
TANDEM: PARTNERS IN EARLY LEARNING

FINANCIAL STATEMENTS

June 30, 2016 and 2015

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

TANDEM: PARTNERS IN EARLY LEARNING

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses - 2016	6
Statement of Functional Expenses - 2015	7
Notes to the Financial Statements	8-12

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tandem: Partners in Early Learning
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Tandem: Partners in Early Learning, which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities, cash flows and functional expenses for the years 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 auditor's 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 Tandem: Partners in Early Learning as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Crosby + Ranecha". The signature is written in a cursive, flowing style.

Certified Public Accountants

Oakland, California

October 4, 2016

TANDEM: PARTNERS IN EARLY LEARNING

**Statement of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Current Assets		
Cash	\$ 456,749	\$ 632,600
Receivables:		
Contracts receivable	108,355	137,956
Grants receivable	225,544	2,700
Other receivables	4,651	-
Prepaid expenses	114,699	62,370
Total current assets	909,998	835,626
Deposits	13,177	7,826
Total Assets	\$ 923,175	\$ 843,452
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 51,756	\$ 12,171
Accrued vacation	24,337	18,200
Total Liabilities	76,093	30,371
Commitments and Contingencies (Notes 3 and 4)		
Net assets		
Unrestricted net assets	396,305	580,582
Temporarily restricted net assets (Note 6)	450,777	232,499
Total Net Assets	847,082	813,081
Total Liabilities and Net Assets	\$ 923,175	\$ 843,452

See Notes to the Financial Statements

TANDEM: PARTNERS IN EARLY LEARNING

**Statement of Activities
For the Years Ended June 30, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Support						
Government grants	\$ 595,195	\$	\$ 595,195	\$ 592,871	\$	\$ 592,871
Foundation and corporate grants	323,476	592,500	915,976	761,793	319,209	1,081,002
Donations	89,399		89,399	41,717		41,717
In-kind contributions (Note 7)			-	71,692		71,692
Special event, net of direct donor benefit (Note 9)	2,251		2,251	9,639		9,639
Total support	<u>1,010,321</u>	<u>592,500</u>	<u>1,602,821</u>	<u>1,477,712</u>	<u>319,209</u>	<u>1,796,921</u>
Revenue						
Program services	99,712		99,712	71,305		71,305
Interest	134		134	60		60
Other	150		150	-		-
Total revenue	<u>99,996</u>	<u>-</u>	<u>99,996</u>	<u>71,365</u>	<u>-</u>	<u>71,365</u>
Total assets released from donor restrictions (Note 6)	374,222	(374,222)	-	543,044	(543,044)	-
Total support and revenue	<u>1,484,539</u>	<u>218,278</u>	<u>1,702,817</u>	<u>2,092,121</u>	<u>(223,835)</u>	<u>1,868,286</u>
Expenses						
Program	1,294,567		1,294,567	1,473,418		1,473,418
Management and general	208,087		208,087	188,770		188,770
Fundraising	166,162		166,162	161,927		161,927
Total expenses	<u>1,668,816</u>	<u>-</u>	<u>1,668,816</u>	<u>1,824,115</u>	<u>-</u>	<u>1,824,115</u>
Change in net assets	(184,277)	218,278	34,001	268,006	(223,835)	44,171
Net Assets, beginning of year	<u>580,582</u>	<u>232,499</u>	<u>813,081</u>	<u>312,576</u>	<u>456,334</u>	<u>768,910</u>
Net assets, end of year	<u>\$ 396,305</u>	<u>\$ 450,777</u>	<u>\$ 847,082</u>	<u>\$ 580,582</u>	<u>\$ 232,499</u>	<u>\$ 813,081</u>

See Notes to the Financial Statements

TANDEM: PARTNERS IN EARLY LEARNING

**Statement of Cash Flows
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 34,001	\$ 44,171
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Contracts receivable	29,601	(34,248)
Grants receivable	(222,844)	323,788
Other receivables	(4,651)	-
Prepaid expenses	(52,329)	(50,984)
Deposits	(5,351)	(3,246)
Accounts payable and accrued expenses	39,585	(12,400)
Accrued vacation	6,137	3,031
Net cash provided (used) by operating activities	(175,851)	270,112
 Change in cash	 (175,851)	 270,112
Cash, beginning of year	632,600	362,488
Cash, end of year	\$ 456,749	\$ 632,600

