

**DONNA COHEN**

Certified Public Accountant



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# **TapFound Inc. dba Taproot Foundation**

**Financial Statements &  
Independent Auditor's Report  
for the year ended  
September 30, 2008**

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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, a nonprofit corporation, as of September 30, 2008 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. The prior year summarized comparative information has been derived from TapFound's September 30, 2007 financial statements and, in my report dated April 14, 2008, I expressed an unqualified opinion on those financial statements.

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 September 30, 2008, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 13, 2009

  
Certified Public Accountant

**Tapfound Inc.  
dba Taproot Foundation**

**Statement of Financial Position  
September 30, 2008  
with Comparative Totals for September 30, 2007**

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total (Note 2)</u>
Current Assets:				
Cash & equivalents	\$20,087	\$961,500	\$981,587	\$703,872
Investment in certificate of deposit			0	56,189
Donations receivable	10,150		10,150	7,571
In-kind contributions receivable		29,137	29,137	0
Grants receivable, current portion (Note 3)	224,453	966,750	1,191,203	714,000
Contracts receivable	51,008		51,008	75,000
Other receivables	3,296		3,296	3,626
Prepaid expenses	34,993		34,993	21,804
Total current assets	343,987	1,957,387	2,301,374	1,582,062
Grants receivable (Note 3)		412,621	412,621	90,000
Deposits	10,638		10,638	7,617
Property & equipment				
At cost, net of accumulated depreciation of \$37,226 in 2008 and \$20,078 in 2007	23,513		23,513	26,608
TOTAL ASSETS	\$378,138	\$2,370,008	\$2,748,146	\$1,706,287
LIABILITIES & NET ASSETS				
Current Liabilities:				
Accounts payable	\$63,532		\$63,532	\$44,595
Accrued payroll liabilities	30,288		30,288	3,875
Accrued vacation pay	47,893		47,893	31,327
Deferred contract revenue	41,000		41,000	104,333
TOTAL LIABILITIES	182,713		182,713	184,130
Net Assets				
Unrestricted	195,425		195,425	215,657
Temporarily restricted (Note 4)		\$2,370,008	2,370,008	1,306,500
TOTAL NET ASSETS	195,425	2,370,008	2,565,433	1,522,157
TOTAL LIABILITIES & NET ASSETS	\$378,138	\$2,370,008	\$2,748,146	\$1,706,287

See accompanying notes to financial statements  
and independent auditor's report.

**Tapfound Inc.  
dba Taproot Foundation**

**Statement of Activity and Changes in Net Assets  
for the year ended September 30, 2008  
with Comparative Totals for September 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total (Note 2)</u>
Support & Revenue:				
Grants		\$3,702,963	\$3,702,963	\$2,345,111
Net assets released from restriction:				
Satisfaction of donor requirements (Note 5)	\$2,668,592	(2,668,592)	0	0
Donations	39,154		39,154	101,130
In-kind contributions (Note 6)	527,815	29,137	556,952	199,063
Special events, net of direct donor benefits of \$19,345 in 2007			0	13,775
Contract fees	164,807		164,807	239,417
Interest	5,338		5,338	7,546
Investment gains and losses	0		0	(4,581)
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	3,405,706	1,063,508	4,469,214	2,901,461
Expenses:				
Programs	2,412,390		2,412,390	1,588,839
General & administrative	451,792		451,792	276,395
Fundraising	561,756		561,756	351,849
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	3,425,938	0	3,425,938	2,217,083
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(20,232)	1,063,508	1,043,276	684,378
NET ASSETS, October 1st	<hr/>	<hr/>	<hr/>	<hr/>
	215,657	1,306,500	1,522,157	837,779
NET ASSETS, September 30th	<hr/>	<hr/>	<hr/>	<hr/>
	\$195,425	\$2,370,008	\$2,565,433	\$1,522,157

See accompanying notes to financial statements  
and independent auditor's report.

**TapFound Inc**  
**dba Taproot Foundation**

**Statement of Functional Expenses**  
**For the Year Ended September 30, 2008**  
**With Comparative Totals for the Year Ended September 30, 2007**

