Report of Independent Auditors and
Financial Statements

Tides Advocacy
(Formerly the Advocacy Fund)

December 31, 2018 (with comparative totals
for the year ended December 31, 2017)

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Report of Independent Auditors

Board of Directors
Tides Advocacy (formerly The Advocacy Fund)

Report on the Financial Statements

We have audited the accompanying financial statements of Tides Advocacy (formerly The Advocacy Fund), which comprise the statement of financial position as of December 31, 2018, 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 (formerly The Advocacy Fund) as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Tides Advocacy (formerly The Advocacy Fund) adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of Tides Advocacy (formerly The Advocacy Fund) as of December 31, 2017, were audited by other auditors. Their report dated June 28, 2018, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

San Francisco, California
May 21, 2019

Financial Statements

Tides Advocacy (formerly The Advocacy Fund)
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,588,933	$ 13,309,330
Grants and accounts receivable	820,967	427,528
Deposits	5,702	2,601
Total current assets	16,415,602	13,739,459
Prepaid expenses	84,182	19,254
Property and equipment, net (Note 4)	-	5,872
Long-term deposits	23,261	49,158
Total assets	$ 16,523,045	$ 13,813,743
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,095,439	$ 1,286,753
Vacation accrual	447,957	190,078
Total current liabilities	2,543,396	1,476,831
NET ASSETS		
Without donor restrictions	1,783,662	989,559
With donor restrictions (Note 7)	12,195,987	11,347,353
Total net assets	13,979,649	12,336,912
Total liabilities and net assets	$ 16,523,045	$ 13,813,743

Tides Advocacy (formerly The Advocacy Fund)
Statements of Activities
For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundation and corporate	$ 403,814	$ 34,789,065	$ 35,192,879	$ 22,702,791
Individual contributions	201	4,124,690	4,124,891	6,187,344
Total support	404,015	38,913,755	39,317,770	28,890,135
Revenue				
Program fees	28,032	908,017	936,049	371,302
Other	-	11,749	11,749	13,565
Total revenue	28,032	919,766	947,798	384,867
Net assets released from donor restrictions (Note 8)	38,984,887	(38,984,887)	-	-
Total support and revenue	39,416,934	848,634	40,265,568	29,275,002
EXPENSES				
Program	36,229,595	-	36,229,595	19,027,149
Management and general	2,201,272	-	2,201,272	1,303,254
Fundraising	191,964	-	191,964	258,531
Total expenses	38,622,831	-	38,622,831	20,588,934
Change in net assets	794,103	848,634	1,642,737	8,686,068
NET ASSETS, beginning of year	989,559	11,347,353	12,336,912	3,650,844
NET ASSETS, end of year	$ 1,783,662	$ 12,195,987	$ 13,979,649	$ 12,336,912

See accompanying notes to financial statements.

Tides Advocacy (formerly The Advocacy Fund)
Statements of Functional Expenses
For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018				2017
	Program	Management and General	Fundraising	Total	Total
Salaries	$ 9,164,941	$ 1,086,856	$ 103,315	$ 10,355,112	$ 6,189,206
Benefits and taxes	1,994,446	280,354	4,781	2,279,581	1,203,700
Total Personnel	11,159,387	1,367,210	108,096	12,634,693	7,392,906
Grants	14,085,487	320,000	-	14,405,487	7,177,645
Legal fees	93,038	8,056	-	101,094	58,377
Accounting fees	6,938	24,448	1,200	32,586	37,819
Other fees for service	7,024,257	183,159	77,364	7,284,780	3,144,459
Office expenses and supplies	697,044	113,761	54	810,859	360,657
Occupancy	359,696	51,963	-	411,659	360,546
Travel and meals	1,165,900	65,184	4,208	1,235,292	465,612
Conferences and meetings	451,569	20,008	561	472,138	372,845
Insurance	91,150	11,524	-	102,674	51,727
Licenses and service fees	77,393	20,721	5	98,119	129,069
Communications	992,603	14,796	426	1,007,825	999,046
Depreciation	5,872	-	-	5,872	7,838
Miscellaneous	19,261	442	50	19,753	30,388
Total Expenses	$ 36,229,595	$ 2,201,272	$ 191,964	$ 38,622,831	$ 20,588,934

See accompanying notes to financial statements.

