

**TISBEST PHILANTHROPY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2012 AND 2011**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
TisBest Philanthropy  
Shoreline, Washington

We have audited the accompanying statements of financial position of TisBest Philanthropy as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of TisBest Philanthropy. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TisBest Philanthropy as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Jones & Associates LLC, CPAs*

Jones & Associates LLC, CPAs  
March 30, 2013

**TISBEST PHILANTHROPY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 333,771	\$ 72,538
Accounts receivable	8,536	8,533
Inventory and other	16,400	15,890
Current assets	358,707	96,961
Intangible asset	4,210	4,210
	\$ 362,917	\$ 101,171
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 38,164	\$ 22,073
Payroll liabilities	3,642	2,319
Charity gift cards payable	329,758	101,347
Current liabilities	371,564	125,739
 <b>NET ASSETS</b>		
Unrestricted	(8,647)	(24,568)
	\$ 362,917	\$ 101,171

**TISBEST PHILANTHROPY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 862,539	\$ 706,523
Donated services and facilities	10,588	12,000
Interest income	372	834
Total support and revenue	873,499	719,357
<b>EXPENSES</b>		
Program - gift cards and charitable contributions	770,026	700,376
Management and general	59,982	53,833
Fundraising	27,570	32,868
Total expenses	857,578	787,077
<b>CHANGE IN NET ASSETS</b>	15,921	(67,720)
<b>NET ASSETS</b>		
Beginning of the year	(24,568)	43,152
End of the year	\$ (8,647)	\$ (24,568)

**TISBEST PHILANTHROPY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	Gift cards and charitable contributions	Management and general	Fund- raising	Total
Charitable contributions	\$ 519,880	\$ -	\$ -	\$ 519,880
Salaries and related	86,196	24,627	12,313	123,136
Website license fees	65,527	13,105	8,737	87,369
Education and promotion	26,081	-	6,520	32,601
Supplies	20,184	6,945	-	27,129
Bank/merchant fees	16,906	-	-	16,906
Accounting fees	6,625	6,626	-	13,251
Occupancy	9,808	2,452	-	12,260
Postage and mailing	9,031	-	-	9,031
Travel	4,493	851	-	5,344
Communications	2,683	1,789	-	4,472
Insurance	-	3,587	-	3,587
Web design	175	-	-	175
Miscellaneous	2,437	-	-	2,437
	<u>\$ 770,026</u>	<u>\$ 59,982</u>	<u>\$ 27,570</u>	<u>\$ 857,578</u>

**TISBEST PHILANTHROPY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	Gift cards and charitable contributions	Management and general	Fund- raising	Total
Charitable contributions	\$ 430,160	\$ -	\$ -	\$ 430,160
Salaries and related	92,086	26,310	13,155	131,551
Website license fees	56,632	11,326	7,551	75,509
Education and promotion	48,650	-	12,162	60,812
Supplies	17,058	-	-	17,058
Bank/merchant fees	15,056	-	-	15,056
Accounting fees	6,617	6,617	-	13,234
Occupancy	10,658	2,664	-	13,322
Postage and mailing	6,592	-	-	6,592
Travel	6,340	1,585	-	7,925
Communications	2,585	1,723	-	4,308
Insurance	-	3,468	-	3,468
Web design	946	-	-	946
Miscellaneous	6,996	140	-	7,136
	<u>\$ 700,376</u>	<u>\$ 53,833</u>	<u>\$ 32,868</u>	<u>\$ 787,077</u>

**TISBEST PHILANTHROPY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 862,536	\$ 710,803
Cash received from interest and other	372	834
Cash paid to employees and suppliers	(310,206)	(320,197)
Cash paid to charities	(291,469)	(419,244)
	261,233	(27,804)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(1,746)
	-	(1,746)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	261,233	(29,550)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	72,538	102,088
End of the year	\$ 333,771	\$ 72,538

**TISBEST PHILANTHROPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – TisBest Philanthropy (the Organization) is a Washington state non-profit corporation. The Organization connects businesses and individuals with important causes by replacing gifts of ‘stuff’ with gifts of ‘good’. Towards that end, the Organization offers the TisBest Charity Gift Card, which allows the gift giver to make a charitable donation, and the gift recipient to choose a nonprofit organization to receive the donation. The Organization maintains each Charity Gift Card as a small donor advised fund over which the holder of the Charity Gift Card maintains advisory privileges. As required by donor-advised fund regulations, the Organization reserves a right to redirect the use of the donations. Through its website, the Organization provides an efficient and easy to use conduit for individuals to make gifts of such charitable contributions and to provide Charity Gift Card recipients with a broad array of charities from which to select. Support and revenue are generated primarily from purchases of Charity Gift Cards through the Organization’s website.

