

DONNA COHEN
Certified Public Accountant

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TapFound Inc. dba Taproot Foundation

**Financial Statements &
Independent Auditor's Report
for the year ended
December 31, 2004**

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Independent Auditor's Report

To the Board of Directors
TapFound Inc.
dba Taproot Foundation
San Francisco, California

I have audited the accompanying statement of financial position of TapFound Inc., dba Taproot Foundation, as of December 31, 2004 and the related statements of activity, changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of TapFound's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TapFound Inc. as of December 31, 2004, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

June 27, 2005


Certified Public Accountant

**TapFound Inc.
dba Taproot Foundation**

**Statement of Financial Position
December 31, 2004**

ASSETS	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Current Assets:			
Cash & equivalents	\$108,459	\$132,000	\$240,459
Donations receivable	6,595		6,595
Grants receivable		100,000	100,000
Prepaid expenses	<u>1,708</u>	<u> </u>	<u>1,708</u>
Total current assets	116,762	232,000	348,762
Deposits	<u>1,557</u>	<u> </u>	<u>1,557</u>
TOTAL ASSETS	<u>\$118,319</u>	<u>\$232,000</u>	<u>\$350,319</u>
 LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts payable	\$12,632		\$12,632
Accrued vacation pay	<u>4,378</u>	<u> </u>	<u>4,378</u>
TOTAL LIABILITIES	17,010	0	17,010
 NET ASSETS			
Unrestricted	101,309		101,309
Temporarily Restricted (Note 3)	<u> </u>	<u>\$232,000</u>	<u>232,000</u>
TOTAL NET ASSETS	101,309	232,000	333,309
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES & NET ASSETS	<u>\$118,319</u>	<u>\$232,000</u>	<u>\$350,319</u>

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

**TapFound Inc.
dba Taproot Foundation**

**Statement of Activity and Changes in Net Assets
for the year ended December 31, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support & Revenue:			
Grants	\$179,500	\$132,000	\$311,500
Net assets released from restrictions:			
Satisfaction of donor requirements (Note 4)	241,900	(241,900)	0
Contributions	55,427		55,427
In-kind contributions	16,376		16,376
Special events income	29,212		29,212
Interest	<u>940</u>	<u> </u>	<u>940</u>
Total support & revenue	523,355	(109,900)	413,455
Expenses:			
Programs	255,986		255,986
Administration	64,075		64,075
Fundraising	<u>195,152</u>	<u> </u>	<u>195,152</u>
Total expenses	<u>515,213</u>	<u>0</u>	<u>515,213</u>
CHANGE IN NET ASSETS	8,142	(109,900)	(101,758)
NET ASSETS, January 1st	93,167	341,900	435,067
NET ASSETS, December 31st	<u>\$101,309</u>	<u>\$232,000</u>	<u>\$333,309</u>

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

TapFound Inc
dba Taproot Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2004

	<u>Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$166,886	\$29,373	\$137,374	\$333,633
Payroll taxes & benefits	22,107	3,517	18,452	44,076
Temporary help	25,054			25,054
Occupancy	14,807	2,665	12,142	29,614
Special events			14,273	14,273
Accounting & auditing		11,721		11,721
Travel	2,265	5,912	1,680	9,857
Telephone & internet	4,857	765	3,483	9,105
Office supplies	4,202	756	3,446	8,404
Professional fees	7,078			7,078
Conferences & meetings	2,582	2,706	1,452	6,740
Printing	2,056	370	1,686	4,112
Bank fees	2,922			2,922
Insurance		2,539		2,539
Professional development	213	2,000	15	2,228
Postage	685	123	562	1,370
Payroll fees		1,347		1,347
Fundraising			326	326
Other	272	281	261	814
Total Expenses	\$255,986	\$64,075	\$195,152	\$515,213

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

TapFound Inc. dba Taproot Foundation

Statement of Cash Flows
for the year ended December 31, 2004

Cash flows from operating activities:

Change in net assets	(\$101,758)
Changes in assets & liabilities:	
(Increase) decrease in donations receivable	(3,149)
(Increase) decrease in grants receivable	162,500
(Increase) decrease in prepaid expenses	(151)
Increase (decrease) in accounts payable	11,095
Increase (decrease) in accrued vacation pay	<u>4,378</u>
Cash provided (used) by operating activities:	72,915

Cash flows from investing activities:

Sale of investments	<u>5,980</u>
Cash provided (used) by investing activities:	5,980

Cash provided (used) during year 78,895

Cash & equivalents, January 1st 161,564

Cash & equivalents, December 31st \$240,459

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

**TapFound Inc.
dba Taproot Foundation**

**Notes to Financial Statements
December 31, 2004**

1. The Foundation

Nature of activities

TapFound Inc., dba Taproot Foundation, (the Foundation) was founded in 2002. Its mission is to strengthen nonprofit Foundations by engaging business professionals in volunteer service. Nonprofit Foundations in need of professional services (marketing/fundraising, information technology, and human resources) apply for a service grant from the Foundation. The Foundation then facilitates the placement of volunteer professionals to accomplish the specific goals of the nonprofit Foundation, monitors progress on the project, and assures its completion. The Foundation currently operates in San Francisco and New York City.

The Foundation is a nonprofit Foundation, exempt from income taxes under IRS Code Section 501(c) (3), and section 23701(d) of the California Revenue and Taxation Code. The Foundation is governed by an 11-member Board of Directors.

Funding

The Foundation receives the majority of its funding through corporate and foundation grants and contributions. Support is also received through contributions from individuals and special events.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Accounting for Restricted Support

The Foundation reports gifts of cash and other assets as 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 purpose 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 restrictions.

The Foundation reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service.

(continued)

**TapFound Inc.
dba Taproot Foundation**

**Notes to Financial Statements
December 31, 2004**

(continued)

If restricted donations are made and restrictions satisfied during the same fiscal year, activity is reported as unrestricted in the statement of activity. If restrictions are not satisfied at fiscal-year-end, donations are recorded as temporarily restricted.

Cash and Cash Equivalents

Cash and cash equivalents consist of a bank checking account.

Donations Receivable

Donations receivable consist of donations made through the internet, whereby the cash has not yet been transferred to the Foundation.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated according to a formula based on the relative amount of staff time spent on the particular function.

In-kind Contributions

In-kind contributions consist of office space and services received for the New York City program. It is recorded based on the respective fair market value that the Foundation would expect to pay for such space and support services.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2004 consist of awards received for the following:

Launch of the New York City office	\$110,500
Capacity building	35,000
Service grants to nonprofit organizations	35,500
Operating support for 2005	<u>51,000</u>
	\$232,000

**TapFound Inc.
dba Taproot Foundation**

**Notes to Financial Statements
December 31, 2004**

4. Net Assets Released From Restriction

During 2004, donor requirements were satisfied and the corresponding restrictions released for the following:

Launch of the New York City office	\$95,000
Develop a human resources service grant program	25,000
Service grants to nonprofit organizations	21,900
Operating support for 2004	<u>100,000</u>
	\$241,900

5. Operating Leases

The Foundation leases its space on Geary Street in San Francisco under a three-year lease expiring on October 30, 2005. Monthly rent is \$1,557. The future minimum lease payments for 2005 are \$15,570.

7. Related Party Transactions

The President of the Foundation is compensated for his services as Executive Director.

8. Concentrations

As of December 31, 2004, the Foundation had \$214,000 on deposit with one bank, exceeding the Federal Deposit Insurance Corporation (FDIC) limit by \$114,000.