

**TANDEM,
PARTNERS IN EARLY LEARNING**
(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2023 AND 2022**

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
 FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tandem, Partners in Early Learning, a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tandem, Partners in Early Learning as of June 30, 2023 and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tandem, Partners in Early Learning 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.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Tandem, Partners in Early Learning adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on leases. 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 Tandem, Partners in Early Learning's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 GAAS and *Government 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 Tandem, Partners in Early Learning'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 Tandem, Partners in Early Learning'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024 on our consideration of Tandem, Partners in Early Learning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tandem, Partners in Early Learning's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tandem, Partners in Early Learning's internal control over financial reporting and compliance.

Sindquist, von Husen and Joyce LLP

January 15, 2024

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 481,447	\$ 442,544
Grants and contributions receivable (Note 3)	883,065	529,005
Inventory (Note 4)	6,698	124,943
Prepaid expenses	36,288	39,402
Total current assets	1,407,498	1,135,894
Grants and contributions receivable – net of current portion (Note 3)	186,621	45,000
Property and equipment – net (Note 5)	1,653	9,077
Security deposits and others	17,923	17,923
Right-of-use assets – operating lease (Note 7)	719,971	-
Total assets	\$ 2,333,666	\$ 1,207,894
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 78,819	\$ 47,737
Accrued vacation	75,092	47,396
Deferred revenue	2,500	-
Operating lease liabilities – current portion (Note 7)	137,993	-
Total current liabilities	294,404	95,133
Security deposits	5,200	5,200
Operating lease liabilities – net of current portion (Note 7)	587,399	-
Total liabilities	887,003	100,333
Net assets:		
Without donor restrictions	378,838	384,561
With donor restrictions – net (Note 8)	1,067,825	723,000
Total net assets	1,446,663	1,107,561
Total liabilities and net assets	\$ 2,333,666	\$ 1,207,894

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

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:						
Support:						
Government	\$ 890,303	\$ -	\$ 890,303	\$ 507,207	\$ -	\$ 507,207
Foundation and corporate	288,011	1,352,661	1,640,672	311,929	791,500	1,103,429
Donations	108,526	-	108,526	90,846	-	90,846
In-kind contributions (Note 10)	29,080	-	29,080	96,425	-	96,425
Special events	29,683	-	29,683	44,143	-	44,143
Less: cost of special events	(34,246)	-	(34,246)	(337)	-	(337)
Net assets released from restrictions (Note 8)	1,007,836	(1,007,836)	-	791,387	(791,387)	-
Total support	2,319,193	344,825	2,664,018	1,841,600	113	1,841,713
Revenue:						
Program services	407,741	-	407,741	297,482	-	297,482
Rental income (Note 7)	68,172	-	68,172	66,031	-	66,031
Others	1,278	-	1,278	166	-	166
Total revenue	477,191	-	477,191	363,679	-	363,679
Total support and revenue	2,796,384	344,825	3,141,209	2,205,279	113	2,205,392
Expenses:						
Program services	2,203,440	-	2,203,440	1,568,602	-	1,568,602
Management and general	272,435	-	272,435	233,009	-	233,009
Fundraising	326,232	-	326,232	237,523	-	237,523
Total expenses	2,802,107	-	2,802,107	2,039,134	-	2,039,134
Change in net assets	(5,723)	344,825	339,102	166,145	113	166,258
Net assets, beginning of year	384,561	723,000	1,107,561	218,416	722,887	941,303
Net assets, end of year	\$ 378,838	\$ 1,067,825	\$ 1,446,663	\$ 384,561	\$ 723,000	\$ 1,107,561

