



*Report of Independent Auditors and
Financial Statements*

Tides Advocacy

December 31, 2022 and December 31, 2021

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Report of Independent Auditors

The Board of Directors
Tides Advocacy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tides Advocacy, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tides Advocacy as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tides Advocacy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 2 to the financial statements, Tides Advocacy has restated the beginning balance of net assets with donor restrictions and net assets without donor restrictions to correct errors related to the classification of restrictions. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tides Advocacy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tides Advocacy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tides Advocacy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

As discussed in Note 3 to the financial statements, Tides Advocacy changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842 effective January 1, 2022. The adoption was applied using a modified retrospective transition without adjusting comparative periods. Our opinion is not modified with respect to this matter.



San Francisco, California
November 30, 2023

Financial Statements

Tides Advocacy
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021 (as restated)</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,771,743	\$ 40,042,241
Grants and accounts receivable	16,481,563	12,876,714
Other receivables	76,433	985,967
Deposits	6,148	22,263
Total current assets	<u>49,335,887</u>	<u>53,927,185</u>
NONCURRENT ASSETS		
Prepaid expenses	45,726	49,699
Software development costs	120,625	54,356
Long-term deposits	64,249	55,506
Operating right-of-use assets	1,055,514	-
Mission-related investments, held at cost	425,000	450,000
Total noncurrent assets	<u>1,711,114</u>	<u>609,561</u>
Total assets	<u>\$ 51,047,001</u>	<u>\$ 54,536,746</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,077,096	\$ 4,976,559
Grants payable	182,000	558,000
Operating lease liabilities	552,375	-
Vacation accrual	1,235,075	1,294,914
Total current liabilities	<u>7,046,546</u>	<u>6,829,473</u>
NONCURRENT LIABILITIES		
Operating lease liabilities, net of current portion	516,846	-
Total noncurrent liabilities	<u>516,846</u>	<u>-</u>
Total liabilities	<u>7,563,392</u>	<u>6,829,473</u>
NET ASSETS		
Without donor restrictions		
Designated for projects	10,977,948	11,157,577
With donor restrictions	32,505,661	36,549,696
Total net assets	<u>43,483,609</u>	<u>47,707,273</u>
Total liabilities and net assets	<u>\$ 51,047,001</u>	<u>\$ 54,536,746</u>

Tides Advocacy
Statement of Activities
For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
CONTRIBUTIONS AND REVENUE			
Contributions			
Foundation and corporate	\$ 10,415,641	\$ 55,752,460	\$ 66,168,101
Individual contributions	19,319,229	-	19,319,229
Total contributions	<u>29,734,870</u>	<u>55,752,460</u>	<u>85,487,330</u>
Revenue			
Program fees	3,525,968	-	3,525,968
Investment income, net	91,556	-	91,556
Other	122,315	-	122,315
Total revenue	<u>3,739,839</u>	<u>-</u>	<u>3,739,839</u>
Net assets released from donor restrictions	<u>59,796,495</u>	<u>(59,796,495)</u>	<u>-</u>
Total support and revenue	<u>93,271,204</u>	<u>(4,044,035)</u>	<u>89,227,169</u>
EXPENSES			
Program	79,052,111	-	79,052,111
Management and general	9,039,524	-	9,039,524
Fundraising	5,359,198	-	5,359,198
Total expenses	<u>93,450,833</u>	<u>-</u>	<u>93,450,833</u>
Changes in net assets	(179,629)	(4,044,035)	(4,223,664)
NET ASSETS, beginning of year, as restated	<u>11,157,577</u>	<u>36,549,696</u>	<u>47,707,273</u>
NET ASSETS, end of year	<u>\$ 10,977,948</u>	<u>\$ 32,505,661</u>	<u>\$ 43,483,609</u>