See Notes to the Financial Statements

TANDEM: PARTNERS IN EARLY LEARNING

**Statement of Functional Expenses
For the Year Ended June 30, 2016**

	Programs				Total Program	Management and General	Fundraising	Total
	Alameda	San Francisco	Contra Costa	Communications				
Salaries	\$ 175,084	\$ 274,729	\$ 169,534	\$ 32,954	\$ 652,301	\$ 112,626	\$ 92,239	\$ 857,166
Pension contributions	187	4,698	270		5,155	1,633	1,140	7,928
Employee benefits	31,295	34,913	21,067	1,283	88,558	24,762	14,825	128,145
Payroll taxes	13,901	22,591	13,761	2,602	52,855	8,632	7,661	69,148
Total personnel	<u>220,467</u>	<u>336,931</u>	<u>204,632</u>	<u>36,839</u>	<u>798,869</u>	<u>147,653</u>	<u>115,865</u>	<u>1,062,387</u>
Accounting fees					-	8,750	-	8,750
Other fees for service	14,259	21,951	12,040	1,008	49,258	1,687	26,623	77,568
Advertising and promotion				739	739	-	-	739
Supplies	2,391	8,534	958	906	12,789	2,444	715	15,948
Telephone	1,995	4,551	3,327	581	10,454	864	800	12,118
Postage and shipping	238	17	220	51	526	390	1,211	2,127
Copy and printing	2,183	3,199	1,941	3,321	10,644	1,554	857	13,055
Occupancy	27,334	71,629	6,752	2,889	108,604	16,112	15,867	140,583
Travel and meals	7,001	7,842	9,213	650	24,706	379	462	25,547
Conferences, conventions, meetings	796	1,705	1,208	6,113	9,822	7,351	454	17,627
Insurance					-	11,931	-	11,931
Dues, licenses, service fees	94		104	419	617	2,270	389	3,276
Information technology	1,410	4,929	513	4,484	11,336	6,190	1,081	18,607
Professional development	838	683	504		2,025	411	-	2,436
Program materials	72,370	103,626	32,716	8,198	216,910	-	-	216,910
Community events and workshops	3,818	3,707	4,281	254	12,060	-	-	12,060
Website design				25,208	25,208	-	-	25,208
Bank fees					-	101	1,838	1,939
Total expenses	<u>\$ 355,194</u>	<u>\$ 569,304</u>	<u>\$ 278,409</u>	<u>\$ 91,660</u>	<u>\$ 1,294,567</u>	<u>\$ 208,087</u>	<u>\$ 166,162</u>	<u>\$ 1,668,816</u>

See Notes to the Financial Statements

TANDEM: PARTNERS IN EARLY LEARNING

**Statement of Functional Expenses
For the Year Ended June 30, 2015**

	Programs				Total Program	Management and General	Fundraising	Total
	Alameda	Contra Costa	San Francisco	Outreach				
Salaries	\$ 266,224	\$ 159,014	\$ 294,045	\$ 20,503	\$ 739,786	\$ 80,315	\$ 120,896	\$ 940,997
Pension contributions	1,656	433	2,794		4,883	2,202	1,785	8,870
Employee benefits	26,692	15,427	25,757	115	67,991	11,824	10,701	90,516
Payroll taxes	22,232	13,412	25,196	1,640	62,480	6,553	10,056	79,089
Total personnel	<u>316,804</u>	<u>188,286</u>	<u>347,792</u>	<u>22,258</u>	<u>875,140</u>	<u>100,894</u>	<u>143,438</u>	<u>1,119,472</u>
Legal fees					-	1,402	-	1,402
Accounting fees					-	8,600	-	8,600
Other fees for service	1,724	500	3,000	35,443	40,667	18,990	1,138	60,795
Advertising and promotion				36,500	36,500	-	-	36,500
Supplies	4,463	2,809	5,409	31	12,712	4,535	675	17,922
Telephone	4,848	3,235	5,387	532	14,002	2,469	484	16,955
Postage and shipping	104	97	76	8	285	324	630	1,239
Copy and printing	911	441	982	847	3,181	64	1,237	4,482
Occupancy	25,454	6,124	46,460	3,233	81,271	9,610	8,630	99,511
Travel and meals	11,638	7,420	8,501	140	27,699	433	1,195	29,327
Conferences, conventions, meetings	806	165	551	1,245	2,767	4,765	269	7,801
Insurance			2,557		2,557	8,766	-	11,323
Dues, licenses, service fees	30	30	47	667	774	1,990	236	3,000
Information technology	601	872	1,636	3,754	6,863	1,847	1,901	10,611
Professional development	1,290	59	3,728	3,550	8,627	1,820	120	10,567
Community events	3,975	2,122	3,374		9,471	-	241	9,712
Program materials	81,517	69,989	135,135		286,641	-	-	286,641
In-kind supplies and materials	57,123		5,598		62,721	8,971	-	71,692
Recruitment	26	455	844		1,325	10,120	829	12,274
Payroll fees					-	3,058	-	3,058
Bank fees	30				30	112	904	1,046
Miscellaneous		20		165	185	-	-	185
Total expenses	<u>\$ 511,344</u>	<u>\$ 282,624</u>	<u>\$ 571,077</u>	<u>\$ 108,373</u>	<u>\$ 1,473,418</u>	<u>\$ 188,770</u>	<u>\$ 161,927</u>	<u>\$ 1,824,115</u>

