
TIDES ADVOCACY

(FORMERLY THE ADVOCACY FUND)

FINANCIAL STATEMENTS

December 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

TIDES ADVOCACY

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	6
Notes to the Financial Statements	7-11

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tides Advocacy (formerly The Advocacy Fund)
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Tides Advocacy (formerly The Advocacy Fund), which comprise the statement of financial position as of December 31, 2017, and the related statements of activity, cash flows and functional expenses for the year 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 Tides Advocacy as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Tides Advocacy's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Oakland, California

June 28, 2018

TIDES ADVOCACY

Statement of Financial Position

December 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 13,309,330	\$ 3,845,218
Grants and accounts receivable	427,528	214,354
Total Current Assets	<u>13,736,858</u>	<u>4,059,572</u>
Prepaid expenses	19,254	17,734
Property and equipment, net (Note 3)	5,872	13,710
Deposits	51,759	10,496
Total Assets	<u>\$ 13,813,743</u>	<u>\$ 4,101,512</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,286,753	\$ 348,751
Vacation accrual	190,078	101,917
Total Liabilities	<u>1,476,831</u>	<u>450,668</u>
Contingencies (Note 4)		
Net Assets		
Unrestricted	989,559	706,418
Temporarily restricted (Note 6)	11,347,353	2,944,426
Total Net Assets	<u>12,336,912</u>	<u>3,650,844</u>
Total Liabilities and Net Assets	<u>\$ 13,813,743</u>	<u>\$ 4,101,512</u>

See Notes to the Financial Statements

TIDES ADVOCACY

**Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Support and Revenue				
Support				
Foundation and corporate	\$ 60,000	\$ 22,642,791	\$ 22,702,791	\$ 8,082,000
Contributions	-	6,187,344	6,187,344	1,740,397
Total Support	<u>60,000</u>	<u>28,830,135</u>	<u>28,890,135</u>	<u>9,822,397</u>
Revenue				
Program fees	6,300	365,002	371,302	103,152
Other	-	13,565	13,565	9,614
Total Revenue	<u>6,300</u>	<u>378,567</u>	<u>384,867</u>	<u>112,766</u>
Net assets released from donor restrictions (Note 6)	<u>20,805,775</u>	<u>(20,805,775)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>20,872,075</u>	<u>8,402,927</u>	<u>29,275,002</u>	<u>9,935,163</u>
Expenses				
Program	19,027,149		19,027,149	8,936,091
Management and general	1,303,254		1,303,254	554,688
Fundraising	258,531		258,531	70,000
Total Expenses	<u>20,588,934</u>	<u>-</u>	<u>20,588,934</u>	<u>9,560,779</u>
Change in net assets	283,141	8,402,927	8,686,068	374,384
Net Assets, beginning of year	<u>706,418</u>	<u>2,944,426</u>	<u>3,650,844</u>	<u>3,276,460</u>
Net assets, end of year	<u>\$ 989,559</u>	<u>\$ 11,347,353</u>	<u>\$ 12,336,912</u>	<u>\$ 3,650,844</u>

See Notes to the Financial Statements

TIDES ADVOCACY

Statement of Cash Flows For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 8,686,068	\$ 374,384
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	7,838	8,975
Changes in assets and liabilities:		
Grants and accounts receivable	(213,174)	105,958
Prepaid expenses	(1,520)	(16,969)
Deposits	(41,263)	(900)
Accounts payable and accrued expenses	938,002	(68,423)
Vacation accrual	88,161	20,533
Net cash provided (used) by operating activities	<u>9,464,112</u>	<u>423,558</u>
 Net change in cash and cash equivalents	 9,464,112	 423,558
 Cash and cash equivalents, beginning of the year	 <u>3,845,218</u>	 <u>3,421,660</u>
 Cash and cash equivalents, end of the year	 <u><u>\$ 13,309,330</u></u>	 <u><u>\$ 3,845,218</u></u>

See Notes to the Financial Statements

TIDES ADVOCACY

Statement of Functional Expenses For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

	Program	Management and General	Fundraising	Total	
				2017	2016
Salaries	\$ 5,259,045	\$ 757,486	\$ 172,675	\$ 6,189,206	\$ 2,240,994
Benefits and taxes	1,043,042	127,075	33,583	1,203,700	398,811
Total Personnel	6,302,087	884,561	206,258	7,392,906	2,639,805
Grants	7,177,645	-	-	7,177,645	5,343,400
Legal fees	52,598	5,779	-	58,377	14,467
Accounting fees	-	37,819	-	37,819	16,513
Other fees for service	2,929,756	202,703	12,000	3,144,459	905,804
Office expenses and supplies	324,247	27,103	9,307	360,657	61,192
Occupancy	314,936	36,571	9,039	360,546	184,124
Travel and meals	393,281	61,044	11,287	465,612	178,312
Conferences and meetings	348,497	14,346	10,002	372,845	88,955
Insurance	49,627	2,100	-	51,727	16,925
Licenses and service fees	105,588	23,481	-	129,069	36,545
Communications	999,046	-	-	999,046	28,934
Depreciation	7,596	242	-	7,838	8,975
Miscellaneous	22,245	7,505	638	30,388	36,828
Total Expenses	\$ 19,027,149	\$ 1,303,254	\$ 258,531	\$ 20,588,934	\$ 9,560,779