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

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 1,092,160	\$ 146,190	\$ 261,314	\$ 1,499,664	\$ 825,419	\$ 106,137	\$ 174,019	\$ 1,105,575
Program materials	612,368	1,329	1,031	614,728	348,048	-	2,187	350,235
Payroll taxes and employee benefits	187,100	28,176	34,337	249,613	145,834	18,181	20,311	184,326
Occupancy (Note 7)	198,989	1,642	1,625	202,256	140,330	26,529	21,027	187,886
Professional services	35,697	76,561	12,097	124,355	18,952	65,402	4,204	88,558
Office expenses and supplies	45,400	4,826	10,700	60,926	38,779	6,877	5,771	51,427
Insurance	11,111	1,540	2,644	15,295	11,448	1,454	2,341	15,243
Conferences and meetings	3,999	10,743	-	14,742	327	5,514	5,494	11,335
Travel and meals	8,425	-	-	8,425	5,570	64	344	5,978
Depreciation	5,568	928	928	7,424	5,568	928	928	7,424
Program incentives	1,674	-	-	1,674	27,914	-	-	27,914
Miscellaneous	949	500	1,556	3,005	413	1,923	897	3,233
Total expenses as shown on the statements of activities	2,203,440	272,435	326,232	2,802,107	1,568,602	233,009	237,523	2,039,134
Cost of special events	-	-	34,246	34,246	-	-	337	337
Total expenses	\$ 2,203,440	\$ 272,435	\$ 360,478	\$ 2,836,353	\$ 1,568,602	\$ 233,009	\$ 237,860	\$ 2,039,471

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

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 339,102	\$ 166,258
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,424	7,424
Income from in-kind donation	-	(91,361)
Lease expense – amortization of right-of-use asset – operating lease	158,032	-
(Increase) decrease in assets:		
Accounts receivable	(495,681)	(73,546)
Inventory	118,245	(33,582)
Prepaid expenses	3,114	10,322
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	31,082	(32,139)
Accrued vacation	27,696	(7,343)
Deferred revenue	2,500	(28,933)
Operating lease liability	(152,611)	-
Net cash provided by (used in) operating activities	38,903	(82,900)
Increase (decrease) in cash and cash equivalents	38,903	(82,900)
Cash and cash equivalents, beginning of year	442,544	525,444
Cash and cash equivalents, end of year	\$ 481,447	\$ 442,544

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

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Tandem, Partners in Early Learning (Tandem or the Organization), a California nonprofit public benefit corporation, was formed in 2009. Tandem is a Bay Area nonprofit working at the intersection of social justice and early childhood education. Tandem serves over 20,000 children and families both in and out of classrooms while also strengthening the early childhood system through professional development and resource sharing.

Tandem works alongside school districts, early childhood education providers, and community-based organizations to co-create equitable, high-quality early learning experiences. Using multilingual, multicultural picture books as a starting point, Tandem supports early development across language, literacy, math, social emotional learning, social justice, and more. The Organization operates the following programs:

StoryCycles

StoryCycles bridges school and home through a book bag rotation which provides children with up to 100 multilingual, multicultural books each year. Educators and caregivers learn how to use books to support the foundations of early learning through workshops, professional development, and in-class support from Tandem’s Early Learning Specialists. Through StoryCycles, families, and educators build on book-sharing practices in the home and classroom to promote early learning. The new Read & Play Club adapts this program to support in-home family childcare providers.

Read & Play Club

Read & Play Club is Tandem’s program for Family Child Care Homes. Families and educators receive books for home and classroom libraries along with associated early learning materials (an online recorded read aloud and an activity guide for each book); other program components include a professional learning community for educators and playgroups for families. The Read & Play Club bridges children’s learning experiences at home and in the classroom to promote language development, literacy, social-emotional learning, math skills, and more. Read & Play programming is provided in Chinese, English, and Spanish.

Early Learning Everywhere

Early Learning Everywhere supports children who are not enrolled in formal care through family-focused programming, including family workshops, play and learn groups, and book giveaways to build home libraries. Early Learning Everywhere builds on family strengths to support literacy, language, math, social emotional learning and more, all through multilingual engagement opportunities at local community organizations.

Network Capacity Building

Network Capacity Building includes innovative, custom professional development programs for agencies, community leadership cohorts, as well as access to high quality, multilingual books and activity guides. Programs address a variety of topics including early brain development, dual language learning, math, trauma-informed practices, and more. Network Capacity Building aims to strengthen the early learning ecosystem, so children encounter impactful and equitable early learning experiences wherever they are.

The Organization has offices in the counties of San Francisco, Alameda and Contra Costa and is funded by foundation grants, corporate donations, individual gifts, and contracts with local government agencies.

