# THE ADVOCACY FUND

## FINANCIAL STATEMENTS

### December 31, 2013

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

**The Advocacy Fund**

Contents

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
The Advocacy Fund
San Francisco, California

## Report on the Financial Statements

We have audited the accompanying financial statements of The Advocacy Fund, which comprise the statement of financial position as of December 31, 2013, 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 The Advocacy Fund as of December 31, 2013, 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 the The Advocacy Fund's December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Kaneda

Certified Public Accountants
Oakland, California
April 3, 2014

**The Advocacy Fund**

**Statement of Financial Position**
**December 31, 2013**
**(With Comparative Totals for December 31, 2012)**

| | | 2013 | | 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | $ | 4,311,877 | $ | 4,289,201 |
| Contributions receivable, net (Note 3) | | 1,846,226 | | 1,598,207 |
| Total Current Assets | | 6,158,103 | | 5,887,408 |
| Property and equipment, net (Note 4) | | 8,047 | | 5,867 |
| Deposits | | 1,900 | | 1,900 |
| Total Assets | $ | 6,168,050 | $ | 5,895,175 |
| **Liabilities and Net Assets** | | | | |
| Current Liabilities | | | | |
| Accounts payable | $ | 390,270 | $ | 166,441 |
| Vacation accrual | | 44,132 | | 25,657 |
| Note payable (Note 5) | | - | | 27,901 |
| Total Liabilities | | 434,402 | | 219,999 |
| Commitments and contingencies (Notes 6 and 7) | | | | |
| Net Assets | | | | |
| Unrestricted | | 680,335 | | 35,282 |
| Temporarily restricted (Note 9) | | 5,053,313 | | 5,639,894 |
| Total Net Assets | | 5,733,648 | | 5,675,176 |
| Total Liabilities and Net Assets | $ | 6,168,050 | $ | 5,895,175 |

## The Advocacy Fund

### Statement of Activities
### For the Year Ended December 31, 2013
### (With Comparative Totals for the Year Ended December 31, 2012)

| | Unrestricted | Temporarily Restricted | Total 2013 | Total 2012 |
|---|---|---|---|---|
| **Support and Revenue** | | | | |
| Support | | | | |
| Foundation and corporate grants | $ | $ 17,091,348 | $ 17,091,348 | $ 6,173,277 |
| Contributions | 100 | 1,428,403 | 1,428,503 | 1,516,637 |
| Total Support | 100 | 18,519,751 | 18,519,851 | 7,689,914 |
| Revenue | | | | |
| Membership fees | 6,100 | | 6,100 | 47,250 |
| Interest | 1,716 | | 1,716 | 3,779 |
| Miscellaneous | 34,168 | | 34,168 | 25,762 |
| Total Revenue | 41,984 | - | 41,984 | 76,791 |
| Net assets released from donor restrictions (Note 9) | 19,106,332 | (19,106,332) | - | - |
| Total Support and Revenue | 19,148,416 | (586,581) | 18,561,835 | 7,766,705 |
| **Expenses** | | | | |
| Program | 18,156,904 | | 18,156,904 | 9,302,533 |
| General and administrative | 311,177 | | 311,177 | 254,621 |
| Fundraising | 35,282 | | 35,282 | - |
| Total Expenses | 18,503,363 | - | 18,503,363 | 9,557,154 |
| Change in net assets | 645,053 | (586,581) | 58,472 | (1,790,449) |
| Net Assets, beginning of year | 35,282 | 5,639,894 | 5,675,176 | 7,465,625 |
| Net assets, end of year | $ 680,335 | $ 5,053,313 | $ 5,733,648 | $ 5,675,176 |

**The Advocacy Fund**

**Statement of Cash Flows**
**For the Year Ended December 31, 2013**
**(With Comparative Totals for the Year Ended December 31, 2012)**

| | 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 58,472 | $ (1,790,449) |
| Adjustments to reconcile change in net assets to cash (used) provided by operating activities: | | |
| Depreciation | 4,685 | 2,839 |
| Loss (gain) on equipment disposition | - | (440) |
| Changes in assets and liabilities: | | |
| Contributions receivable | (248,019) | 1,046,143 |
| Accounts payable | 223,829 | (223,506) |
| Vacation accrual | 18,475 | 4,875 |
| Grants payable | - | (528,000) |
| Net cash provided (used) by operating activities | 57,442 | (1,488,538) |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (6,865) | - |
| Net cash used by investing activities | (6,865) | - |
| **Cash flows from financing activities** | | |
| Repayments on borrowings | (27,901) | (32,564) |
| Net cash used by financing activities | (27,901) | (32,564) |
| Net change in cash and cash equivalents | 22,676 | (1,521,102) |
| Cash and cash equivalents, beginning of the year | 4,289,201 | 5,810,303 |
| Cash and cash equivalents, end of the year | $ 4,311,877 | $ 4,289,201 |
| Supplementary Disclosure: | | |
| Interest paid | $ 382 | $ 1,384 |