	<b>Programs</b>	<b>Administration</b>	<b>Fundraising</b>	<b>9/30/08 Total</b>	<b>9/30/07 Total (Note 2)</b>
Salaries	\$1,381,466	\$231,208	\$382,222	\$1,994,896	\$1,344,761
Payroll taxes	108,034	18,081	29,891	156,006	109,448
Benefits	102,236	17,110	28,286	147,632	97,345
Volunteer recruitment (Note 6)	360,252			360,252	151,672
Temporary help	7,758	1,298	2,146	11,202	11,080
Occupancy	184,885	30,944	51,153	266,982	112,158
Accounting & auditing		90,448		90,448	59,226
Travel	82,758	13,851	22,897	119,506	83,585
Telephone & internet	18,567	3,108	5,137	26,812	24,824
Office supplies	18,512	3,098	5,122	26,732	20,564
Management consultants				0	64,633
Other professional fees	39,355	2,590	4,281	46,226	4,877
Conferences & meetings	18,477	2,160	3,569	24,206	26,070
Dues & subscriptions	3,078	515	852	4,445	4,698
Donor relationship development			1,721	1,721	1,570
Printing & copying	9,894	1,656	2,737	14,287	2,408
Insurance	3,136	525	867	4,528	5,054
Professional development	1,545	259	427	2,231	8,261
Staff recruitment	30,418	5,091	8,416	43,925	10,808
Board expenses	1,466	245	406	2,117	0
Postage	5,077	850	1,405	7,332	3,818
Payroll fees	3,941	660	1,090	5,691	4,183
Fundraising			402	402	3,085
Advertising & marketing	168	28	46	242	16,053
Equipment	16,054	2,687	4,441	23,182	26,321
Depreciation	11,876	1,988	3,285	17,149	12,214
Bad debt		20,000		20,000	4,428
Other	3,437	3,392	957	7,786	3,939
<b>Total Expenses</b>	<b>\$2,412,390</b>	<b>\$451,792</b>	<b>\$561,756</b>	<b>\$3,425,938</b>	<b>\$2,217,083</b>

See accompanying notes to financial statements  
and independent auditor's report.

**Tapfound Inc.  
dba Taproot Foundation**

**Statement of Cash Flows  
for the year ended September 30, 2008  
with Comparative Totals for September 30, 2007**

	<u>2008</u>	<u>2007</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$1,043,276	\$784,378
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	17,149	12,214
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(799,824)	(415,000)
(Increase) decrease in contracts receivable	23,992	(35,000)
(Increase) decrease in donations & other receivables	(31,386)	(2,870)
(Increase) decrease in prepaid expenses	(13,189)	(7,261)
(Increase) decrease in deposits	(3,021)	1,365
Increase (decrease) in accounts payable	18,937	20,558
Increase (decrease) in accrued payroll liabilities	26,413	3,452
Increase (decrease) in accrued vacation	16,566	11,811
Increase (decrease) in deferred contract revenue	<u>(63,333)</u>	<u>(89,417)</u>
<b>Cash provided (used) by operating activities:</b>	235,580	284,230
<i>Cash flows from investing activities:</i>		
Liquidation of (investment in) certificate of deposit	56,189	(3,130)
Purchase of office equipment	<u>(14,054)</u>	<u>(13,407)</u>
<b>Cash provided (used) by investing activities:</b>	42,135	(16,537)
<b>Cash provided (used) during year</b>	<u>277,715</u>	<u>267,693</u>
Cash and equivalents:		
<b>Beginning of year, October 1st</b>	<u>703,872</u>	<u>436,179</u>
<b>End of year, September 30th</b>	<u><u>\$981,587</u></u>	<u><u>\$703,872</u></u>

See accompanying notes to financial statements  
and independent auditor's report.

**TapFound Inc.  
dba Taproot Foundation**

**Notes to Financial Statements  
September 30, 2008**

**1. The Foundation**

Nature of activities

TapFound Inc., dba Taproot Foundation, (the Foundation) was founded in 2002. Its mission is to strengthen nonprofit organizations by engaging business professionals in volunteer service. Nonprofit organizations 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 organizations, monitors progress on the project, and assures its completion. The Foundation operates in San Francisco, New York City, Chicago, Boston, Seattle, Los Angeles and Washington, D.C.

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.

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. In addition, the Foundation earns contract revenue by working with companies to develop professional volunteer programs.

**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.

(continued)

**TapFound Inc.  
dba Taproot Foundation**

**Notes to Financial Statements  
September 30, 2008**

(continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of a bank checking account and savings account, as well as money funds held by a brokerage firm.

Grants and Donations Receivable

Grants and Donations Receivable include amounts committed by donors which have not yet been received by the Foundation. The majority of these are receivable within one year. Grants receivable that are due within one year are recorded at their face value, while those due in the 2009-2010 fiscal year are discounted to present value using an annual rate of 3%. No allowance for doubtful accounts has been established because management believes it is unnecessary.

Fair Value of Financial Instruments

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

Property & Equipment

The Foundation capitalizes all expenditures for office furnishings and equipment in excess of \$1,000. Purchased assets are carried at cost, while donated assets are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years.

In-kind Contributions

Donated goods and use of facilities are reflected in the financial statements at the estimated fair market value at the date of receipt. If donated property creates or enhances a capital asset, it is capitalized and depreciated according to the fixed asset policy.

