

**PUBLIC HEALTH ADVOCATES**

Independent Auditor's Report  
and Financial Statements

Years Ended December 31, 2018 and 2017

**PUBLIC HEALTH ADVOCATES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report .....	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statement of Functional Expenses – 2018.....	5
Statement of Functional Expenses – 2017.....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-16



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Public Health Advocates  
Davis, CA

### **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, 2018 and 2017, 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, 2018 and 2017, 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  
July 1, 2019

**PUBLIC HEALTH ADVOCATES**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

<b>Assets</b>	2018	2017
Current assets:		
Cash and equivalents	\$ 1,605,901	\$ 976,588
Grants and contributions receivable, net	600,462	1,240,102
Other receivables	388	356
Prepaid expenses and deposits	50,338	39,515
Total current assets	2,257,089	2,256,561
Fixed assets, net	17,070	20,228
 Total assets	 \$ 2,274,159	 \$ 2,276,789
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 40,978	\$ 120,212
Accrued expenses	224,690	98,019
Deferred revenue	11,727	2,256
Total current liabilities	277,395	220,487
Net assets without donor restrictions:		
Designated for reserves	56,650	56,650
Undesignated	250,415	219,615
Total net assets without donor restrictions	307,065	276,265
Net assets with donor restrictions	1,689,699	1,780,037
Total net assets	1,996,764	2,056,302
 Total liabilities and net assets	 \$ 2,274,159	 \$ 2,276,789

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

**PUBLIC HEALTH ADVOCATES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b><u>Net assets without donor restrictions</u></b>		
Revenues, gains, and other support:		
Federal grants	\$ 379,782	\$ 466,943
Foundation and nonprofit grants	138,960	-
State and local government grants	35,076	12,273
Contributions	21,518	20,766
In-kind contributions	72,463	75,537
Conference revenue, net	21,171	33,908
Program service revenue	3,658	57,385
Interest income	4,314	693
Other income	1,364	6,290
Net assets released from restrictions	1,591,204	1,727,689
Total unrestricted revenues, gains, and other support	2,269,510	2,401,484
Expenses:		
Program services:		
Education	1,813,368	1,970,817
Lobbying	52,403	74,505
Total program services	1,865,771	2,045,322
Supporting services:		
General and administrative	314,456	270,099
Fundraising	58,483	36,771
Total supporting services	372,939	306,870
Total expenses	2,238,710	2,352,192
Change in net assets without donor restrictions	30,800	49,292
<b><u>Net assets with donor restrictions</u></b>		
Foundation grants	1,464,366	1,751,069
Contributions	36,500	38,025
Net assets released from restrictions	(1,591,204)	(1,727,689)
Change in net assets with donor restrictions	(90,338)	61,405
Change in net assets	(59,538)	110,697
Net assets, beginning of year	2,056,302	1,945,605
Net assets, end of year	\$ 1,996,764	\$ 2,056,302

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

**PUBLIC HEALTH ADVOCATES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services			Supporting Services			2018 Total
	Education and Research	Lobbying	Total	General and Administrative	Fundraising	Total	
Salaries & wages	\$ 812,839	\$ 7,669	\$ 820,508	\$ 177,876	\$ 10,383	\$ 188,259	\$ 1,008,767
Payroll taxes	66,948	837	67,785	15,063	837	15,900	83,685
Employee benefits	180,815	2,261	183,076	40,681	2,261	42,942	226,018
Subtotal personnel	1,060,602	10,767	1,071,369	233,620	13,481	247,101	1,318,470
Bank fees	-	-	-	30	469	499	499
Depreciation	5,020	62	5,082	1,131	63	1,194	6,276
Dues & subscriptions	2,078	55	2,133	19,858	301	20,159	22,292
Incentives & stipends	14,621	-	14,621	-	-	-	14,621
Insurance	-	-	-	10,797	-	10,797	10,797
In-kind expenses	72,218	-	72,218	-	-	-	72,218
Miscellaneous	5,500	-	5,500	459	-	459	5,959
Occupancy	85,690	1,151	86,841	10,131	576	10,707	97,548
Printing & postage	9,322	23	9,345	1,809	39	1,848	11,193
Professional fees	12,835	195	13,030	17,367	97	17,464	30,494
Program expenses	5,538	-	5,538	-	-	-	5,538
Program partners	311,308	35,021	346,329	3,349	39,532	42,881	389,210
Public relations	51,175	-	51,175	-	-	-	51,175
Supplies	22,534	138	22,672	1,861	89	1,950	24,622
Telephone	14,374	230	14,604	1,954	115	2,069	16,673
Training & conferences	43,464	69	43,533	5,109	187	5,296	48,829
Travel	88,715	1,484	90,199	5,468	399	5,867	96,066
Website & internet	8,374	3,208	11,582	1,513	3,135	4,648	16,230
Total expenses	<u>\$ 1,813,368</u>	<u>\$ 52,403</u>	<u>\$ 1,865,771</u>	<u>\$ 314,456</u>	<u>\$ 58,483</u>	<u>\$ 372,939</u>	<u>\$ 2,238,710</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 Total
	Education and Research	Lobbying	Total	General and Administrative	Fundraising	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 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	11,332	226	11,558	17,110	390	17,500	29,058
Program expenses	3,435	-	3,435	-	-	-	3,435
Program partners	416,775	45,000	461,775	-	12,869	12,869	474,644
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
Training & conferences	22,771	767	23,538	1,231	4	1,235	24,773
Travel	89,545	4,475	94,020	4,137	188	4,325	98,345
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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash flows from operating activities:		
Grants and contributions received	\$ 2,715,842	\$ 2,019,894
Other cash receipts	117,395	166,767
Payments for personnel and related expenses	(1,303,323)	(1,396,513)
Payments to vendors	(897,483)	(858,284)
Net cash provided by (used in) operating activities	632,431	(68,136)
Cash flows from investing activities:		
Purchase of fixed assets	(3,118)	-
Net cash provided by (used in) investing activities	(3,118)	-
Net increase (decrease) in cash	629,313	(68,136)
Cash and equivalents, beginning of year	976,588	1,044,724
Cash and equivalents, end of year	\$ 1,605,901	\$ 976,588