TANDEM, PARTNERS IN EARLY LEARNING
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

The Organization, like many other nonprofit organizations of a similar size, is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The Organization receives a portion of its support from local governmental agencies. A significant reduction in the level of this support, if this were to occur, may have an impact on the Organization's programs and activities. The continued growth and well-being of the Organization is contingent upon the successful achievement of its long-term revenue-raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization had no assets with non-expiring donor restrictions as of June 30, 2023 and 2022.

TANDEM, PARTNERS IN EARLY LEARNING
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions. Contributions restricted for the purchase of long-lived assets, are reported as without donor restriction when the assets are placed in service.

Unconditional promises to give are recognized as contribution revenue in the period made by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year 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 the estimated interest rate applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is derived from cost-reimbursable private and government grants and contracts, which are conditioned upon the incurrence of allowable qualifying expenses and/or accomplishment of programmatic objectives. Amounts received are recognized as revenue when the Organization has incurred expenditures and/or accomplished programmatic objectives in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures and/or accomplishing programmatic objectives are reported as deferred revenue in the statement of financial position.

Government Contracts

Government contracts are disclosed as conditional promises to give until qualified expenses have been incurred for cost reimbursement basis contracts or until the services have been provided and/or other conditions have been met.

Program Service Revenue

Program service contracts primarily are comprised of an exchange element base on the value of benefits provided and are recognized as revenue when the related performance obligations are satisfied. Performance obligations represent specific services provided to customers under such contracts. Amounts received prior to fulfilled performance obligations are reported as deferred revenue in the statement of financial position.

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. 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 their fair values in the period received.

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
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Rental Income

Rental income is shown at its maximum gross potential based on the terms of the lease agreements.

New Accounting Standard on Leases

New accounting standard on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting with the most significant change being the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU assets, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the leasing standard effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities (1) to not reassess the identification, (2) classification and initial direct costs of expired or existing lease agreements, (3) to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and the ROU asset impairment, as applicable.

The Organization accounts for the existing office leases as operating leases. As of July 1, 2022, the adoption of the new leasing standard resulted in a recognition of ROU assets and operating lease liabilities of \$878,003.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three (3) months or less qualify as cash equivalents. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$142,000 as of June 30, 2023. The Organization has not experienced any losses in such accounts.

Grant and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Grants and contributions receivable expected to be received in future years are recorded at the present value of their estimated cash flows. The Organization considers all grants and contributions receivable to be fully collectible at June 30, 2023. 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.

Inventory

Inventory consists of books and book bags used for the StoryCycle book rotation program and is stated at the lower of cost or market value, on a first-in, first-out basis. Donated inventory is stated at fair value based on the estimated retail price.

Fair Value Measurement

Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

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Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs, if any, reflects the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Property and Equipment

Property and equipment is stated at the cost of acquisition or fair value if donated. The cost of maintenance and repairs below \$5,000 that neither significantly add to the permanent value of property and equipment nor prolong its intended useful life is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets of seven (7) years.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state information returns for the years 2019 through 2022 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

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Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.
- Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.
- Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Subsequent Events

Management has evaluated subsequent events through January 15, 2024, the date on which the financial statements were available to be issued.

NOTE 3 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants receivables are summarized as follows:

	2023	2022
Heising-Simons Foundation	\$ 330,825	\$ 300,000
Lemala Fund	200,000	-
Dean and Margaret Leshner Foundation	180,000	-
Hellman Foundation	100,000	100,000
Bella Vista Foundation	45,000	90,000
Stocker Foundation	40,000	-
San Francisco Department of Early Childhood	36,308	-
Mission Economic Development Agency	25,000	-
Oakland Fund for Children & Youth (OFCY)	22,474	-
First 5 Contra Costa	17,858	17,340
Reaching & Inspiring Success through Education (RISE)	15,000	-
The Clorox Company Foundation Fund	15,000	-
First 5 Contra Costa GM5	11,555	-
Keith Campbell Foundation for the Environment	10,000	-
BANANAS, Inc.	8,067	-
San Francisco Unified School District		
– Early Education	7,691	-
Intero Foundation	7,500	-
First 5 San Francisco	5,339	15,790

