



*Report of Independent Auditors and
Financial Statements*

Tides Advocacy

*December 31, 2020 (with comparative totals
for the year ended December 31, 2019)*

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Report of Independent Auditors

To the Board of Directors
Tides Advocacy

Report on the Financial Statements

We have audited the accompanying financial statements of Tides Advocacy, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Tides Advocacy 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mass Adams LLP

San Francisco, California
April 1, 2022

Financial Statements

Tides Advocacy
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,014,403	\$ 25,715,436
Grants receivable	150,000	2,500,002
Accounts receivable	2,887,404	841,221
Other receivables	332,889	296,283
Deposits	13,300	3,100
	<u>52,397,996</u>	<u>29,356,042</u>
Total current assets		
Prepaid expenses	154,179	193,392
Long-term deposits	55,808	60,247
Mission related investments, held at cost	275,000	125,000
	<u>52,882,983</u>	<u>29,734,681</u>
Total assets		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,701,622	\$ 3,299,713
Grants payable	306,714	-
Vacation accrual	865,135	426,545
	<u>5,873,471</u>	<u>3,726,258</u>
Total current liabilities		
NET ASSETS		
Without donor restrictions	(266,609)	2,818,788
With donor restrictions	47,276,121	23,189,635
	<u>47,009,512</u>	<u>26,008,423</u>
Total net assets		
Total liabilities and net assets	<u>\$ 52,882,983</u>	<u>\$ 29,734,681</u>

Tides Advocacy
Statements of Activities
For the Year Ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundation and corporate	\$ 501,367	\$ 126,202,962	\$ 126,704,329	\$ 43,934,326
Individual contributions	-	22,124,940	22,124,940	8,238,794
Total support	501,367	148,327,902	148,829,269	52,173,120
Revenue				
Program fees	-	3,399,616	3,399,616	671,673
Other	62,457	847,044	909,501	96,708
Total revenue	62,457	4,246,660	4,309,117	768,381
Net assets released from donor restrictions	128,488,076	(128,488,076)	-	-
Total support and revenue	129,051,900	24,086,486	153,138,386	52,941,501
EXPENSES				
Program	128,063,357	-	128,063,357	38,473,694
Management and general	3,826,472	-	3,826,472	2,257,072
Fundraising	247,468	-	247,468	181,961
Total expenses	132,137,297	-	132,137,297	40,912,727
Change in net assets	(3,085,397)	24,086,486	21,001,089	12,028,774
NET ASSETS, beginning of year	2,818,788	23,189,635	26,008,423	13,979,649
NET ASSETS, end of year	\$ (266,609)	\$ 47,276,121	\$ 47,009,512	\$ 26,008,423

Tides Advocacy
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

	2020			
	Program	Management and General	Fundraising	Total
Salaries	\$ 20,117,124	\$ 2,361,219	\$ 29,587	\$ 22,507,930
Benefits and taxes	4,774,194	468,277	1,383	5,243,854
Total Personnel	24,891,318	2,829,496	30,970	27,751,784
Grants	68,756,820	-	-	68,756,820
Other fees for service	23,351,714	418,029	215,286	23,985,029
Communications	4,432,742	36,963	-	4,469,705
Office expenses and supplies	2,573,678	58,201	233	2,632,112
Conferences and meetings	1,390,930	4,329	-	1,395,259
Travel and meals	656,079	13,017	384	669,480
Taxes	551,081	4,032	-	555,113
Occupancy	530,336	185,564	-	715,900
Licenses and service fees	396,498	135,119	595	532,212
Legal fees	347,328	67,445	-	414,773
Insurance	174,991	49,203	-	224,194
Accounting fees	5,609	25,017	-	30,626
Miscellaneous	3,935	57	-	3,992
Depreciation	298	-	-	298
Total Expenses	\$ 128,063,357	\$ 3,826,472	\$ 247,468	\$ 132,137,297
	2019			
	Program	Management and General	Fundraising	Total
Salaries	\$ 12,300,320	\$ 1,335,095	\$ 78,843	\$ 13,714,258
Benefits and taxes	3,008,569	296,856	9,232	3,314,657
Total Personnel	15,308,889	1,631,951	88,075	17,028,915
Grants	9,818,387	-	-	9,818,387
Other fees for service	6,726,235	139,095	52,981	6,918,311
Travel and meals	1,670,118	65,098	25,016	1,760,232
Communications	1,533,873	3,259	1,830	1,538,962
Office expenses and supplies	1,169,553	108,204	11,703	1,289,460
Conferences and meetings	780,295	78,742	25	859,062
Occupancy	423,254	111,253	-	534,507
Licenses and service fees	395,856	21,966	2,331	420,153
Legal fees	315,057	31,224	-	346,281
Taxes	159,563	4,422	-	163,985
Insurance	143,878	16,375	-	160,253
Accounting fees	9,287	43,870	-	53,157
Miscellaneous	19,449	1,613	-	21,062
Total Expenses	\$ 38,473,694	\$ 2,257,072	\$ 181,961	\$ 40,912,727