Tides Advocacy
Statement of Activities
For the Year Ended December 31, 2021

	2021 (as restated)		Total
	Without Donor Restrictions	With Donor Restrictions	
CONTRIBUTIONS AND REVENUE			
Contributions			
Foundation and corporate	\$ 19,181,968	\$ 43,891,832	\$ 63,073,800
Individual contributions	10,254,906	-	10,254,906
Total contributions	<u>29,436,874</u>	<u>43,891,832</u>	<u>73,328,706</u>
Revenue			
Program fees	4,402,611	-	4,402,611
Investment income, net	83,280	-	83,280
Other	141,136	-	141,136
Total revenue	<u>4,627,027</u>	<u>-</u>	<u>4,627,027</u>
Net assets released from donor restrictions	<u>60,342,317</u>	<u>(60,342,317)</u>	<u>-</u>
Total support and revenue	<u>94,406,218</u>	<u>(16,450,485)</u>	<u>77,955,733</u>
EXPENSES			
Program	66,366,849	-	66,366,849
Management and general	5,932,903	-	5,932,903
Fundraising	4,958,220	-	4,958,220
Total expenses	<u>77,257,972</u>	<u>-</u>	<u>77,257,972</u>
Changes in net assets	17,148,246	(16,450,485)	697,761
NET ASSETS, beginning of year, as restated	<u>(5,990,669)</u>	<u>53,000,181</u>	<u>47,009,512</u>
NET ASSETS, end of year	<u>\$ 11,157,577</u>	<u>\$ 36,549,696</u>	<u>\$ 47,707,273</u>

Tides Advocacy
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022			
	Program	Management and General	Fundraising	Total
Salaries	\$ 20,088,901	\$ 3,947,332	\$ 3,919,377	\$ 27,955,610
Benefits and taxes	4,918,104	966,374	959,530	6,844,008
Total Personnel	25,007,005	4,913,706	4,878,907	34,799,618
Grants	25,329,389	-	-	25,329,389
Other fees for service	17,917,316	1,243,559	454,505	19,615,380
Communications	3,402,205	789	4,940	3,407,934
Office expenses and supplies	1,811,427	37,009	1,592	1,850,028
Travel and meals	2,195,862	135,221	10,426	2,341,509
Occupancy	1,326,990	242,932	70	1,569,992
Licenses and service fees	402,015	66,785	10	468,810
Legal fees	552,223	164,831	-	717,054
Insurance	370,640	3,490	5,595	379,725
Conferences and meetings	627,830	32,491	3,153	663,474
Taxes	52,993	36,433	-	89,426
Accounting fees	23,964	73,776	-	97,740
Bad debt expense	-	2,073,998	-	2,073,998
Miscellaneous	32,252	14,504	-	46,756
Total Expenses	\$ 79,052,111	\$ 9,039,524	\$ 5,359,198	\$ 93,450,833
	2021			
	Program	Management and General	Fundraising	Total
Salaries	\$ 18,949,982	\$ 3,723,542	\$ 3,697,172	\$ 26,370,696
Benefits and taxes	4,618,839	907,570	901,143	6,427,552
Total Personnel	23,568,821	4,631,112	4,598,315	32,798,248
Grants	23,732,971	-	-	23,732,971
Other fees for service	10,697,386	658,276	352,846	11,708,508
Communications	2,843,786	3,808	305	2,847,899
Office expenses and supplies	2,105,794	60,914	592	2,167,300
Travel and meals	917,064	25,916	5,439	948,419
Occupancy	550,095	229,220	-	779,315
Licenses and service fees	468,762	104,739	285	573,786
Legal fees	423,962	94,656	438	519,056
Insurance	264,405	15,000	-	279,405
Conferences and meetings	221,891	19,511	-	241,402
Taxes	524,710	31,329	-	556,039
Accounting fees	8,577	56,130	-	64,707
Miscellaneous	38,625	2,292	-	40,917
Total Expenses	\$ 66,366,849	\$ 5,932,903	\$ 4,958,220	\$ 77,257,972

See accompanying notes to financial statements.

Tides Advocacy
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (4,223,664)	\$ 697,761
Adjustments to reconcile changes in net assets to cash used in operating activities:		
Bad debt expense	2,073,998	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	(5,678,847)	(9,839,310)
Other receivables	909,534	(653,078)
Deposits	7,372	(8,661)
Prepaid expenses	3,973	104,480
Accounts payable and accrued expenses	100,537	274,937
Grants payable	(376,000)	251,286
Operating lease liabilities	13,707	-
Vacation accrual	(59,839)	429,779
Net cash used in operating activities	<u>(7,229,229)</u>	<u>(8,742,806)</u>
Cash flows used in investing activities:		
Software development costs	(66,269)	(54,356)
Purchase of mission related investments	(25,000)	(175,000)
Proceeds from mission related investments	50,000	-
Net cash used in investing activities	<u>(41,269)</u>	<u>(229,356)</u>
Net changes in cash and cash equivalents	(7,270,498)	(8,972,162)
Cash and cash equivalents, beginning of the year	40,042,241	49,014,403
Cash and cash equivalents, end of the year	<u>\$ 32,771,743</u>	<u>\$ 40,042,241</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND FINANCING ACTIVITIES		
Net additions to right-of-use asset	<u>\$ (1,678,716)</u>	<u>\$ -</u>
Net additions to operating lease liabilities	<u>\$ 1,678,716</u>	<u>\$ -</u>