**The Advocacy Fund**

**Statement of Functional Expenses**
**For the Year Ended December 31, 2013**
**(With Comparative Totals for the Year Ended December 31, 2012)**

| | Program | General and Administrative | Fundraising | Total 2013 | Total 2012 |
|---|---|---|---|---|---|
| Salaries | $ 872,845 | $ 96,614 | $ | $ 969,459 | $ 612,369 |
| Pension contributions | 8,389 | 1,250 | - | 9,639 | 9,187 |
| Employee benefits | 136,562 | 7,664 | - | 144,226 | 84,718 |
| Payroll taxes | 72,535 | 10,782 | - | 83,317 | 45,039 |
| Total Personnel | 1,090,331 | 116,310 | - | 1,206,641 | 751,313 |
| Grants | 11,843,212 | - | - | 11,843,212 | 7,732,301 |
| Legal fees | 3,013 | 1,449 | - | 4,462 | 5,714 |
| Accounting fees | - | 27,317 | - | 27,317 | 12,000 |
| Other fees for service | 4,881,428 | 104,982 | 35,282 | 5,021,692 | 726,938 |
| Office expenses | 49,003 | 4,601 | - | 53,604 | 25,679 |
| Occupancy | 81,038 | 10,251 | - | 91,289 | 83,375 |
| Travel and meals | 131,594 | 8,465 | - | 140,059 | 104,818 |
| Conferences, conventions, meetings | 44,191 | - | - | 44,191 | 15,575 |
| Insurance | - | 6,114 | - | 6,114 | 3,124 |
| Dues, licenses, service fees | 1,475 | 24,114 | - | 25,589 | 33,583 |
| Bank fees | 1,455 | 5,360 | - | 6,815 | 7,190 |
| Interest | - | 382 | - | 382 | 1,384 |
| Communications | 13,951 | - | - | 13,951 | 38,611 |
| Depreciation | 4,685 | - | - | 4,685 | 2,839 |
| Publications | 6,054 | 347 | - | 6,401 | 1,331 |
| Miscellaneous | 5,474 | 1,485 | - | 6,959 | 11,379 |
| Total Expenses | $ 18,156,904 | $ 311,177 | $ 35,282 | $ 18,503,363 | $ 9,557,154 |

## NOTE 1: NATURE OF ACTIVITIES

The Advocacy Fund ("TAF" or the "Organization") is a California nonprofit public benefit organization. The purpose of TAF 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 whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2013.

### 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.

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.

**Contributions receivable**

The Organization considers all contributions receivable to be fully collectible at December 31, 2013. 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(d). The Organization has evaluated its current tax positions as of December 31, 2013 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.

**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. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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. Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on December 31, 2013.

**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 over $1,000; 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 |

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. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

**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.

**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, 2012, 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 with the presentation in the current-year financial statements.

### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of April 3, 2014 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

## NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

| | 2013 | 2012 |
|---|---|---|
| Due in one year | $ 1,855,000 | $ 1,301,495 |
| Due in one to five years | - | 310,000 |
| Less discount of 3% per year | (8,774) | (13,288) |
| Total | $ 1,846,226 | $ 1,598,207 |

## NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | 2013 | 2012 |
|---|---|---|
| Computers and equipment | $ 17,618 | $ 10,753 |
| Less accumulated depreciation | (9,571) | (4,886) |
| Total | $ 8,047 | $ 5,867 |

## NOTE 5: NOTE PAYABLE

Note payable at December 31, 2012 consisted of an unsecured promissory note to a local bank at 2.98% interest, due September 2013. The note was paid off in its entirety during the year ended December 31, 2013

## NOTE 6: COMMITMENTS

### Operating Leases

The Organization leases office space for a fiscally sponsored project under a non-cancelable lease that expires on June 30, 2015. Future minimum lease payments were as follows for the years ended December 31:

| | |
|---|---|
| 2014 | $ 71,002 |
| 2015 | 30,283 |
| Total | $ 101,285 |

Rent for the years ended December 31, 2013 and 2012 was $86,759 and $82,169 respectively.

## NOTE 7: 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. TAF deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of TAF to the provisions of the grants. TAF's management is of the opinion that TAF has complied with the terms of all grants.

## NOTE 8: CONCENTRATIONS

During the year ended December 31, 2013, TAF received approximately 82% of its support from four donors. At December 31, 2013, 100% of TAF's total receivables were from two donors.

## NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, restricted by donors to various advocacy programs, amounted to $5,053,313 and $5,639,894 as of December 31, 2013 and 2012, respectively.

Temporarily restricted net assets of $19,106,332 and $9,574,517 were released from donor restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2013 and 2012, respectively.

## NOTE 10: RETIREMENT BENEFITS

The Organization has a 401k retirement plan covering all employees. Employees are eligible to make their own contributions immediately upon hire. Employees are eligible to receive employer contributions after 1 year of service, as long as they work at least 1,000 hours that year. Employees become fully vested after 4 years, as the plan has a 4 year step vesting schedule where employees are vested 25% per year. Under the plan, the Organization provides an employer contribution to eligible participants equal to 0% - 5% of earnings based on years of service to the Organization.

Plan contributions incurred by the Organization for the years ended December 31, 2013 and 2012, were $9,639 and $9,187, respectively.

## NOTE 11: RELATED PARTY TRANSACTIONS

TAF has relationships with Tides Center, Tides Foundation, Tides Network, and Tides, Inc. (the "Affiliates").

TAF is a fiscal sponsor for projects which may also have related projects with Tides Center. TAF 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. TAF may also occasionally make grants to Tides Foundation and Tides Center to support programs. Similarly, the Affiliates may make grants to TAF's activities.

TAF shares certain administrative expenses with the Affiliates, including use of the Affiliates' employees, facilities, and a portion of overhead costs of the Affiliates. TAF reimburses the Affiliates for these expenses and any direct expenses paid by the Affiliates on behalf of TAF.

Payments made by TAF to the Affiliates were as follows during the years ended December 31:

| | 2013 ($) | 2012 ($) |
|---|---|---|
| Tides Foundation | 116,401 | 136,676 |
| Tides Center | 168,377 | 562,369 |
| Tides Network | 95,011 | 45,126 |
| Tides, Inc. | - | 33 |

Included in TAF's payments to Tides Centerand the Tides Network during the year ended December 31, 2013 and 2012 were $107,800 and $133,098 respectively in grants. Additionally, TAF received $1,756,154 and $385,000 from Tides Foundation and Tides Center respectively.