Tides Advocacy
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 21,001,089	\$ 12,028,774
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Changes in assets and liabilities:		
Grants receivable	2,350,002	(2,500,000)
Accounts receivable	(2,046,183)	(226,251)
Other receivables	(36,606)	(90,288)
Prepaid expenses	39,213	(109,210)
Deposits	(5,761)	(34,384)
Accounts payable and accrued expenses	1,401,909	1,204,274
Grants payable	306,714	-
Vacation accrual	438,590	(21,412)
	23,448,967	10,251,503
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of mission related investments	(150,000)	(125,000)
	(150,000)	(125,000)
Net cash used in investing activities		
Net change in cash and cash equivalents	23,298,967	10,126,503
Cash and cash equivalents, beginning of the year	25,715,436	15,588,933
Cash and cash equivalents, end of the year	\$ 49,014,403	\$ 25,715,436

Tides Advocacy

Notes to Financial Statements

NOTE 1 – NATURE OF ACTIVITIES

Tides Advocacy (the Organization) is a California nonprofit public benefit corporation. 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 presentation – 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) applicable to not-for-profit organizations. Accordingly, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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, 2019, from which the summarized information was derived.

Description of net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Without donor restrictions are net assets and activities that represent the portion of expendable funds that are available to support the Organization's operations. A portion of these net assets may be designated for specific purposes by the Organization. As of December 2020 and 2019, no such designations were made.

With donor restrictions is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. The Organization also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met.

Cash and cash equivalents – For purposes of the statements 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.

Receivables:

Grants receivable – Grants receivable represent grants that have been unconditionally promised but which have not been received prior to year-end. The Organization considers all grants receivable to be fully collectible at December 31, 2020 and 2019.

Accounts receivable – Accounts receivable consist of grants and contributions receivable in addition to receivables for program service revenues. The Organization considers all accounts receivable to be fully collectible at December 31, 2020 and 2019.

Other receivables – Other receivables consist of amounts owed per the cost sharing agreement with Tides Foundation and Tides Center in addition to receivables related to cost sharing agreements with external entities. The Organization considers other receivables to be fully collectible at December 31, 2020 and 2019.

Allowance for doubtful accounts – An allowance for doubtful accounts is computed based upon management's evaluation of past experiences and analysis of current receivable balances. Management determines the need for an allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. No allowance for doubtful accounts is considered necessary at December 31, 2020 and 2019. Management expects to collect all receivables during the year ended December 31, 2021. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Mission related investments – Mission related investments that would not be made were it not for the relationship of the investment to the Organization's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by the Organization.

Mission related investments are measured at cost less impairment and are adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer. There were no adjustments for observable inputs. These investments are evaluated for impairment annually and written down when appropriate. As of December 31, 2020 and 2019, no such write-downs have occurred.

Concentration of credit risk – Financial instruments potentially subjecting the Organization to concentration risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds. The Organization has not experienced any credit losses in such accounts in the past.

Revenue recognition – For year ended December 31, 2019, the Organization had adopted Accounting Standards Update (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. As a result of the adoption of ASU 2018-08, the Organization recognized \$2,000,000 of contribution revenue that was considered conditional prior to the adoption.

Contributions – Foundation and corporate contributions and individual contributions received as well as collectible unconditional promises to give are recognized as revenues in the period the contribution is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are 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.

All contributions are considered to be available for use unless specifically restricted by the donor for a specified project, which will then be treated as project revenue. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

Tides Advocacy

Notes to Financial Statements

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 workshops or other activities resulting in earned revenue that project donors expect to be retained for a project's restricted purpose. Because of this, the Organization considers all revenues generated by its projects and funds to be net assets with donor restrictions and not for general support of the Organization until released from restriction. The Organization releases funds from restriction by incurring expenses satisfying the purposes and intentions specified by donors.

The Organization records certain revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, the Organization must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Organization satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

Sources of revenue from contracts with customers that are in the scope of ASC Topic 606 include the following:

Program fee revenue – Program fee revenue is earned from customers for services rendered as the contract transaction occurs. Program fee revenue is charged to customers on an agreed upon basis as noted in the contracts in place with the customers and is recognized as the performance obligations are satisfied or at the end of the service period. The performance obligation is met when services are performed and or when expenses are incurred.