NOTE 1 – NATURE OF ACTIVITIES

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

The Organization receives admin fee revenues from the agencies that are supported through fiscal sponsorship. These admin fee revenues, which would be part of the net assets without donor restriction, are eliminated in these financial statements.

NOTE 2 – PRIOR-PERIOD ADJUSTMENT

A review of the classification of net assets outstanding as of December 31, 2021, indicated funds raised for general use of designated projects were not classified in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). As of December 31, 2021 and previously, these funds were being recorded as net assets with donor restrictions, however, in accordance with U.S. GAAP, these funds raised for general use of designated projects should have been recorded as net assets without donor restrictions and designated for projects.

Accordingly, the Organization restated the beginning balance of net assets with and without donor restrictions to correct these balances. The restatement resulted in a decrease in net assets with donor restrictions by \$16,450,485 and an increase in net assets without donor restrictions by \$16,450,485.

The Organization made the following restatements to the December 31, 2021 statement of financial position:

	As Previously Reported <u>December 31, 2021</u>	<u>Adjustments</u>	As Restated <u>December 31, 2021</u>
NET ASSETS (DEFICIT)			
Without donor restrictions			
Board designated for projects	\$ (5,292,908)	\$ 16,450,485	\$ 11,157,577
With donor restrictions	<u>53,000,181</u>	<u>(16,450,485)</u>	<u>36,549,696</u>
Total net assets	<u>\$ 47,707,273</u>	<u>\$ -</u>	<u>\$ 47,707,273</u>

Tides Advocacy
Notes to Financial Statements

The Organization made the following restatements to the December 31, 2021 statement of activities:

	As previously Reported December 31, 2021			Adjustments			As Restated December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE									
Support									
Foundation and corporate	\$ 186,731	\$ 62,887,069	\$ 63,073,800	\$ 18,995,237	\$ (18,995,237)	\$ -	\$ 19,181,968	\$ 43,891,832	\$ 63,073,800
Individual contributions	-	10,254,906	10,254,906	10,254,906	(10,254,906)	-	10,254,906	-	10,254,906
Total support	186,731	73,141,975	73,328,706	29,250,143	(29,250,143)	-	29,436,874	43,891,832	73,328,706
Revenue									
Program fees	-	4,402,611	4,402,611	4,402,611	(4,402,611)	-	4,402,611	-	4,402,611
Investment income, net	83,280	-	83,280	-	-	-	83,280	-	83,280
Other	-	141,136	141,136	141,136	(141,136)	-	141,136	-	141,136
Total revenue	83,280	4,543,747	4,627,027	4,543,747	(4,543,747)	-	4,627,027	-	4,627,027
Net assets released from donor restrictions	71,961,662	(71,961,662)	-	(11,619,345)	11,619,345	-	60,342,317	(60,342,317)	-
Total support and revenue	72,231,673	5,724,060	77,955,733	22,174,545	(22,174,545)	-	94,406,218	(16,450,485)	77,955,733
EXPENSES									
Program	66,366,849	-	66,366,849	-	-	-	66,366,849	-	66,366,849
Management and general	5,932,903	-	5,932,903	-	-	-	5,932,903	-	5,932,903
Fundraising	4,958,220	-	4,958,220	-	-	-	4,958,220	-	4,958,220
Total expenses	77,257,972	-	77,257,972	-	-	-	77,257,972	-	77,257,972
Changes in net assets	(5,026,299)	5,724,060	697,761	22,174,545	(22,174,545)	-	17,148,246	(16,450,485)	697,761
NET ASSETS, beginning of year, restated	(266,609)	47,276,121	47,009,512	(5,724,060)	5,724,060	-	(5,990,669)	53,000,181	47,009,512
NET ASSETS, end of year	\$ (5,292,908)	\$ 53,000,181	\$ 47,707,273	\$ 16,450,485	\$ (16,450,485)	\$ -	\$ 11,157,577	\$ 36,549,696	\$ 47,707,273

There was no impact to the statement of functional expenses, statement of cash flows, or total change in net assets.