**Basis of Accounting and Presentation** – These financial statements have been prepared on the accrual basis of accounting and report information regarding the financial position and activities according to three classes of net assets, depending on the existence and nature of donor restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets at June 30, 2012 and 2011.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At June 30, 2012 and 2011, cash and cash equivalents include checking and money market accounts deposited with a major financial institution.

**Accounts Receivable** – Accounts receivable consist of unsecured amounts owed by various organizations for purchases of charity gift cards. Management has determined that the receivables are fully collectible within one year. Therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2012 and 2011.

**Inventory** – Inventory consists of pre-printed plastic cards and other related materials necessary to produce the Charity Gift Cards. Inventory is stated at the lower of cost or market and is determined using the first-in, first-out method.

**Property and Equipment** – Property and equipment are stated at cost if purchased and estimated fair value if donated. The Organization capitalizes all assets with an estimated useful life of over one year and a cost over \$5,000. Depreciation is computed using the straight-line method over a period of 3 years for office furniture and equipment.

**TISBEST PHILANTHROPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Charity Gift Cards Payable** – Charity gift cards payable are composed of the following:

- Unspent gift cards are those gift cards in which the recipient has not yet designated a charity to benefit from the contribution. Based on historical data, the Organization estimates and excludes from this payable the amount that is expected to remain unspent. Gift cards do not have an expiration date. At June 30, 2012 and 2011, unspent gift cards payable total \$77,784 and \$58,640, respectively.
- Spent gift cards are those gift cards in which the recipient has designated a charity to benefit from the contribution, but the cash has not yet been forwarded to the charity. At June 30, 2012 and 2011, spent gift cards payable total \$251,974 and \$42,707, respectively. The Organization typically distributes funds to charities by the end of June. However the June 2012 quarterly distribution was actually made on July 13, 2012 due to a transition from paper checks to electronic transfers. This delay resulted in an atypically high spent gift cards payable account balance at June 30, 2012, and an atypically low amount of cash paid to charities during the year ended June 30, 2012.

**Revenue Recognition** – Contributions are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor or grantor restrictions. 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 restriction. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

**Donated Services and Facilities** – Donations of materials are recorded as revenue at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the years ended June 30, 2012 and 2011, respectively, TisBest Philanthropy recorded donated software of \$588 and \$0, and donated facilities of \$10,000 and \$12,000. In addition, a number of volunteers made significant contributions of time to the Organization. The value of this time does not meet the criteria for recognition under current accounting standards and accordingly, is not reflected in the accompanying financial statements.

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**TISBEST PHILANTHROPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Income Tax Status** – TisBest Philanthropy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

**Subsequent Events** – Subsequent events were evaluated through the independent auditors’ report date, which is the date the financial statements were available to be issued.

**Note 2 – Cash Flow Information**

The following reconciles the change in net assets to net cash provided by operating activities for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 15,921	\$ (67,720)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	5,076
Loss on disposal of property and equipment	-	1,358
Change in:		
Accounts receivable	(3)	4,280
Inventory and other	(510)	2,088
Accounts payable	16,091	15,451
Payroll liabilities	1,323	747
Charity gift cards payable	228,411	10,916
	<u>\$ 261,233</u>	<u>\$ (27,804)</u>

**TISBEST PHILANTHROPY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**Note 3 – Related Party Transactions**

The Organization and Truckee Technology, LLC (the LLC) operate the TisBest Charity Gift Card program. Truckee Technology, LLC (formerly TisBest, LLC) developed the Charity Gift Card concept, including the graphic art, branding, advertising, website and website architecture. Under a license agreement, the LLC provides the Charity Gift Card program to the Organization, including providing website operation and support. In return for this service, the Organization paid a fee to the LLC in the amount of \$87,369 or 10% of total support generated through the Charity Gift Card program, during the year ended June 30, 2012. The fee to the LLC was \$75,509, or 10% of total support generated through the Charity Gift Card program, during the year ended June 30, 2011.

The Organization receives, holds, accounts for and distributes all funds received in connection with the Charity Gift Card program. A former executive director of the Organization is a majority member of Truckee Technology, LLC.