See Notes to the Financial Statements

TANDEM: PARTNERS IN EARLY LEARNING

Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

NOTE 1: NATURE OF ACTIVITIES

Tandem: Partners in Early Learning (The Organization) is a California nonprofit public benefit organization, incorporated in 2009. Tandem has helped families successfully build and sustain literacy routines in their homes since 2002. Tandem's research-based program focuses on children at highest risk for educational failure and helps parents develop the skills to share books with their children using 'parent-friendly' research-based practices. Tandem's mission is to close the achievement gap before it appears by engaging limited-income families in daily book-sharing with their young children, thereby fostering healthy brain development, family-child bonding, and the early literacy skills essential for school success.

Tandem is funded by foundation grants and contracts with two local governmental agencies.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of June 30, 2016.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated

TANDEM: PARTNERS IN EARLY LEARNING

**Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015**

fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Contracts and Grants Receivable

The Organization considers all contracts and grants receivable to be fully collectible at June 30, 2016. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Prepaid expenses

Prepaid expenses represent insurance paid in advance, as well as prepayment on furniture, equipment and supplies purchased for the subsequent school year.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2016 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at June 30, 2016 and 2015.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b)

TANDEM: PARTNERS IN EARLY LEARNING

**Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015**

require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2016.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year's information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 4, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

TANDEM: PARTNERS IN EARLY LEARNING

**Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015**

NOTE 3: COMMITMENTS

Operating Leases

The Organization leases office space in San Francisco and Alameda Counties under non-cancelable leases that expire through December 2022. Future minimum operating lease payments were as follows for the years ending June 30:

2017	\$ 138,347
2018	137,235
2019	102,544
2020	103,006
2021	107,126
Thereafter	<u>111,412</u>
Total	<u>\$ 699,670</u>

Rent for the years ended June 30, 2016 and 2015 was \$110,593 and \$78,462, respectively.

NOTE 4: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 5: CONCENTRATIONS

The Organization receives a portion of its support from local governmental units. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of June 30:

	<u>2016</u>	<u>2015</u>
SEEDs of Literacy	\$ -	\$ 88,760
Book Rotation	67,125	66,558
Early Elementary	-	15,000
San Francisco programs	85,437	52,181
Contra Costa programs	244,435	10,000
Displacement	<u>53,780</u>	<u>-</u>
Total	<u>\$ 450,777</u>	<u>\$ 232,499</u>

TANDEM: PARTNERS IN EARLY LEARNING

**Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015**

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended June 30:

	<u>2016</u>	<u>2015</u>
SEEDs of Literacy	\$ 88,760	\$ 65,535
Book Rotation	74,433	233,759
Early Elementary	15,000	-
San Francisco programs	119,405	144,513
Contra Costa programs	15,565	71,737
Displacements	26,220	-
Oakland programs	-	7,500
General programs	34,839	-
Time restriction	-	<u>20,000</u>
Total	<u>\$ 374,222</u>	<u>\$ 543,044</u>

NOTE 7: IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following during the year ended June 30, 2015:

Books	\$ 62,722
Nexus tablets	<u>8,970</u>
Total	<u>\$ 71,692</u>

NOTE 8: RETIREMENT PLAN

The Organization initiated a retirement plan which matches employee contributions up to 2% of gross annual compensation. Employees are eligible after 90 days of employment. The total contribution for the years ended June 30, 2016 and 2015 was \$7,928 and \$8,870, respectively.

NOTE 9: SPECIAL EVENT

The Organization held fundraising events. Proceeds were as follows during the year ended June 30:

	<u>2016</u>	<u>2015</u>
Admission	\$ 381	\$ 5,483
Proceeds from auction of donated items	1,560	-
Donations and sponsorships	1,861	11,657
Less: Costs of direct donor benefit	<u>(1,551)</u>	<u>(7,501)</u>
Total	<u>\$ 2,251</u>	<u>\$ 9,639</u>