

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



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TAPFOUND, INC.
DBA: TAPROOT FOUNDATION

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tapfound, Inc. dba: Taproot Foundation
New York, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tapfound, Inc. dba: Taproot Foundation (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 financial position of the Organization as of December 31, 2022, 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 audit 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 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. 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 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 available to be issued.

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 auditors' 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. 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, 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 audits, significant audit findings, and certain internal-control related matters that we identified during the audits.

Board of Directors
Tapfound, Inc. dba: Taproot Foundation

Other Matter

The financial statements as of December 31, 2021, were audited by Sobel & Co., LLC, whose partners and staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated July 21, 2022, expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
November 2, 2023

TAPFOUND, INC. DBA: TAPROOT FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,778,384	\$ 4,226,352
Contracts receivable	845,249	306,332
Grants receivable	-	211,000
Other receivables	23,623	19,598
Prepaid expenses	33,275	51,326
Total Current Assets	4,680,531	4,814,608
OTHER ASSETS:		
Security deposits	80,256	37,320
Intangible assets, net	91,045	81,950
Right-of-use (ROU) asset, net of accumulated amortization	770,950	-
Total Other Assets	942,251	119,270
	\$ 5,622,782	\$ 4,933,878
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 358,292	\$ 167,615
Accrued vacation pay	125,976	134,855
Lease liability - operating	244,807	-
Deferred rent, current	-	29,766
Deferred program revenue	2,119,861	1,801,814
Total Current Liabilities	2,848,936	2,134,050
LONG-TERM LIABILITIES:		
Deferred rent, long term	-	3,769
NONCURRENT LIABILITIES:		
Lease liability - operating	560,352	-
Total Liabilities	3,409,288	2,137,819
NET ASSETS:		
Without donor restrictions	2,002,660	2,254,141
With donor restrictions	210,834	541,918
Total Net Assets	2,213,494	2,796,059
	\$ 5,622,782	\$ 4,933,878

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

TAPFOUND, INC. DBA: TAPROOT FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT:						
In-kind support	\$ 5,131,665	\$ -	\$ 5,131,665	\$ 5,218,783	\$ -	\$ 5,218,783
Corporate and foundation grants	344,185	230,000	574,185	36,998	915,500	952,498
Individual contributions	26,574	-	26,574	31,361	-	31,361
Government contributions	-	-	-	550,255	-	550,255
Net assets released from restrictions	561,084	(561,084)	-	628,250	(628,250)	-
Total Support	6,063,508	(331,084)	5,732,424	6,465,647	287,250	6,752,897
REVENUE:						
Fees for services	4,696,039	-	4,696,039	5,086,609	-	5,086,609
Membership dues	361,723	-	361,723	429,282	-	429,282
Other	5,652	-	5,652	3,614	-	3,614
Total Revenue	5,063,414	-	5,063,414	5,519,505	-	5,519,505
TOTAL SUPPORT AND REVENUE	11,126,922	(331,084)	10,795,838	11,985,152	287,250	12,272,402
EXPENSES:						
Program services	10,075,940	-	10,075,940	9,025,349	-	9,025,349
Management and general	790,038	-	790,038	820,912	-	820,912
Fundraising	512,425	-	512,425	371,672	-	371,672
Total Expenses	11,378,403	-	11,378,403	10,217,933	-	10,217,933
CHANGES IN NET ASSETS	(251,481)	(331,084)	(582,565)	1,767,219	287,250	2,054,469
NET ASSETS - Beginning of year	2,254,141	541,918	2,796,059	486,922	254,668	741,590
NET ASSETS - End of year	\$ 2,002,660	\$ 210,834	\$ 2,213,494	\$ 2,254,141	\$ 541,918	\$ 2,796,059

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

TAPFOUND, INC. DBA:TAPROOT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,415,399	\$ 341,450	\$ 347,740	\$ 689,190	\$ 4,104,589
Benefits	275,654	16,580	32,193	48,773	324,427
Payroll taxes	287,512	22,086	37,641	59,727	347,239
Outside services	476,735	193,172	77,799	270,971	747,706
Advertising/marketing	5,126,762	168,546	-	168,546	5,295,308
Office expenses	24,980	7,724	2,676	10,400	35,380
Information technology	173,308	7,603	8,476	16,079	189,387
Occupancy	201,005	1,818	20	1,838	202,843
Travel and conferences	10,388	2,549	1,850	4,399	14,787
Event expense	11,737	-	-	-	11,737
Bad Debt	-	20,500	-	20,500	20,500
Insurance	21,378	86	100	186	21,564
Other expenses	51,082	7,924	3,930	11,854	62,936
Total Expenses	\$ 10,075,940	\$ 790,038	\$ 512,425	\$ 1,302,463	\$ 11,378,403