The Organization has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the statements of activities was not necessary. The Organization generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is limited judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

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 based on time spent on these functions by employees as estimated by Organizational management. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Grants made – Grants are recognized when all conditions are met by grantees, all due diligence has been completed, and they are approved by staff or board committee. Conditional grants are expensed and considered payable only in the period the conditions are substantially satisfied. All grants payable are expected to be paid during the year ending December 31, 2021.

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 California Revenue and Taxation Code Section 23701f. The Organization has evaluated its current tax positions as of December 31, 2020 and 2019, 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.

Tides Advocacy Notes to Financial Statements

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.

Contingencies – World Health Organization declared the novel coronavirus outbreak a public health emergency. The Organization responded to the coronavirus outbreak by enabling almost all of its employees to work remotely, banning all nonessential travel and placing a temporary hold on most in-person meetings. Given the dynamic nature of these circumstances, it is too early to tell what effect these changes will have on the business in the short term. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, the related financial impact and duration cannot be reasonably estimated at this time.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements.

The Organization has evaluated subsequent events through April 1, 2022 which is the date that the financial statements were available to be issued, and has concluded that there were no significant subsequent events to disclose.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 49,014,403	\$ 25,715,436
Grants receivable	150,000	2,500,002
Accounts receivable	2,887,404	841,221
Other receivables	332,889	296,283
Mission related investments, held at cost	275,000	125,000
Financial assets at December 31, 2020	52,659,696	29,477,942
Less those unavailable for general expenditure within one year, due to:		
Mission related investments, held at cost	(275,000)	(125,000)
Donor restricted net assets	(47,276,121)	(23,189,635)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,108,575	\$ 6,163,307

The Organization's policy is to structure its financial assets to be available to cover the following in order of priority: current operations, planned future operations, opportunities to enhance the Organization's mission, unanticipated expenses, and sudden shortfalls in revenues.

Tides Advocacy

Notes to Financial Statements

NOTE 4 – MISSION RELATED INVESTMENTS

During 2019, the Organization entered into Simple Agreements for Future Equity (SAFE) with a for-profit corporation. The SAFE agreements have no maturity date and bear no interest. The agreements provide the right of the investor to future equity in the for-profit corporation per the terms of the agreement.

Per the terms of the SAFE agreements entered into, if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the investors a number of shares of Safe Preferred Stock equal to the Purchase Amount divided by the Discount Price.

If there is a liquidation event before the expiration or termination of the SAFE agreements, the investor will at its option either: (i) receive a cash payment equal to one and one-tenth times (1.1x) the Purchase Amount or (ii) automatically receive from the Company a number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price, if the Investor fails to select the cash option.

As of December 31, 2020, no SAFE agreements were converted into equity, nor have any terminated or expired based on the terms of the agreements.

NOTE 5 – 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 because 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 6 – CONCENTRATIONS

Support – During the years ended December 31, 2020 and 2019, the Organization received approximately 56% and 62%, respectively, of its support from two and four two funders, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions to various advocacy programs, amounted to \$47,276,121 and \$23,189,635 as of December 31, 2020 and 2019, respectively. Donor-restricted net assets are restricted for the purposes of supporting political advocacy programs that promote the following: social justice, public safety, education, and a sustainable, healthy environment.

All net assets with donor restrictions are expected to be released from restriction by December 31, 2021.

NOTE 8 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions of \$128,488,076 and \$41,855,296 were released from restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2020 and 2019, 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 encompassing payroll support, contracting and contract management, and grant making activities. Approximately 6% and 7% of funds released from restriction consisted of such costs for the years ended December 31, 2020 and 2019, respectively.

NOTE 9 – RETIREMENT BENEFITS

The Organization has a 401(k) 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 matching contribution for eligible participants equal to 100% of the first 4% of employee’s 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, 2020 and 2019, were \$510,928 and \$417,891, respectively.

NOTE 10 – RELATED-PARTY TRANSACTIONS

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

The Organization is a fiscal sponsor for projects that 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 the Affiliates were as follows for the years ended December 31:

	2020	2019
Tides Center	\$ 182,881	\$ 1,007,767
Tides Network	103,031	604,438
Tides, Inc.	208,879	31,223
Tides Two Rivers Fund	8,506	10,861

Tides Advocacy Notes to Financial Statements

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

	<u>2020</u>	<u>2019</u>
Tides Foundation	\$ 64,978,982	\$ 18,355,262
Tides Network	-	274,193
Tides Center	3,195,108	118,697

