

PUBLIC HEALTH ADVOCATES

Independent Auditor's Report
and Financial Statements

Years Ended December 31, 2017 and 2016

**PUBLIC HEALTH ADVOCATES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Public Health Advocates

Report on the Financial Statements

We have audited the accompanying financial statements of Public Health Advocates (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Public Health Advocates as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
June 21, 2018

PUBLIC HEALTH ADVOCATES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 976,588	\$ 1,044,724
Grants and contributions receivable, net	1,240,102	968,664
Other receivables	356	-
Prepaid expenses and deposits	<u>39,515</u>	<u>53,100</u>
Total current assets	2,256,561	2,066,488
Fixed assets, net	<u>20,228</u>	<u>27,848</u>
 Total assets	 <u><u>\$ 2,276,789</u></u>	 <u><u>\$ 2,094,336</u></u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 120,212	\$ 39,544
Accrued expenses	98,019	109,187
Deferred revenue	<u>2,256</u>	<u>-</u>
Total current liabilities	220,487	148,731
Unrestricted net assets:		
Designated for reserves	56,650	56,424
Undesignated	219,615	170,549
Temporarily restricted net assets	<u>1,780,037</u>	<u>1,718,632</u>
Total net assets	<u>2,056,302</u>	<u>1,945,605</u>
 Total liabilities and net assets	 <u><u>\$ 2,276,789</u></u>	 <u><u>\$ 2,094,336</u></u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC HEALTH ADVOCATES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Unrestricted net assets</u>		
Revenues, gains, and other support:		
Federal grants	\$ 466,943	\$ 497,581
State and local government grants	12,273	49,748
Corporate grants	-	7,800
Conference revenue, net	33,908	100,353
Program service revenue	47,635	-
Contributions	20,766	53,162
In-kind contributions	75,537	47,093
Interest income	693	784
Other income	16,040	12,611
Net assets released from restrictions	<u>1,727,689</u>	<u>1,822,880</u>
Total unrestricted revenues, gains, and other support	<u>2,401,484</u>	<u>2,592,012</u>
Expenses:		
Program services:		
Education	1,970,817	2,131,858
Lobbying	<u>74,505</u>	<u>74,716</u>
Total program services	<u>2,045,322</u>	<u>2,206,574</u>
Supporting services:		
General and administrative	270,099	319,589
Fundraising	<u>36,771</u>	<u>22,822</u>
Total supporting services	<u>306,870</u>	<u>342,411</u>
Total expenses	<u>2,352,192</u>	<u>2,548,985</u>
Change in unrestricted net assets	<u>49,292</u>	<u>43,027</u>
<u>Temporarily restricted net assets</u>		
Foundation grants	1,751,069	1,422,520
Contributions	38,025	47,000
Net assets released from restrictions	<u>(1,727,689)</u>	<u>(1,822,880)</u>
Change in temporarily restricted net assets	<u>61,405</u>	<u>(353,360)</u>
Change in net assets	<u>110,697</u>	<u>(310,333)</u>
Net assets, beginning of year, as restated	<u>1,945,605</u>	<u>2,255,938</u>
Net assets, end of year	<u><u>\$ 2,056,302</u></u>	<u><u>\$ 1,945,605</u></u>

The accompanying notes are an integral part of these financial statements.