TAPFOUND, INC. DBA: TAPROOT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,786,835	\$ 279,139	\$ 278,527	\$ 557,666	\$ 3,344,501
Benefits	213,822	17,601	23,532	41,133	254,955
Payroll taxes	239,712	24,044	24,094	48,138	287,850
Outside services	287,947	385,865	28,580	414,445	702,392
Advertising/marketing	5,139,840	48,159	-	48,159	5,187,999
Office expenses	41,695	8,012	5,280	13,292	54,987
Information technology	96,902	11,184	6,516	17,700	114,602
Occupancy	166,090	33,648	-	33,648	199,738
Travel and conferences	40	55	-	55	95
Depreciation/amortization	5,170	-	-	-	5,170
Insurance	14,720	1,773	1,241	3,014	17,734
Other expenses	32,576	11,432	3,902	15,334	47,910
Total Expenses	\$ 9,025,349	\$ 820,912	\$ 371,672	\$ 1,192,584	\$ 10,217,933

TAPFOUND, INC. DBA: TAPROOT FOUNDATION
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
CASH FLOWS (USED) PROVIDED BY:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (582,565)	\$ 2,054,469
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization expense	(9,095)	5,170
Noncash lease expense	34,209	-
Changes in certain assets and liabilities:		
Contracts receivable	(538,917)	(64,002)
Grants receivable	211,000	(21,000)
Other receivables	(4,025)	(14,347)
Prepaid expenses	18,051	(14,356)
Security deposits	(42,936)	(3,942)
Accounts payable and accrued expenses	190,677	85,447
Accrued vacation pay	(8,879)	8,339
Refundable advance	-	(550,255)
Deferred rent	(33,535)	(2,481)
Deferred program revenue	318,047	218,571
Net Cash (Used) Provided by Operating Activities	<u>(447,968)</u>	<u>1,701,613</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of intangible asset	-	<u>(81,950)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(447,968)	1,619,663
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>4,226,352</u>	<u>2,606,689</u>
End of year	<u>\$ 3,778,384</u>	<u>\$ 4,226,352</u>

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION:

Tapfound, Inc. dba: Taproot Foundation, (“Taproot” or “Organization”) is a national nonprofit organization that connects nonprofits and social change organizations with passionate, skilled volunteers who share their expertise pro bono. Taproot is creating a world where organizations dedicated to social change have full access to the marketing, strategy, HR, and IT resources they need to be most effective. Taproot estimates that, since 2001, it has facilitated over 1.9 million hours of skilled volunteer service to more than 10,000 social change organizations, worth over \$280 million in value. Taproot also partnered to co-found a network of global pro bono providers in over 30 countries around the world.

Taproot’s program services include the following major components:

Corporate Advisory Services advises and works with companies in developing and running high-impact pro bono programs that connect their employee talent to the needs of social good organizations.

Speed Consulting and Pro Bono Marathons are Done-in-a-Day events where nonprofit participants are paired with pro bono consultants for the purpose of consultations or to tackle a scoped project. Speed Consulting connects nonprofits with pro bono consultants for a half-day, round-robin workshop to gain insights and support on a few key challenges across multiple areas. Pro Bono Marathons match nonprofits with teams of two to four pro bono consultants to address a critical, scoped challenge - from assessment to deliverable - in one day.

Taproot Plus is an online matching platform that connects nonprofit users with one to two pro bono consultants for the purpose of one-hour virtual consultation sessions or tackling small-scale projects. Taproot Plus is free for all users - nonprofits and volunteers - and offers nonprofits in the U.S. and around the world on-demand access to virtual pro bono support. With the onset of the COVID-19 pandemic in 2020, Taproot Plus further expanded its reach, offering support to small businesses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also included in this classification are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

The balance of cash and cash equivalents includes deposits held in bank checking and savings accounts, as well as money market funds held with an investment brokerage firm.

Receivables:

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. The Organization utilizes the reserve method of accounting for doubtful accounts. The reserves are based on historical experience and management's evaluation of outstanding receivable balances at the end of each year. At December 31, 2022 and 2021, no allowance was deemed necessary.

