THE ADVOCACY FUND

FINANCIAL STATEMENTS

December 31, 2015

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

THE ADVOCACY FUND

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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, 2015, 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, 2015, 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 Advocacy Fund's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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 15, 2016

THE ADVOCACY FUND

Statement of Financial Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 3,421,660	$ 3,792,932
Grants and accounts receivable, net (Note 3)	320,312	486,169
Total Current Assets	3,741,972	4,279,101
Prepaid expenses	765	31,101
Property and equipment, net (Note 4)	22,685	5,504
Deposits	9,596	1,900
Total Assets	$ 3,775,018	$ 4,317,606
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 417,174	$ 350,244
Vacation accrual	81,384	56,132
Total Liabilities	498,558	406,376
Contingencies (Note 5)		
Net Assets		
Unrestricted	855,466	786,298
Temporarily restricted (Note 7)	2,420,994	3,124,932
Total Net Assets	3,276,460	3,911,230
Total Liabilities and Net Assets	$ 3,775,018	$ 4,317,606

See Notes to the Financial Statements

THE ADVOCACY FUND

Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Support and Revenue				
Support				
Foundation and corporate	$ 200	$ 8,653,994	$ 8,654,194	$ 11,155,002
Contributions		782,385	782,385	1,550,993
Total Support	200	9,436,379	9,436,579	12,705,995
Revenue				
Program fees	116,443		116,443	10,000
Interest	27		27	267
Miscellaneous	8,996		8,996	17,820
Total Revenue	125,466	-	125,466	28,087
Net assets released from donor restrictions (Note 7)	10,140,317	(10,140,317)	-	-
Total Support and Revenue	10,265,983	(703,938)	9,562,045	12,734,082
Expenses				
Program	9,626,325		9,626,325	14,004,240
Management and general	534,190		534,190	469,760
Fundraising	36,300		36,300	82,500
Total Expenses	10,196,815	-	10,196,815	14,556,500
Change in net assets	69,168	(703,938)	(634,770)	(1,822,418)
Net Assets, beginning of year	786,298	3,124,932	3,911,230	5,733,648
Net assets, end of year	$ 855,466	$ 2,420,994	$ 3,276,460	$ 3,911,230

THE ADVOCACY FUND

Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (634,770)	$ (1,822,418)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	4,687	4,455
Changes in assets and liabilities:		
Grants and accounts receivable	165,857	1,360,057
Prepaid expenses	30,336	(31,101)
Deposits	(7,696)	-
Accounts payable and accrued expenses	66,930	(40,026)
Vacation accrual	25,252	12,000
Net cash provided (used) by operating activities	(349,404)	(517,033)
Cash flows from investing activities		
Purchase of fixed assets	(21,868)	(1,912)
Net cash provided (used) by investing activities	(21,868)	(1,912)
Net change in cash and cash equivalents	(371,272)	(518,945)
Cash and cash equivalents, beginning of the year	3,792,932	4,311,877
Cash and cash equivalents, end of the year	$ 3,421,660	$ 3,792,932

See Notes to the Financial Statements

THE ADVOCACY FUND

Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Program	Management and General	Fundraising	Total 2015	Total 2014
Salaries	$ 1,748,839	$ 259,297	$ -	$ 2,008,136	$ 1,581,086
Pension contributions	36,991	6,399	-	43,390	21,864
Other employee benefits	161,085	21,335	-	182,420	178,625
Payroll taxes	114,312	21,342	-	135,654	111,183
Total Personnel	2,061,227	308,373	-	2,369,600	1,892,758
Grants	6,111,584	-	-	6,111,584	10,273,705
Legal fees	51,842	21,510	-	73,352	10,059
Accounting fees	-	56,962	-	56,962	60,373
Other fees for service	810,615	49,606	36,300	896,521	1,668,693
Office expenses and supplies	71,327	10,041	-	81,368	56,387
Occupancy	127,154	20,661	-	147,815	134,395
Travel and meals	215,414	23,337	-	238,751	200,024
Conferences and meetings	89,897	2,273	-	92,170	44,705
Insurance	4,018	7,344	-	11,362	17,902
Licenses and service fees	6,795	32,179	-	38,974	87,837
Communications	38,708	113	-	38,821	55,594
Depreciation	4,272	415	-	4,687	4,455
Publications	28,558	132	-	28,690	28,690
Miscellaneous	4,914	1,244	-	6,158	20,923
Total Expenses	$ 9,626,325	$ 534,190	$ 36,300	$ 10,196,815	$ 14,556,500

Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

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, 2015.

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.

Grants and Accounts Receivable

The Organization considers all grants and accounts receivable to be fully collectible at December 31, 2015. 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, 2015 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.

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, 2015.

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

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, 2014, 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 15, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consisted of the following at December 31:

	2015	2014
Due in one year	$ 320,312	$ 257,802
Due in one to five years	-	250,000
Less discount of 3% per year	-	(21,633)
Total	$ 320,312	$ 486,169

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2015	2014
Computers and equipment	$ 38,965	$ 18,324
Less accumulated depreciation	(16,280)	(12,820)
Total	$ 22,685	$ 5,504

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. 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 6: CONCENTRATIONS

During the year ended December 31, 2015, TAF received approximately 84% of its support from six donors. At December 31, 2015, 78% of TAF's receivables were from one donor.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, restricted by donors to various advocacy programs, amounted to $2,420,994 and $3,124,932 as of December 31, 2015 and 2014, respectively.

Temporarily restricted net assets of $10,140,347 and $14,634,376 were released from donor restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2015 and 2014, respectively.

NOTE 8: 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, 2015 and 2014, were $43,390 and $21,864, respectively.

NOTE 9: RELATED PARTY TRANSACTIONS

The Organization has relationships with Tides Center, Tides Foundation, Tides Network, and Tides, Inc. (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 to support programs. 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:

	2015	2014
	($)	($)
Tides Foundation	5,000	25,680
Tides Center	233,105	454,459
Tides Network	79,222	106,565

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

	2015	2014
	($)	($)
Tides Foundation	958,170	2,380,000
Tides Center	1,152,019	779,166