PUBLIC HEALTH ADVOCATES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			2017
	Education	Lobbying	Total	General and Administrative	Fundraising	Total	Total
Salaries & wages	\$ 875,124	\$ 14,304	\$ 889,428	\$ 155,565	\$ 14,052	\$ 169,617	\$ 1,059,045
Payroll taxes	74,362	1,215	75,577	13,219	1,194	14,413	89,990
Employee benefits	195,269	3,192	198,461	34,713	3,136	37,849	236,310
Subtotal personnel	1,144,755	18,711	1,163,466	203,497	18,382	221,879	1,385,345
Bank & payroll fees	11	-	11	99	470	569	580
Depreciation	6,297	103	6,400	1,119	101	1,220	7,620
Dues & subscriptions	1,077	144	1,221	19,857	356	20,213	21,434
Incentives & stipends	14,297	-	14,297	-	-	-	14,297
Insurance	-	-	-	6,275	-	6,275	6,275
In-kind expenses	73,659	-	73,659	-	-	-	73,659
Miscellaneous	1,772	-	1,772	515	-	515	2,287
Occupancy	93,505	1,349	94,854	11,462	675	12,137	106,991
Printing & postage	8,448	295	8,743	911	125	1,036	9,779
Professional fees	428,107	45,226	473,333	17,110	13,259	30,369	503,702
Program expenses	3,435	-	3,435	-	-	-	3,435
Public relations	46,265	-	46,265	-	-	-	46,265
Supplies	17,080	129	17,209	1,194	64	1,258	18,467
Telephone	12,112	176	12,288	1,494	88	1,582	13,870
Travel	89,545	4,475	94,020	4,137	188	4,325	98,345
Training & conferences	22,771	767	23,538	1,231	4	1,235	24,773
Website & internet	7,681	3,130	10,811	1,198	3,059	4,257	15,068
Total expenses	<u>\$ 1,970,817</u>	<u>\$ 74,505</u>	<u>\$ 2,045,322</u>	<u>\$ 270,099</u>	<u>\$ 36,771</u>	<u>\$ 306,870</u>	<u>\$ 2,352,192</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC HEALTH ADVOCATES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services			2016
	Education	Lobbying	Total	General and Administrative	Fundraising	Total	Total
Salaries & wages	\$ 937,295	\$ 9,195	\$ 946,490	\$ 163,785	\$ 9,349	\$ 173,134	\$ 1,119,624
Payroll taxes	74,984	736	75,720	11,419	748	12,167	87,887
Employee benefits	254,569	2,389	256,958	33,115	2,244	35,359	292,317
Subtotal personnel	1,266,848	12,320	1,279,168	208,319	12,341	220,660	1,499,828
Bank & payroll fees	-	-	-	2,751	1,564	4,315	4,315
Depreciation	7,192	86	7,278	1,198	86	1,284	8,562
Dues & subscriptions	427	201	628	28,022	361	28,383	29,011
Incentives & stipends	17,026	-	17,026	-	50	50	17,076
Insurance	356	10	366	7,996	9	8,005	8,371
In-kind expenses	46,718	-	46,718	375	-	375	47,093
Miscellaneous	582	1,012	1,594	1,658	1	1,659	3,253
Occupancy	143,065	2,762	145,827	28,285	2,763	31,048	176,875
Printing & postage	16,833	214	17,047	2,186	872	3,058	20,105
Professional fees	429,632	53,236	482,868	28,234	608	28,842	511,710
Program expenses	7,341	-	7,341	52	-	52	7,393
Public relations	61,140	-	61,140	-	-	-	61,140
Supplies	20,474	266	20,740	2,240	246	2,486	23,226
Telephone	18,961	405	19,366	4,052	406	4,458	23,824
Travel	76,299	752	77,051	2,264	240	2,504	79,555
Training & conferences	13,907	358	14,265	854	131	985	15,250
Website & internet	5,057	3,094	8,151	1,103	3,144	4,247	12,398
Total expenses	<u>\$ 2,131,858</u>	<u>\$ 74,716</u>	<u>\$ 2,206,574</u>	<u>\$ 319,589</u>	<u>\$ 22,822</u>	<u>\$ 342,411</u>	<u>\$ 2,548,985</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC HEALTH ADVOCATES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 110,697	\$ (310,333)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	7,620	8,562
Loss on disposition of fixed assets	-	2,214
Decrease (increase) in grants receivables	(271,438)	429,501
Decrease (increase) in other receivables	(356)	1,917
Decrease (increase) in prepaid expenses and deposits	13,585	7,518
Increase (decrease) in accounts payable	80,668	(58,117)
Increase (decrease) in accrued expenses	(11,168)	(1,517)
Increase (decrease) in deferred revenue	<u>2,256</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(68,136)</u>	<u>79,745</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>-</u>	<u>(28,867)</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>(28,867)</u>
Net increase (decrease) in cash	(68,136)	50,878
Cash and equivalents, beginning of year	<u>1,044,724</u>	<u>993,846</u>
Cash and equivalents, end of year	<u><u>\$ 976,588</u></u>	<u><u>\$ 1,044,724</u></u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE A – NATURE OF THE ORGANIZATION

Public Health Advocates (PHAdvocates) located in Davis, California raises public awareness about critical health and social justice issues and supports communities in establishing effective state and local health policies. Our work is guided by a vision of a California without racial and economic disparities, where physical, social, and economic conditions nurture the health and well-being of residents.

Brief descriptions of PHAdvocates programs are as follows:

Education: Through its Education program, PHAdvocates educates state and local policymakers and community leaders about underlying causes of health and social issues and public health strategies to help resolve them.

Research: Through its Research program, PHAdvocates conducts studies and publishes and disseminates findings that provide a public health lens to understanding health and economic disparities between different communities.

Lobbying: Through its Lobbying program, PHAdvocates uses unrestricted resources to influence state and local legislation related to its exempt purpose through grassroots organizing and direct contact with elected officials or their staff.