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	2023	2022
Schroeder Family Fund	-	15,000
Joseph and Mercedes McMicking Foundation	-	10,000
Dodge & Cox	-	10,000
Kenneth Rainin Foundation	-	5,000
Wu Yee Children's Services	-	5,000
Others	448	5,875
	<hr/>	<hr/>
Gross grants receivable	1,078,065	574,005
Less: unamortized discount	<hr/> (8,379)	<hr/> -
Net grants receivable	<hr/> <u>\$ 1,069,686</u>	<hr/> <u>\$ 574,005</u>
Amounts due in:		
Less than one year	<hr/> <u>\$ 883,65</u>	<hr/> <u>\$ 529,005</u>
One to five years	<hr/> <u>\$ 186,621</u>	<hr/> <u>\$ 45,000</u>

Contributions due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.49%.

NOTE 4 – INVENTORY

At June 30, 2023 and 2022, inventory consisted of the following:

	2023	2022
Donated books	\$ -	\$ 91,361
Book bags	6,698	33,582
	<hr/>	<hr/>
Total	<hr/> <u>\$ 6,698</u>	<hr/> <u>\$ 124,943</u>

The donated books were stated at fair value using retail prices which were quoted prices in active market for identical assets (Level I).

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2023	2022
Furniture, fixtures and equipment	\$ 51,969	\$ 51,969
Less: accumulated depreciation	<hr/> (50,316)	<hr/> (42,892)
Total property and equipment	<hr/> <u>\$ 1,653</u>	<hr/> <u>\$ 9,077</u>

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YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – LINE OF CREDIT

In August 2018, the Organization obtained a revolving line of credit from Community Vision (formerly known as Northern California Community Loan Fund) in the amount of \$150,000 to be drawn down upon as needed. The line of credit had no outstanding balance as of June 30, 2023 and 2022. Advances on the line of credit was payable monthly and carried an interest rate of 6.5% per annum. The line of credit was secured by various assets of the Organization as specified in the commercial security agreement and had matured on August 27, 2022.

NOTE 7 – OPERATING LEASES

Lease Income

In October 2018, the Organization entered into a sublease agreement with the City and County of San Francisco for a portion of its San Francisco facility. The sublease commenced on January 1, 2019 and initially expired on December 31, 2019. The lease has been renewed annually since the initial expiration date and currently expires on December 31, 2023. The annual base rent is \$30,000, payable in the monthly amount of \$2,500.

In June 2021, the Organization also entered into a sublease agreement with Operation Genesis Inc. for other spaces available in its San Francisco facility. The sublease commenced on June 1, 2021 and initially expired on May 31, 2022. The lease was renewed on June 1, 2022 for one year and currently expires on December 31, 2023. The monthly lease payment of \$3,031 includes \$2,781 base rent which reflects a standard 3% increase from the base rent of \$2,700 in the original sublease agreement, \$100 parking rental fee and \$150 janitorial service fee.

Future minimum lease payments to be received are estimated to be \$33,186 in the fiscal year ending June 30, 2024.

Total sublease income was \$68,172 and \$66,031 for the fiscal years ended June 30, 2023 and 2022, respectively.

Lease Obligations

The Organization leases office spaces under operating leases in San Francisco, Contra Costa, and Alameda counties. The leases have remaining lease terms up to 7 years. Rent expense for the fiscal year ended June 30, 2023 was \$178,489. Rent expense for the fiscal year ended June 30, 2022, prior to adoption of the new leasing standards, was and \$168,922.

The right-of-use assets and lease liabilities were calculated utilizing risk-free discount rates, ranging from 2.82% to 2.92% based on the remaining lease terms, according to the Organization's elected policy.

