,900,326</u>
Net assets, end of year	<u>\$ 1,115,058</u>	<u>\$ 1,015,624</u>	<u>\$ 2,130,682</u>	<u>\$ 2,531,038</u>

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

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

	<u>Program Services</u>			<u>Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
	<u>Advisory Services</u>	<u>Other Program Services</u>	<u>Total Program Services</u>			<u>2015</u>	<u>2014</u>
Personnel expenses	\$ 812,093	\$ 2,004,369	\$ 2,816,462	\$ 672,777	\$ 608,477	\$ 4,097,716	\$ 3,531,380
Non personnel expenses	188,751	874,910	1,063,661	538,639	89,915	1,692,215	1,278,203
In-kind expenses	3,009	1,527,494	1,530,503	203,920		1,734,423	1,187,973
Allocation of administration costs	199,080	534,776	733,856	(854,166)	120,310	-	-
Total 2015 functional expenses	<u>\$ 1,202,933</u>	<u>\$ 4,941,549</u>	<u>\$ 6,144,482</u>	<u>\$ 561,170</u>	<u>\$ 818,702</u>	<u>\$ 7,524,354</u>	
Total 2014 functional expenses	<u>\$ 1,131,006</u>	<u>\$ 3,796,413</u>	<u>\$ 4,927,419</u>	<u>\$ 564,816</u>	<u>\$ 505,321</u>		<u>\$ 5,997,556</u>

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

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (400,356)	\$ 630,712
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	208,880	31,898
Changes in operating assets and liabilities:		
Decrease in grants receivable	132,483	133,567
Decrease (increase) in contracts receivable	40,390	(131,140)
Decrease in contributions and other receivables	2,717	13,539
(Increase) decrease in prepaid expenses	(39,709)	38,448
(Decrease) increase in accounts payable	(210,507)	255,618
Increase in accrued vacation	19,836	9,137
(Decrease) increase in accrued liabilities	(13,943)	99,486
(Decrease) increase in deferred revenue	(61,427)	271,517
Increase in deferred rent	17,772	2,653
	(303,864)	1,355,435
 Cash flows from investing activities:		
Purchase of property and equipment	(11,500)	(517,146)
	(11,500)	(517,146)
 Net (decrease) increase in cash and cash equivalents	(315,364)	838,289
 Cash and cash equivalents, beginning of year	1,849,577	1,011,288
 Cash and cash equivalents, end of year	\$ 1,534,213	\$ 1,849,577

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

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Organization

Tapfound, Inc. dba: Taproot Foundation (“Taproot Foundation”) was founded in 2001 and works to engage the nation’s millions of business professionals in pro bono services both through award-winning programs and by partnering with companies to develop pro bono programs. Taproot Foundation’s mission is to lead, mobilize, and engage professionals in pro bono service that drives social change. Taproot Foundation envisions a just and vibrant society where the imperative for social progress and renewal is borne across all sectors. Taproot Foundation provides services on a national and local basis and has offices in the San Francisco Bay Area (2001), New York City (2003), Chicago (2006), Washington D.C. (2008), and Los Angeles (2008).

Taproot Foundation’s Service Grant Program provides professional business teams to produce high-quality work projects at no cost to nonprofit organizations. By equipping nonprofit organizations with pro bono consulting services in practices of marketing, information technology, strategy management, and leadership development and strategic HR, Taproot Foundation provides the tools and support necessary to have the strategy, infrastructure, and practices to achieve long-term impact in the community. Since its inception, the Service Grant Program has engaged professionals in over 1,500,000 hours of pro bono services on over 3,000 projects.

Taproot Foundation is developing programs and support for nonprofit organizations outside of our core cities and service grant program by providing tools, training, best practices and information for building individual pro bono programs with the greatest impact.

Advisory Services, our Consulting Practice, supports companies and organizations in designing and developing customized, high-impact pro bono programs. Taproot Foundation applies the expertise garnered through other programs to design corporate pro bono programs that both meet business needs and ensures that employees’ service makes a meaningful impact in their communities.

