THE ADVOCACY FUND

FINANCIAL STATEMENTS

December 31, 2012

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

The Advocacy Fund

Contents

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Latham Square Building
1611 Telegraph Ave. Suite 318
Oakland, CA 94612-2151
Tel: 510 · 835 · CPAS (2727)
Fax: 510 · 835 · 5711
e-mail: admin@ckcpa.biz

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 balance sheet as of December 31, 2012, 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, 2012, 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, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adele Kaneda

Certified Public Accountants
Oakland, California
April 8, 2013

The Advocacy Fund

Statement of Financial Position
December 31, 2012
(With Comparative Totals for December 31, 2011)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 4,289,201	$ 5,810,303
Contributions receivable, net of discount (Note 3)	1,598,207	2,644,350
Total Current Assets	5,887,408	8,454,653
Property and equipment, net (Note 4)	5,867	8,266
Deposits	1,900	1,900
Total Assets	$ 5,895,175	$ 8,464,819
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 166,441	$ 389,947
Vacation accrual	25,657	20,782
Grants payable	-	528,000
Note payable, current portion (Note 5)	27,901	32,564
Total Current Liabilities	219,999	971,293
Note payable, long-term portion (Note 5)	-	27,901
Total Liabilities	219,999	999,194
Contingencies (Note 7)		
Net Assets		
Unrestricted net assets	35,282	(59,034)
Temporarily restricted net assets (Note 9)	5,639,894	7,524,659
Total Net Assets	5,675,176	7,465,625
Total Liabilities and Net Assets	$ 5,895,175	$ 8,464,819

See Notes to the Financial Statements

The Advocacy Fund

Statement of Activities
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
Support and Revenue				
Support				
Foundation and corporate grants	$ 162	$ 6,173,115	$ 6,173,277	$ 9,665,488
Contributions		1,516,637	1,516,637	883,079
In-kind contributions			-	95,714
Total Support	162	7,689,752	7,689,914	10,644,281
Revenue				
Membership fees	47,250		47,250	61,500
Interest	3,779		3,779	483
Miscellaneous	25,762		25,762	22,499
Total Revenue	76,791	-	76,791	84,482
Net assets released from donor restrictions: (Note 9)	9,574,517	(9,574,517)	-	-
Total Support and Revenue	9,651,470	(1,884,765)	7,766,705	10,728,763
Expenses				
Program	9,302,533		9,302,533	8,690,860
General and administrative	254,621		254,621	704,771
Total Expenses	9,557,154	-	9,557,154	9,395,631
Loss on equipment disposition			-	62,535
Total Expenses and Losses	9,557,154	-	9,557,154	9,458,166
Change in net assets	94,316	(1,884,765)	(1,790,449)	1,270,597
Net Assets, beginning of year	(59,034)	7,524,659	7,465,625	6,195,028
Net assets, end of year	$ 35,282	$ 5,639,894	$ 5,675,176	$ 7,465,625

See Notes to the Financial Statements

The Advocacy Fund

Statement of Cash Flows
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (1,790,449)	$ 1,270,597
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	2,839	3,526
Loss (gain) on equipment disposition	(440)	62,535
Changes in assets and liabilities:		
Accounts receivable	-	3,508
Grants receivable	1,046,143	(1,527,894)
Prepaid expenses	-	655
Deposits	-	(1,900)
Accounts payable and accrued expenses	(223,506)	(19,977)
Vacation accrual	4,875	6,372
Grants payable	(528,000)	333,000
Net cash provided (used) by operating activities	(1,488,538)	130,422
Cash flows from investing activities:		
Purchase of fixed assets	-	(2,773)
Net cash used by investing activities	-	(2,773)
Cash flows from financing activities:		
Repayments on borrowings	(32,564)	(31,599)
Net cash used by financing activities	(32,564)	(31,599)
Net change in cash and cash equivalents	(1,521,102)	96,050
Cash and cash equivalents, beginning of the year	5,810,303	5,714,253
Cash and cash equivalents, end of the year	$ 4,289,201	$ 5,810,303
Supplementary Disclosure:		
Interest paid	$ 1,384	$ 2,347