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

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 – NATURE OF THE ORGANIZATION**

Public Health Advocates (PHAdvocates, we, us, our), 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 our programs are as follows:

Education: Through our Education program, we educate state and local policymakers and community leaders about underlying causes of health disparities and public health strategies to help resolve them.

Research: Through our Research program, we conduct studies and publish and disseminate findings that provide a public health lens to understanding health and economic disparities.

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

We are funded by an array of foundations, individual and organizational donors, and government grants. We use only unrestricted, non-government funds to support our state and local lobbying activities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, we classify our net assets and changes in net assets as follows:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed stipulations that may or will be met either by our actions and/or the passage of time – OR – net assets to be held in perpetuity as directed by donors, whereas the income from the contributions is available to support activities as designated by donors.

**PUBLIC HEALTH ADVOCATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions restricted by a donor are reported as increases in net assets without donor restrictions, if restrictions are met (either by passage of time or by use) in the reporting period in which the contributions are recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions 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. Grants and 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, we expect all such contributions to be collectible. Accordingly, an allowance for uncollectible contributions has not been established as of December 31, 2018 or December 31, 2017.

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.

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.

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Income Tax Status

We are 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, we qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as an organization that is not a private foundation under Section 509(a)(1).

We have processes presently in place to ensure maintenance of our tax exempt statuses; to identify and report unrelated business income; to determine the filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated the tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from these estimates under different assumptions or conditions.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from funding sources supportive of our mission.

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. Any reclassifications made have had no impact on previously reported net assets.

Adoption of New Accounting Standards

We have adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, modifying ASC 958. The change has been applied as of December 31, 2018 with no effect on beginning net assets.

We have also adopted ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. It provides assistance to not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 1,605,901	\$ 976,588
Contributions receivable, net	<u>600,462</u>	<u>1,240,102</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,206,363</u>	<u>\$ 2,216,690</u>

We maintain a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments.

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

	<u>2018</u>	<u>2017</u>
Within one year	\$ 609,074	\$ 1,048,714
In one to five years	<u>        --</u>	<u>      200,000</u>
	609,074	1,248,714
Less: discount to present value at 3%	<u>      (8,612)</u>	<u>      (8,612)</u>
Grants and contributions receivable, net	<u>\$ 600,462</u>	<u>\$ 1,240,102</u>

**NOTE 5 – FIXED ASSETS**

Fixed assets consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 80,382	\$ 77,265
Less: accumulated depreciation	<u>      (63,312)</u>	<u>      (57,037)</u>
Total fixed assets	<u>\$ 17,070</u>	<u>\$ 20,228</u>

Depreciation expense was \$6,276 and \$7,620 for the years ended December 31, 2018 and 2017, respectively.