In-kind contributions receivable include awards promised to the organization during the current year to be received in the subsequent year.

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.

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 estimated relative amount of staff time spent on the particular function.

Advertising Costs

The Foundation uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred.

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.

(continued)

**TapFound Inc.  
dba Taproot Foundation**

**Notes to Financial Statements  
September 30, 2008**

(continued)

Comparative Data

The financial statement information for the year ended September 30, 2007, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statement for that fiscal year.

Reclassifications

Certain amounts in the September 30, 2007 financial statements have been reclassified to conform to the September 30, 2008 presentation.

**3. Grants Receivable**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Due within one year	\$224,453	\$966,750	\$1,191,203
Due in one to two years		425,000	425,000
Discount long-term amounts to present value		<u>(12,379)</u>	<u>(12,379)</u>
Total	\$224,453	\$1,379,371	\$1,603,824

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30, 2008 consist of awards received for the following:

Service grants to nonprofit organizations	\$1,023,000
Support of regional operations	
New York City	220,000
Seattle	160,000
Boston	160,000
San Francisco	80,000
Washington, D.C.	25,000
Los Angeles	16,000
Chicago	10,000
Program development	425,000
General operating support, 10/2008 to 12/2010	181,621
Pro Bono Action Tank Leadership Group	30,250
In-kind use of office space in New York City	29,137
<i>Mommy &amp; Daddy Do It Pro Bono</i> book	<u>10,000</u>
	\$2,370,008

**TapFound Inc.  
dba Taproot Foundation**

**Notes to Financial Statements  
September 30, 2008**

**5. Net Assets Released From Restriction**

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

Service grants to nonprofit organizations	\$1,292,000
Support of regional operations	
New York City	295,000
Seattle	145,000
San Francisco	119,092
Washington, D.C.	100,000
Boston	65,000
Los Angeles	59,000
Chicago	3,500
Program development	212,500
General operating support through 9/2008	170,250
Pro Bono Action Tank Leadership Group	147,250
Older Adult Civic Engagement	50,000
Pro Bono Awards Sponsorship	<u>10,000</u>
	\$2,668,592

**6. In-Kind contributions**

Awards of donated goods and use of facilities received during the fiscal year consist of the following:

Internet job board advertising	\$360,166
Use of office in New York City, 10/07-9/08	163,494
Use of office in New York City, 10/08-11/08	29,137
Use of Seattle office space	3,250
Other	<u>905</u>
	\$556,952

**7. Operating Leases**

The Foundation leases office space in San Francisco, Chicago, Seattle, and Boston. In September, 2008, management signed an amendment to the San Francisco office lease to include an additional suite (effective 1/1/09) and extend the term through December, 2011. The monthly base rent for the existing and additional space is \$7,220. Annual rent increases are based on the consumer price index and will range between 3% and 5%, plus a proportionate share of building operating expenses.

The Chicago lease is a three-year agreement expiring on August 31, 2009. Monthly rent is \$1,460 with annual increases based on the Foundation's proportionate share of property expenses.

(continued)

**TapFound Inc.  
dba Taproot Foundation**

**Notes to Financial Statements  
September 30, 2008**

(continued)

The Seattle lease is a two-year agreement expiring in June, 2010. The lease is cancellable as of June, 2009, penalty-free with 90 days' notice. Monthly rent is \$521 during the first year and \$542 during the second year.

The Boston lease is a month-to-month agreement with rent currently \$300 per month.

Future minimum lease payments for all locations are as follows:

<u>Year Ending</u>	
September 30, 2009	\$100,333
September 30, 2010	98,894
September 30, 2011	95,348
September 30, 2012	<u>48,961</u>
	\$343,536

**8. Line of Credit**

The Foundation currently has available a \$250,000 line of credit, none of which was drawn down as of September 30, 2008. The line carries interest at the prime rate plus 1%. The line expires on October 13, 2009, with all principal and interest due at that time.

**9. Concentrations**

As of September 30, 2008, the Foundation had \$730,825 on deposit with one bank, exceeding the Federal Deposit Insurance Corporation (FDIC) limit by \$480,825.

**10. Subsequent Events - Office Leases**

Subsequent to year-end, the Foundation signed leases for office space in Washington, D.C. and Los Angeles. The Washington, D.C. agreement commenced on December 15, 2008 and expires January 31, 2010. Monthly rent is \$650 per month and the lease may be cancelled by either party with 45 days' notice. The Los Angeles agreement commenced March 15, 2009 and expires on June 30, 2011. Monthly rent starts at \$327 with annual increases based on the consumer price index.

The lease on the Boston office was cancelled as of April 30, 2009.