As the thought leader in the growing pro bono service movement, Taproot Foundation also advocates for pro bono services with leading foundations, universities, companies, coalitions, and associations. These meetings and initiatives encourage indoctrinating the pro bono ethic into all professions, with a focus on designing innovative solutions to bring pro bono service to bear on issues facing Taproot cities and society. Our ultimate goal is to create a multi-billion dollar, reliable and transparent marketplace for pro bono service, ensuring that institutions serving the public good have access to the tools and resources they need to thrive.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Taproot Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Taproot Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Taproot Foundation to expend all of the income (or other economic benefits) derived from the donated assets. Taproot Foundation had no permanently restricted net assets at September 30, 2015.

Cash and Cash Equivalents

Taproot Foundation has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Taproot Foundation is required to measure pledged contributions and non-cash contributions at fair value. The specific techniques used to measure fair value for financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Taproot Foundation places its temporary cash and cash equivalents investments with quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Taproot Foundation has not incurred losses related to these investments. Cash in one financial institution at September 30, 2015 was \$1,464,312.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to two thousand five hundred dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 8).

Professional volunteer services which are facilitated by Taproot Foundation, but received by other nonprofit organizations, are not recorded on the books because they are considered to be agency transactions. Taproot Foundation conservatively estimated the value of these services at \$11,460,000 for the year ended September 30, 2015.

continued

TAPFOUND, INC.
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Taproot Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Taproot Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Taproot Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Taproot Foundation's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Taproot Foundation allocates indirect or shared costs according to a formula based on the estimated relative amount of staff time spent on the particular function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Taproot Foundation's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 19, 2016, the date which the financial statements were available.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. Grants Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. All grants are valued at estimated fair value at September 30, 2015 and are expected to be collected within one year. Grants receivable at September 30, 2015 were \$531,000.

4. Property and Equipment

Property and equipment at September 30, 2015 consist of the following:

Equipment and furnishings	\$ 202,914
Leasehold improvements	66,656
Website	<u>517,146</u>
	786,716
Less: accumulated depreciation	<u>(369,726)</u>
	<u>\$ 416,990</u>

Depreciation expense for the year ended September 30, 2015 was \$208,880.

5. Line of Credit

Taproot Foundation has a business secured line of credit with Union Bank, in the amount of \$250,000, at an interest rate equal to the Wall Street Journal West Coast Edition Prime Rate plus 1.00%, variable due July 22, 2016. There was no outstanding balance at September 30, 2015.

6. Commitments and Contingencies

Obligations Under Operating Leases

Taproot Foundation leases various facilities under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with an initial or remaining term of one year or more, consist of the following:

<u>Year ended September 30,</u>	
2016	\$ 361,706
2017	348,026
2018	339,805
2019	<u>349,143</u>
	<u>\$1,398,680</u>

Rental expense under operating leases for the year ended September 30, 2015 was \$368,770.

continued

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. Commitments and Contingencies, continued

Contracts

Taproot Foundation's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Taproot Foundation has no provisions for the possible disallowance of program costs on its financial statements.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 consist of the following:

Service grants	\$ 816,124
Other	<u>199,500</u>
	<u>\$1,015,624</u>

For the year ended September 30, 2015, net assets released from restrictions were \$3,673,842 of which \$77,550 was released from time restrictions and \$3,596,292 were released from purpose restrictions.

8. In-kind Contributions

In-kind contributions for the year ended September 30, 2015 consist of the following:

Services	\$1,722,966
Goods	<u>11,457</u>
	<u>\$1,734,423</u>

9. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	\$ -	\$1,722,966	\$ -	<u>\$1,722,966</u>
Contributed materials	<u>-</u>	<u>11,457</u>	<u>-</u>	<u>11,457</u>
	<u>\$ -</u>	<u>\$1,734,423</u>	<u>\$ -</u>	<u>\$1,734,423</u>

The fair value of contributed services, and materials has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).