Tides Advocacy

Notes to Financial Statements

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. 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.

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. Funds raised for a specific project that may be used for general operating purposes are recorded as without donor restrictions and designated for projects. As of December 2022 and 2021, the entirety of the net assets without donor restrictions were designated for projects.

With donor restrictions is defined as that portion of net assets that consists 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 programs for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met. Funds raised for a specific purpose that cannot be used for general operating purposes based on donor restrictions, are recorded with donor restrictions.

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 and accounts receivable – Accounts receivable consist of grants and contributions receivable in addition to receivables for program services. The Organization considered all accounts receivable to be fully collectible at December 31, 2022 and 2021. Contribution receivables represent contributions that have been unconditionally promised but which have not been received prior to year-end. Grants receivable represent uncollateralized obligations related to the Organization grant contracts. Grants receivables are due under the terms of the grant agreements. At December 31, 2022 and 2021, there were no grants receivable outstanding.

The Organization had opening grants and accounts receivable of \$3,037,404 as of January 1, 2021; closing balances as of 2022 and 2021, are included on the statements of financial position.

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, 2022 and 2021.

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, 2022 and 2021. Management expects to collect all receivables during the year ended December 31, 2023. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Leases – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, replacing the previous leasing standard Accounting Standards Codification (ASC) 840, *Leases (ASC 840)*, which requires an entity that is a lessee to recognize the assets and liabilities arising from leases with terms longer than twelve months on the statement of financial position. Leases are to be classified as either operating or finance, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization adopted this new lease standard on January 1, 2022, using a modified retrospective transition as of the effective date (the “effective date method”). Under the effective date method, financial results reported in periods prior to 2022 are unchanged. The Organization elected the package of practical expedients permitted under the transition guidance. In addition, the Organization made an accounting policy election to keep leases with an initial term of 12 months or less off of the statement of financial position. The Organization will continue to recognize those lease payments for short-term leases in the statement of activities on a straight-line basis over the lease term.

The adoption of the new lease standard resulted in the recognition of operating lease assets and operating lease liabilities of \$1,678,716 as of January 1, 2022.

Transactions give rise to leases when the Organization receives substantially all of the economic benefits from and has ability to direct the use of specified property and equipment. The Organization has lease activity that is classified as operating leases and no activities that are classified as finance leases. Operating leases are included in operating right-of-use assets, and operating lease liabilities in the statements of financial position. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligations to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Organization uses the risk-free rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The Organization has agreements with lease and nonlease components such as common area maintenance and has elected to account for the lease and nonlease components as a single component.

Mission-related investments – Mission-related investments 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.

Tides Advocacy

Notes to Financial Statements

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, 2022 and 2021, no such write-downs had 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.

On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Even though the Organization did not do business with Silicon Valley Bank, if any of the financial institutions with whom the Organization does business were to be placed into receivership, the Organization may be unable to access to the cash on deposit with such institutions. If the Organization is unable to access the cash and cash equivalents as needed, the financial position and ability to operate our business could be adversely affected. To minimize such disruption and risk, the Organization maintains its cash and cash equivalents in multiple institutions.

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.

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 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.

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 satisfied. All grants payable are expected to be paid during the year ending December 31, 2023.

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 and functional expenses 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, 2022 and 2021, 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.

Newly adopted accounting standard – In September 21, 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ASU 2020-07, which requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Organization adopted ASU 2020-07 as of January 1, 2022. There was no impact of adopting the provisions of ASU 2020-07 on the financial statements.

Estimates – The preparation of financial statements in conformity with U.S. 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.