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Education		
Healthy Eating Active Living Cities Campaign	\$ 918,166	\$ 884,708
Cannabis Tax Equity Campaign	209,997	--
Community Organizing Campaigns	172,395	210,571
Diabetes Prevention and Awareness Campaign	35,535	43,370
Research		
Cannabis Tax Equity Campaign	<u>27,218</u>	<u>130,000</u>
	1,363,311	1,268,649
Subject to the passage of time	<u>326,388</u>	<u>511,388</u>
Total net assets with donor restrictions	<u>\$ 1,689,699</u>	<u>\$ 1,780,037</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 185,000	\$ 131,668
Satisfaction of purpose restrictions:		
Education		
Healthy Eating Active Living Cities Campaign	892,109	979,534
Cannabis Tax Equity Campaign	150,003	110,000
Community Organizing Campaigns	145,975	183,893
Diabetes Prevention and Awareness Campaign	115,335	101,630
Healthy Beverage Campaign	--	220,964
Research		
Cannabis Tax Equity Campaign	<u>102,782</u>	<u>--</u>
Total assets released from donor restrictions	<u>\$ 1,591,204</u>	<u>\$ 1,727,689</u>

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 – CONCENTRATIONS**

For the year ended December 31, 2018, approximately 62% of our total support and revenue was provided by three funding sources. In addition, approximately 78% of grants and contributions receivable as of December 31, 2018 were due from two of those grantors.

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

**NOTE 8 – RETIREMENT PLAN**

We have an established 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 \$52,792 and \$51,918 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 9 – DONATED SERVICES AND GOODS**

We received donated services and materials that are included in the accompanying financial statements with an estimated value as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Public relations services	\$ 72,219	\$ 73,531
Other services	244	1,878
Materials	<u>          --</u>	<u>          128</u>
Total	<u>\$ 72,463</u>	<u>\$ 75,537</u>

We also received donated services from a variety of unpaid volunteers assisting in leadership, committees, fundraising activities and program services. The value of that donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution under accounting standards generally accepted in the United States of America.



**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 10 – FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits – all of which are allocated on the basis of employee’s estimated time and effort.

**NOTE 11 – COMMITMENTS**

We lease equipment under an operating lease that expires in March 2020. Future minimum lease payments under this agreement are as follows for the years ended December 31:

2019	\$ 1,778
2020	<u>445</u>
Total future minimum rental payments, net	<u>\$ 2,223</u>

Rental expense, including office rent for leases with a term of less than one year, was \$69,284 and \$83,696 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 12 – CONTINGENCIES**

We have been awarded certain grants and contracts and are subject to financial and compliance requirements of those grantors or their representatives. The amount of expense which may be disallowed by the granting agencies cannot be determined at this time although we do not expect such amounts, if any, to materially affect the financial statements.

Our 403(b) Retirement Plan (Plan) was established, as of July 1, 2003. The Internal Revenue Service (IRS) required that all 403(b) plans adopt a written plan document by December 31, 2009. It has been discovered that we did not adopt a signed Plan document in 2009. Additionally, because we did not adopt a signed plan document, the Plan did not specifically exclude employees who work less than 20 hours per week, which is how we have operated since the Plan’s establishment and what has been clearly communicated to all employees in the Organization’s Employee Handbook. We have consulted legal counsel who has advised the Organization to correct the operational failure under the IRS Voluntary Correction Program (VCP). We are in the process of submitting our Plan in VCP to the IRS and requesting permission from the IRS to amend the Plan retroactively to January 1, 2009 to exclude employees who work less than 20 hours from plan participation. If the IRS does not approve this correction, they may require that employees be included in the Plan retroactively back to 2009. The estimated potential liability to include part time employees back to 2009 is \$25,000.

**PUBLIC HEALTH ADVOCATES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 – SUBSEQUENT EVENTS**

In February 2019, we were awarded All Children Thrive – California Contract from Community Partners. This reimbursable contract is funded by the California Department of Public Health. The contract amount is \$5.526 million and the contract term is January 2019 through June 2021. This Contract provides for an initiative designed to prevent adverse childhood experiences, counter their effects, promote healing, and foster individual and community resilience to give all California children the opportunity to thrive. This initiative will establish and evaluate strategies designed to help low-income California cities and counties support residents who have experienced trauma, with approaches that are compassionate and culturally appropriate. Dr. Flojaune Cofer, Sr. Director of Policy, will be leading this initiative, with six full time equivalent staff. Along with Community Partners and the California Department of Public Health, we will be partnering with The University of California, Los Angeles Center for Healthier Children, Families and Communities on this initiative. Additionally, nearly 40% of the contract amount is budgeted to be distributed to partner organizations and subcontractors.

We have reviewed the results of operations for the period of time from our year end, December 31, 2018, through July 1, 2019, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any other subsequent events occurred, the nature of which would require disclosure.