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,642,737	$ 8,686,068
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	5,872	7,838
Changes in assets and liabilities:		
Grants and accounts receivable	(393,439)	(213,174)
Prepaid expenses	(64,928)	(1,520)
Deposits	22,796	(41,263)
Accounts payable and accrued expenses	808,686	938,002
Vacation accrual	257,879	88,161
Net cash provided by operating activities	2,279,603	9,464,112
Net change in cash and cash equivalents	2,279,603	9,464,112
Cash and cash equivalents, beginning of the year	13,309,330	3,845,218
Cash and cash equivalents, end of the year	$ 15,588,933	$ 13,309,330

NOTE 1 – NATURE OF ACTIVITIES

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of 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, 2017, from which the summarized information was derived.

New Accounting Pronouncement – During 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is place in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Net assets have not been reclassified for 2017 due to the adoption of ASU No. 2016-14 as of December 31, 2018. Certain reclassifications have been made to the 2017 financial statements to conform to ASU No. 2016-14. Such reclassifications did not change net assets or changes in net assets as reflected in the 2017 financial statements.

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 31, 2018 and 2017, 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 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.

Grants and Accounts Receivable – The Organization considers all grants and accounts receivable to be fully collectible at December 31, 2018 and 2017. An allowance for doubtful accounts is computed based upon management's evaluation of past experiences and analysis of current receivable balances. Management expects to collect all receivables during the year ending December 31, 2019. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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.

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.

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.

All contributions are considered to be available for use unless specifically restricted by the donor. 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 statements of activities as net assets released from restrictions.

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. For the years ended December 31, 2018 and 2017, no such services were received by the Organization.

Project Revenues – The Organization receives donor contributions to its projects and funds to carry out various advocacy programs. Without the generosity of the donors who are motivated by their social welfare intent, the Organization's projects and funds could not fulfill their missions. From time to time, donor funded staff may carry out 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 until released from restriction. The Organization releases funds from restriction by incurring expenses satisfying the purposes and intentions specified by donors.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements 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.

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, 2018 and 2017, and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

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.

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 May 21, 2019, 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:

	2018
Financial assets:	
Cash and cash equivalents	$ 15,588,933
Grants and accounts receivable	820,967
Deposits	28,963
Financial assets at December 31, 2018	16,438,863
Less those unavailable for general expediture within one year, due to:	
Long-term deposits	(23,261)
Restricted net assets	(12,195,987)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,219,615

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.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Computers and equipment	$ 21,868	$ 35,493
Less accumulated depreciation	(21,868)	(29,621)
	$ -	$ 5,872

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, 2018 and 2017, the Organization received approximately 64% and 44%, respectively, of its support from four funders.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions to various advocacy programs, amounted to $12,195,987 and $11,347,353 as of December 31, 2018 and 2017, 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, 2019.

NOTE 8 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions of $38,984,887 and $20,805,775 were released from restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, were $262,595 and $160,885, respectively.

NOTE 10 – RELATED-PARTY TRANSACTIONS

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

The Organization is a fiscal sponsor for projects 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:

	2018	2017
Tides Network	$ 601,614	$ 96,020
Tides Center	464,250	132,684
Tides Two Rivers Fund	11,095	2,700

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

	2018	2017
Tides Foundation	$ 13,513,155	$ 6,733,333
Tides Network	315,734	41,385
Tides Center	156,980	644,339

NOTE 11 – CONDITIONAL PROMISES TO GIVE

In addition to the activity reported in the financial statements, the Organization may receive grants with future payments subject to certain conditions. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of December 31, 2018 and 2017, conditional grants consisted of the following.

2018

Award	Recognized	Remaining	Condition
$ 8,000,000	$ 4,000,000	$ 4,000,000	Program performance and reporting

2017

Award	Recognized	Remaining	Condition
$ 8,000,000	$ 2,000,000	$ 6,000,000	Program performance and reporting

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

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