Amounts due within one year of the statement of financial position date are stated at face value, while amounts due beyond one year are discounted to present value only when such discounts would be material to the financial statements. Currently, there are no long-term receivables or present value discounts reflected in the accompanying financial statements.

Property and Equipment:

Property and equipment are recorded at cost on the date of acquisition or at the fair market value of the asset based on values of comparable assets at the date of gift for donations. Depreciation is computed using the straight-line method over estimated useful lives ranging from 7 to 10.5 years. When assets are retired or otherwise disposed of, the costs and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments greater than \$2,500 that extend the useful lives of the assets are capitalized.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Intangible Assets:

The Organization has incurred costs for the design, development and implementation of its website. Costs relating to the development of the site's infrastructure have been capitalized as intangible assets. Amortization is computed using the straight-line method over a three-year period.

Donated Materials, Facilities, and Services:

During the year ended December 31, 2022, the Organization adopted the changes relating to the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update clarifies the presentation and disclosure of contributed nonfinancial assets by disclosing the valuation methods and inputs utilized to determine the fair value of the in-kind contributions, any donor-restrictions imposed, and presenting the contribution on a separate line item on the statements of activities and changes in net assets.

Donated goods and services are reflected as contributions at their fair value at the date of donation and reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. During the year ended December 31, 2022 and 2021, the Organization received \$5,131,665 and \$5,218,783, respectively.

These contributions consist of online advertising and legal services provided to the Organization free of charge. Professional volunteer services that are facilitated by the Organization, but received by other nonprofit organizations, are not recorded on the books because they are considered to be agency transactions.

Revenue Recognition – Grants and Contributions:

The Organization recognizes grants and contributions as revenue when they are received or unconditionally pledged. Conditional contributions are not recognized until conditions are substantially met or explicitly waived by the donor or grantor. Contribution revenues are recorded as support with or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

Revenue from government grants is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. The Organization's policy is to record the proceeds from government grants as a conditional government grant through refundable advance. Once the conditions of release have been substantially met or explicitly waived, the conditions of this grant will have been satisfied and the Organization will recognize the grant revenue.

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition – Fees for Services and Membership Dues:

The Organization derives a portion of its revenues from fees for services and membership dues.

Fees for services include amounts charged to corporate clients for contracted services described in Note 1. The transaction price outlined in each contract is allocated among the various underlying performance obligations. Revenue is then recognized over time when each performance obligation is met. There are no significant financing components or variable considerations in determining performance obligations.

Membership dues represent amounts charged for subscriptions to the Taproot Plus online volunteer matchmaking platform. These dues are recognized over the membership period, which is typically one year from the date on which the customer receives access to the platform.

During the years ended December 31, 2022 and 2021, the Organization's customers typically paid contract fees prior to the satisfaction of performance obligations. As such, amounts received but not yet recognized as revenue are recorded to a deferred revenue liability account. The outstanding balance of contract assets that were invoiced but not collected was approximately \$725,000 and \$86,000 as of December 31, 2022 and 2021, respectively. These amounts are excluded from assets and liabilities on the accompanying statements of financial position.

Advertising:

All advertising costs are expensed in the year they are incurred.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, there were no significant income tax uncertainties.

Use of Estimates:

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

TAPFOUND, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Adoption of New Accounting Standard:

In February 2016, the Financial Accounting Standards Board (FASB) issued accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes is the recognition of ROU asset and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provision of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Leases:

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use (ROU) assets, other current liabilities, and operating leases on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and the lease liabilities present the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and the leases are not included as lease liabilities or right of use assets on the statements of financial position.

TAPFOUND, INC.
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2022 through November 2, 2023, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment comprise the following:

	December 31,	
	2022	2021
Leasehold improvements	\$ 65,459	\$ 65,459
Office furniture and equipment	25,520	25,520
	<u>90,979</u>	<u>90,979</u>
Less: Accumulated depreciation	90,979	90,979
Property and Equipment, Net	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - INTANGIBLE ASSETS:

Intangible assets compromise the following:

	December 31,	
	2022	2021
Capitalized website costs	\$ 608,191	\$ 599,096
Less: Accumulated amortization	(517,146)	(517,146)
Intangible Assets, Net	<u>\$ 91,045</u>	<u>\$ 81,950</u>

TAPFOUND, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2022	2021
Pro Bono programming	\$ 32,500	\$ 456,418
Event sponsorship	-	10,000
Other activities	178,334	75,500
Total Net Assets with Donor Restrictions	<u>\$ 210,834</u>	<u>\$ 541,918</u>