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Notes to Financial Statements

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 November 30, 2023, 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 4 – 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:

	<u>2022</u>	<u>2021 (as restated)</u>
Financial assets:		
Cash and cash equivalents	\$ 32,771,743	\$ 40,042,241
Grants and accounts receivable	16,481,563	12,876,714
Other receivables	76,433	985,967
Mission-related investments, held at cost	<u>425,000</u>	<u>450,000</u>
Financial assets	49,754,739	54,354,922
Less those unavailable for general expenditure within one year, due to:		
Mission related investments, held at cost	(425,000)	(450,000)
Designated for projects	(10,977,948)	(11,157,577)
Donor-restricted net assets	<u>(32,505,661)</u>	<u>(36,549,696)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,846,130</u>	<u>\$ 6,197,649</u>

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 5 – 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, 2022 and 2021, no SAFE agreements were converted into equity, nor have any terminated or expired based on the terms of the agreements.

NOTE 6 – 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 7 – CONCENTRATIONS

Support – During the years ended December 31, 2022 and 2021, the Organization received approximately 34% and 49%, respectively, of its support from one and two funders, respectively.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions to various advocacy programs amounted to \$32,505,661 and \$36,549,696 as of December 31, 2022 and 2021, respectively. Donor-restricted net assets are restricted for the purposes of supporting advocacy and political 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, 2025.

NOTE 9 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions of \$59,796,495 and \$60,342,317 were released from restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2022 and 2021, respectively.

NOTE 10 – 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.

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Notes to Financial Statements

Plan contributions incurred by the Organization for the years ended December 31, 2022 and 2021, were \$638,136 and \$574,426, respectively.

NOTE 11 – OPERATING LEASES

The Organization conducts its operations on land leased under noncancelable operating leases expiring at various dates through December 2025.

The leases generally contain renewal options for periods ranging from one to three years and require the Organization to pay all executory costs (property taxes, maintenance, and insurance). The Organization has taken the reasonable certainty of exercising the renewal options into consideration, and, if applicable, has recognized the renewal options as part of the right-of-use assets and lease liabilities.

For the year ended December 31, 2022, the operating asset and operating and lease liabilities were as follows:

<u>Assets</u>	<u>Classification</u>	
	Operating lease right-of-use assets	<u>\$ 1,055,514</u>
<u>Liabilities</u>	<u>Classification</u>	
Current:		
	Operating lease liabilities	\$ 552,375
Noncurrent:		
	Operating lease liabilities	<u>516,846</u>
	Total	<u>\$ 1,069,221</u>

For the years ended December 31, components of lease expense were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease expense	\$ 651,157	\$ 760,231
Short-term lease expense	348,854	26,336
Variable lease cost	<u>11,732</u>	<u>-</u>
Total lease expense	<u>\$ 1,011,743</u>	<u>\$ 786,567</u>
Sublease income	<u>\$ 36,492</u>	<u>\$ 67,744</u>

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Notes to Financial Statements**

For the year ended December 31, 2022, supplemental cash-flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used in operating leases	\$	623,202
Additions of right-to-use assets obtained in the period from operating leases	\$	1,678,716
Weighted-average:		
Discount rate of operating leases		1.24%
Remaining lease term (years) of operating leases		2.12

As of December 31, 2022, the undiscounted future payments over the lease term for operating leases, under noncancelable leases, along with a reconciliation of the undiscounted cash flows, were as follows:

<u>Maturities of Lease Liabilities</u>	<u>Operating Lease</u>
2023	\$ 561,832
2024	389,219
2025	<u>132,312</u>
Total lease payments	1,083,363
Less amount representing interest	<u>(14,142)</u>
Present value of lease liabilities	<u><u>\$ 1,069,221</u></u>

NOTE 12 – RELATED-PARTY TRANSACTIONS

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

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 grantmaking activities administered by Tides Foundation. The Organization may also occasionally make grants to Tides Foundation and Tides Center. Similarly, the Entities may make grants to the Organization. The Organization shares certain administrative expenses with the Entities, including use of the Entities' employees, facilities, and a portion of overhead costs of the Entities. The Organization reimburses the Entities for these expenses and any direct expenses paid by the Entities on behalf of the Organization.

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Notes to Financial Statements

Payments to the Entities, excluding reimbursement for administrative costs such as employee benefits, were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Tides Foundation	\$ -	\$ 1,970,493
Tides Center	262,211	187,995
Tides Network	748,031	277,555
Tides, Inc.	203,546	212,473
Tides Two Rivers Fund	18,731	13,802

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

	<u>2022</u>	<u>2021</u>
Tides Foundation	\$ 28,086,181	\$ 21,420,317
Tides Center	6,095,101	5,953,435