The line items in the statement of financial position which include amounts for operating leases as of June 30, 2023 are summarized as follows:

Right-of-use assets – operating lease	\$ 719,971
Total operating lease liabilities	725,392
Less: current portion	<u>(137,993)</u>
Long-term portion	<u>\$ 587,399</u>

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YEARS ENDED JUNE 30, 2023 AND 2022

The maturities of lease liabilities are estimated as follows:

2024	\$ 137,993
2025	123,911
2026	109,954
2027	113,252
2028	116,650
Thereafter	181,113
Total lease payments	<u>782,873</u>
Less amount representing interest	<u>(57,481)</u>
Present value of lease liabilities	<u>\$ 725,392</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	<i>June 30, 2022</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2023</i>
Alameda programs	\$ 75,000	\$ 340,000	\$ (290,000)	\$ 125,000
Contra Costa programs	203,000	251,133	(154,133)	300,000
San Francisco programs	90,000	75,000	(120,000)	45,000
All counties programs	<u>355,000</u>	<u>686,528</u>	<u>(443,703)</u>	<u>597,825</u>
	<u>\$ 723,000</u>	<u>\$ 1,352,661</u>	<u>\$ (1,007,836)</u>	<u>\$ 1,067,825</u>

	<i>June 30, 2021</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2022</i>
Alameda programs	\$ 100,000	\$ 211,750	\$ (236,750)	\$ 75,000
Contra Costa programs	326,000	55,000	(178,000)	203,000
San Francisco programs	75,000	176,750	(161,750)	90,000
All counties programs	<u>221,887</u>	<u>348,000</u>	<u>(214,887)</u>	<u>355,000</u>
	<u>\$ 722,887</u>	<u>\$ 791,500</u>	<u>\$ (791,387)</u>	<u>\$ 723,000</u>

NOTE 9 – CONDITIONAL PROMISE TO GIVE

The Organization receives conditional grants which are not recognized as revenue until the conditions on which they depend have been met. A portion of the Organization's revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon the incurrence of allowable qualifying expenses and/or accomplishment of programmatic objectives. Consequently, at June 30, 2023 and 2022, contributions of approximately \$111,000 and \$450,000, respectively, was not recognized in the accompanying statements of activities because the condition on which they depend has not yet been met.

TANDEM, PARTNERS IN EARLY LEARNING
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 – IN-KIND CONTRIBUTIONS

During the fiscal years ended June 30, 2023 and 2022, the Organization received non-cash donations of furniture, materials and services that have been reflected in the financial statements. Contributions of nonfinancial assets are summarized as follows:

	2023	2022
Donated books	\$ 4,059	\$ 92,111
Office furniture	5,669	-
Software consulting services and others	19,352	4,314
	<u>\$ 29,080</u>	<u>\$ 96,425</u>

Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair market value of the donated books and furniture. Software consulting services and others benefit the Organization's operation during the fiscal year ended June 30, 2023.

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statements of financial position, comprise the following:

	2023	2022
Financial assets available within one year:		
Cash and cash equivalents	\$ 481,447	\$ 442,456
Grants and contributions receivable	883,065	529,005
	1,364,512	971,461
Less financial assets not available for general expenditures:		
Donor-restricted net assets	(1,067,825)	(723,000)
Financial assets available for general expenditures within one year	<u>\$ 296,687</u>	<u>\$ 248,461</u>

As part of the Organization's liquidity management, the Organization monitors liquidity in order to fulfill its operating cash needs. The Organization has various sources that provide liquidity during the year such as contract revenue, program fees, rental income, and grants and contributions. The Organization operates within a budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 12 – RETIREMENT PLAN

The Organization initiated a retirement plan which eligible employees may contribute to each pay period. On a discretionary basis, the Organization may choose to match employee contributions up to 2% of gross annual compensation. All full-time employees are eligible to participate in the retirement plan after 90 days of employment. The total employer match contribution for the fiscal years ended June 30, 2023 and 2022 was \$-0-.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

Grants

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 14 – SUBSEQUENT EVENT

In August 2023, the Organization entered into a lease agreement with Duwo Partners, LLC for the office space at Oakland, California with the monthly based rent of \$3,990. The lease commences on November 1, 2023 and expires February 28, 2029 and offers an option to extend the lease term for a period of five (5) years.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tandem, Partners in Early Learning, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tandem, Partners in Early Learning's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tandem, Partners in Early Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of Tandem, Partners in Early Learning's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tandem, Partners in Early Learning's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

January 15, 2024