NOTE 6 - CONTRIBUTED NONFINANCIAL ASSETS:

Contributed nonfinancial assets received during the years ended December 31, 2022 and 2021 consisted of the following:

	For the Years Ended	
	December 31,	
	2022	2021
LinkedIn marketing for Taproot Plus program	\$ 5,100,000	\$ 5,100,000
Legal services	22,160	102,700
SalesForce licenses	9,505	16,083
Total In-kind Contributions	<u>\$ 5,131,665</u>	<u>\$ 5,218,783</u>

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

<u>Contributed Nonfinancial Asset</u>	<u>Valuation Techniques and Inputs</u>
LinkedIn	Value based on monetary value of each LinkedIn posting, per the contract
Professional services	Value based on the market price for services provided and hours worked
SalesForce licenses	Value based on monetary value of each license and number of months

TAPFOUND, INC.
DBA: TAPROOT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 - CONTRIBUTED NONFINANCIAL ASSETS: (Continued)

Amounts have been recorded in the accompanying financial statements for the fair value of the donated goods and services for various program and administrative functions, which amounted to \$5,131,665 and \$5,218,783 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - LEASES – ASC 842:

The Organization leases office spaces in Chicago, IL, Los Angeles, CA, and New York City, NY under operating leases which expire on July 31, 2023, April 20, 2024, and September 30, 2026, respectively.

Rent expense totaled \$172,026 for the year ended December 31, 2022, and is included in rent and utilities on the statement of functional expenses.

The following table provides quantitative information concerning the Organization’s leases.

Lease Expense

Operating lease expense	\$ 277,989
Sublease income	(69,510)
Total Lease Cost	<u>\$ 208,479</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 277,315
ROU assets obtained in exchange for new operating lease liabilities	\$ 1,036,713
Weighted-average remaining lease term in years for operating leases	3.5 years
Weighted-average discount rate for operating leases	1.34%

The Organization classifies the total undiscounted lease payments that are due in the next twelve months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 253,826
2024	212,308
2025	213,698
2026	144,352
Total Undiscounted Cash Flows	<u>824,185</u>
Less: Interest	(19,026)
Total Present Value of Lease Liabilities	<u>\$ 805,159</u>

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NOTE 8 - FUNCTIONAL EXPENSES:

The costs of providing various programs and other activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits. Management and general expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization.

Expenses that pertain to a single function are charged directly to the respective cost center in the general ledger based on the underlying nature of the transaction (according to the definitions above). This is performed on a transaction-by-transaction basis.

Expenses that are allocated include: salaries, payroll taxes, and benefits, which are allocated on time and use studies; occupancy, which is allocated according to the number of full-time employees in each function at the respective office location; and insurance and information technology, which are allocated among functions according to the total number of full-time employees in each function across the Organization. All other expenses are direct costs.

NOTE 9 - LETTER OF CREDIT:

The Organization has a letter of credit with a bank in the amount of \$28,000 as of December 31, 2022, which serves as a security deposit for Taproot's Chicago office. The letter of credit will automatically extend without an amendment upon each anniversary date beginning on February 21, 2017, and finally expire on July 31, 2023.

NOTE 10 - SIGNIFICANT RISKS AND UNCERTAINTIES:

Financial instruments that potentially expose the Organization to concentrations of credit risk and market risk consist of cash and cash equivalents. The Organization maintains its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may be in excess of federally insured limits.

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NOTE 11 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions, or internal designations. Amounts available include donor-restricted amounts that are available for general expenditures in the following year.

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 3,778,384	\$ 4,226,352
Contracts receivable	845,249	306,332
Grants receivable	-	211,000
Other receivables	23,623	19,598
	<u>4,647,256</u>	<u>4,763,282</u>
Less restricted net assets	<u>(210,834)</u>	<u>(541,918)</u>
Total	<u>\$ 4,436,422</u>	<u>\$ 4,221,364</u>

The Organization reviews its cash flow on a monthly basis by reviewing projected incoming cash and overlaying that with projected outgoing cash. The report is presented as part of the monthly financial statements to the Board Finance Committee and, quarterly, as part of the report, to the Board of Directors as a whole. To support responsible planning and management, the Organization has established triggers related to its cash flow. The Organization considers projecting cash levels at or below 30 days of total projected expenses within the next three months to be a trigger that would require immediate expense cutting action by management. The majority of the Organization's receivables are based on contracts or grants from corporate partners. Contracts generally have payment schedules outlined in the contract. Grants often get paid as lump sums at or near time of commitment.