See Notes to the Financial Statements

TIDES ADVOCACY

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

NOTE 1: NATURE OF ACTIVITIES

Tides Advocacy (formerly The Advocacy Fund) (the “Organization”) is a California nonprofit public benefit organization. The purpose of Tides Advocacy is to support political advocacy programs that promote social justice, public safety, education and a sustainable, healthy environment.

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 and other inflows of assets 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 and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2017.

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 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.

TIDES ADVOCACY

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

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.

Project revenues

The Organization receives donor contributions to its projects and funds to carry out various advocacy programs. Without the generosity of the donors who are motivated by their social welfare intent, the Organization's projects and funds could not fulfill their missions. From time to time donor funded staff may carry out workshop or other activity resulting in earned revenue which project donors expect to be retained for a projects restricted purpose. Because of this, the Organization considers all revenues generated by its projects and funds to be temporarily restricted until released from restriction. The Organization releases fund from restriction by incurring expenses satisfying the purposes and intentions specified by donors.

Grants and Accounts Receivable

The Organization considers all grants and accounts receivable to be fully collectible at December 31, 2017. 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.

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)(4) and the California Revenue and Taxation Code Section 23701(f). The Organization has evaluated its current tax positions as of December 31, 2017 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.

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) 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.

TIDES ADVOCACY

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

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 inputs are 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 are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2017.

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.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment of \$5,000 or more; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Computers and equipment	3 years
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Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

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.

TIDES ADVOCACY

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

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

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of June 28, 2018 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 35,493	\$ 37,331
Less accumulated depreciation	<u>(29,621)</u>	<u>(23,621)</u>
Total	<u>\$ 5,872</u>	<u>\$ 13,710</u>

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

Support

During the year ended December 31, 2017, the Organization received approximately 44% of its support from four funders.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, restricted by donors to various advocacy programs, amounted to \$11,347,353 and \$2,944,426 as of December 31, 2017 and 2016, respectively.

TIDES ADVOCACY

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Temporarily restricted net assets of \$20,805,775 and \$9,461,509 were released from donor restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2017 and 2016, respectively.

Releases from restriction include amounts agreed to by donors to cover necessary administrative overhead costs, which vary based on a variety of factors including project employment and staffing needs including payroll support, contracting and contract management and grant making activities. Approximately 7% and 6% of funds released from restriction consisted of such costs for the years ended December 31, 2017 and 2016 respectively.

NOTE 7: RETIREMENT BENEFITS

The Organization has a 401k retirement plan covering all employees. Employees are eligible to make their own contributions after 30 days of employment. Under the plan, the Organization provides an employer safe harbor contribution matching contribution for eligible participants equal to 100% of the first 4% of employees contribution and 50% of the next 2%, up to a maximum of 5% of salary.

Plan contributions incurred by the Organization for the years ended December 31, 2017 and 2016, were \$160,885 and \$45,936, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS

The Organization has relationships with Tides Center, Tides Foundation, Tides Network, and Tides Two Rivers Fund (the "Affiliates").

The Organization is a fiscal sponsor for projects which may also have related projects with Tides Center. The Organization may, from time to time, receive contributions that originate from donors who also have projects with Tides Center or grant-making activities administered by Tides Foundation. The Organization may also occasionally make grants to Tides Foundation and Tides Center. Similarly, the Affiliates may make grants to the Organization. The Organization shares certain administrative expenses with the Affiliates, including use of the Affiliates' employees, facilities, and a portion of overhead costs of the Affiliates. The Organization reimburses the Affiliates for these expenses and any direct expenses paid by the Affiliates on behalf of the Organization.

Payments to Affiliates were as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Tides Foundation	-	53,377
Tides Center	132,684	25,689
Tides Network	96,020	141,634
Tides Two Rivers Fund	2,700	-

TIDES ADVOCACY

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Contributions and payments from Affiliates to the Organization were as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Tides Foundation	6,733,333	599,288
Tides Center	644,339	633,209
Tides Network	41,385	145,658

NOTE 9: CONDITIONAL PROMISES TO GIVE

In addition to the activity on the financials, the Organization may receive grants with future payments subject to certain conditions. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of December 31, 2017, conditional grants consisted of the following.

<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>	<u>Condition</u>
\$8,000,000	\$2,000,000	\$6,000,000	Program performance and reporting

Final payment on conditional grants is expected by the year ended December 31, 2020.