See Notes to the Financial Statements

The Advocacy Fund

Statement of Functional Expenses
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	Program	General and administrative	Total 2012	Total 2011
Salaries	$ 525,360	$ 87,009	$ 612,369	$ 1,234,758
Pension contributions	7,943	1,244	9,187	11,548
Employee benefits	80,332	4,386	84,718	171,998
Payroll taxes	37,376	7,663	45,039	89,411
Total Personnel	651,011	100,302	751,313	1,507,715
Grants	7,732,301	-	7,732,301	5,565,910
Legal fees	649	5,065	5,714	55,960
Accounting fees	-	12,000	12,000	82,173
Other fees for service	638,867	88,071	726,938	1,718,978
Office expenses	21,393	4,286	25,679	74,109
Occupancy	76,522	6,853	83,375	101,911
Travel and meals	104,641	177	104,818	174,967
Conferences, conventions, meetings	15,575	-	15,575	22,145
Insurance	3,124	-	3,124	11,015
Dues, licenses, service fees	3,255	30,328	33,583	20,571
Bank fees	1,471	5,719	7,190	759
Interest	-	1,384	1,384	2,347
Communications	38,611	-	38,611	38,955
Depreciation	2,839	-	2,839	3,526
Publications	1,121	210	1,331	6,888
Miscellaneous	11,153	226	11,379	7,702
Total Expenses	$ 9,302,533	$ 254,621	$ 9,557,154	$ 9,395,631

See Notes to the Financial Statements

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.

It has been determined by the Internal Revenue Service that TAF is exempt from income tax under Section 501(c)(4) of the Internal Revenue Code.

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, 2012.

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.

The Organization considers all contributions to be fully collectible at December 31, 2012. 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) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

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 reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). 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, 2012.

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:

Computer 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, 2011, 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 April 8, 2013 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:

	2012	2011
Due in one year	$ 1,301,495	$ 720,000
Due in one to five years	310,000	1,965,000
Less discount of 3% per year	(13,288)	(40,650)
Total	$ 1,598,207	$ 2,644,350

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2012	2011
Computers and equipment	$ 10,753	$ 12,586
Less accumulated depreciation	(4,886)	(4,320)
Total	$ 5,867	$ 8,266

NOTE 5: NOTE PAYABLE

Note payable at December 31, 2012 consisted of an unsecured promissory note to Wells Fargo Bank at 2.98% interest on unpaid principal, due in monthly installments of $2,829, including interest, through September 1, 2013. The outstanding balance at December 31, 2012 was $27,901.

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:

2013	$ 58,373
2014	59,832
2015	30,285
Total	$ 148,490

Rent for the years ended December 31, 2012 and 2011 was $82,169 and $100,557 respectively.

NOTE 7: CONTINGENCIES

Contributions and Contributions Receivable

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

In 2012, TAF received approximately 65% of its revenue from four donors, and 89% of TAF's total receivables were from two donors who made commitments to give during the year ended December 31, 2012.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, restricted by donors to various advocacy programs, amounted to $5,639,894 and $7,524,659 as of December 31, 2012 and 2011, respectively.

Temporarily restricted net assets of $9,574,517 and $8,974,474 were released from donor restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2012 and 2011, respectively.

NOTE 10: RETIREMENT BENEFITS

The Organization has a 403(b) 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 that is equal to a percentage of earnings based on years of service, per the following schedule:

Years of Service	Employer Retirement Contribution:
0 – 1	0% of earnings
1 – 2	2% of earnings
2 – 5	3% of earnings
5 – 10	4% of earnings
10	5% of earnings

Plan contributions incurred by the Organization for the years ended December 31, 2012 and 2011, were $9,187 and $11,548, 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 during 2012 were as follows during the years ended December 31:

	2012	2011
Tides Foundation	$ 136,676	$ 15,724
Tides Center	562,369	674,496
Tides Network.	45,126	-
Tides, Inc.	33	30,359

Included in TAF's payments to Tides Center and the Tides Network during the year ended December 31, 2012 and 2011 were $133,098 and $28,028 respectively in grants. Additionally, TAF received $683,340 and $63,000 from Tides Center and Tides Network respectively.

TAF both received and provided donated services to/from Tides, Inc. during the year ended December 31, 2011. This practice was discontinued and all services provided by the Affiliates to TAF were recorded as described above.