PHAdvocates is funded by an array of foundations, individual and organizational donors, and government grants. PHAdvocates uses only unrestricted, non-government funds to support its state and local lobbying activities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of PHAdvocates have been prepared on the accrual basis of accounting. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, PHAdvocates classifies their net assets and changes in net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions or the donor imposed restrictions have expired.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of PHAdvocates and/or the passage of time.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors. PHAdvocates had no permanently restricted net assets at December 31, 2017 and 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, management expects all such contributions to be collectable. Accordingly no allowance for uncollectable contributions has been established at December 31, 2017 and 2016.

Fixed Assets

Acquisitions of fixed assets in excess of \$2,500 are capitalized and stated at cost. Donated fixed assets are reported at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Indirect costs are allocated among programs and supporting services based on personnel, space, and other factors.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

Income Tax Status

PHAdvocates is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, PHAdvocates qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Management of PHAdvocates has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments and Credit Risk

PHAdvocates manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, PHAdvocates has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of our mission.

NOTE C – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are estimated to be collected as follows at December 31:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 1,048,714	\$ 968,664
In one to five years	<u>200,000</u>	<u>--</u>
	1,248,714	968,664
Less: discount to present value at 3%	<u>(8,612)</u>	<u>--</u>
Grants and contributions receivable, net	<u>\$ 1,240,102</u>	<u>\$ 968,664</u>

NOTE D – FIXED ASSETS

Fixed assets consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Office furniture & equipment	\$ 77,265	\$ 98,195
Less: accumulated depreciation	<u>(57,037)</u>	<u>(70,347)</u>
Total fixed assets	<u>\$ 20,228</u>	<u>\$ 27,848</u>

Depreciation expense was \$7,620 and \$8,562 for the years ended December 31, 2017 and 2016, respectively.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets representing unexpended contributions restricted for the following purposes or for the passage of time consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Kaiser HEAL	\$ 478,786	\$ 993,062
AHA Voices	131,016	258,544
The California Wellness Foundation	94,907	197,637
TCE Diabetes Prevention	43,370	100,000
TCE Boyle Heights	200,393	80,601
TCE Core	511,388	51,668
TCE Parks Bond	180,000	--
TCE Marijuana Arrests	130,000	--
TCE Soda	--	21,183
Other	<u>10,177</u>	<u>15,937</u>
Total temporarily restricted net assets	<u>\$ 1,780,037</u>	<u>\$ 1,718,632</u>

NOTE F – CONCENTRATIONS

Approximately 64% of total support and revenue for the year ended December 31, 2017 was provided by two funding sources. In addition, approximately 82% of grants and contributions receivable at December 31, 2017 were due from the same two grantors.

Approximately 84% of total support and revenue for the year ended December 31, 2016 was provided by four funding sources. In addition, approximately 62% of grants and contributions receivable at December 31, 2016 were due from the three of those grantors.

NOTE G – RETIREMENT PLAN

PHAdvocates has established a salary deferral plan under Internal Revenue Code 403(b) to help employees, who work at least half-time, accumulate money for their long-term financial needs. PHAdvocates makes an annual contribution to the plan equal to 5% of each eligible participant's compensation. Contributions to the plan were \$51,918 and \$54,884 for the years ended December 31, 2017 and 2016, respectively.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE H – DONATED SERVICES AND MATERIALS

PHAdvocates receives donated services from board members and others assisting the organization in leadership, committees and fundraising activities. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition.

NOTE I – COMMITMENTS

PHAdvocates leases office space and equipment under operating leases that expire in July 2018 and March 2020. Future minimum lease payments under those agreements are as follows for the years ended December 31:

2018	\$ 18,500
2019	1,778
2020	<u>445</u>
Total future minimum rental payments, net	<u>\$ 20,723</u>

Rental expense was \$83,696 and \$167,845 for the years ended December 31, 2017 and 2016, respectively.

NOTE J – CONTINGENCIES

PHAdvocates is primarily funded by government and foundation grants and is subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies, if any, cannot be determined at this time.

NOTE K – PRIOR PERIOD ADJUSTMENT

It was discovered during the year that a checking account used for employee flexible spending accounts should have been included in the audited financial statements. The resulting adjustment increased cash and equivalents, and unrestricted net assets by \$10,166 at December 31, 2016.

**PUBLIC HEALTH ADVOCATES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE L – SUBSEQUENT EVENTS

Management of PHAdvocates has reviewed the results of operations for the period of time from its year end December 31, 2017 through June 21, 2018, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.