PolicyLink

and

PolicyLink
Equity Action Network

Consolidated Financial Statements

December 31, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PolicyLink and PolicyLink Equity Action Network
Oakland, California

Opinion

We have audited the accompanying consolidated financial statements of PolicyLink and PolicyLink Equity Action Network (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PolicyLink and PolicyLink Equity Action Network as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 PolicyLink and PolicyLink Equity Action Network 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Organization adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited PolicyLink and PolicyLink Equity Action Network's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PolicyLink and PolicyLink Equity Action Network's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 PolicyLink and PolicyLink Equity Action Network'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PolicyLink and PolicyLink Equity Action Network'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.

Armanino LLP

Armanino LLP
San Francisco, California

May 24, 2023

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 16,157,633	$ 19,908,361
Investments	71,560,296	65,134,487
Contributions and grants receivable, net	16,261,436	27,138,444
Accounts receivable	325,328	133,757
Prepaid expenses	830,094	189,359
Other assets	100,835	7,392
Operating lease right-of-use assets	3,662,203	-
Property and equipment, net	2,142,506	1,117,397
Total assets	$ 111,040,331	$ 113,629,197
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 3,440,975	$ 1,685,452
Deferred rent	-	379,694
Deferred revenue	75,000	-
Other liabilities	-	150,000
Other accrued expenses	7,541,310	7,460,040
Operating lease liability	3,945,106	-
Total liabilities	15,002,391	9,675,186
Net assets		
Without donor restrictions		
Undesignated	27,331,919	15,453,827
Board-designated - CEO Fund	19,396,000	22,203,000
Board-designated - other funds	10,309,819	9,309,819
Total without donor restrictions	57,037,738	46,966,646
With donor restrictions	39,000,202	56,987,365
Total net assets	96,037,940	103,954,011
Total liabilities and net assets	$ 111,040,331	$ 113,629,197

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

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and revenues				
Grants and contributions	$ 11,171,454	$ 31,604,845	$ 42,776,299	$ 80,354,048
Program service fees	2,957,689	-	2,957,689	1,525,042
Investment (loss) income, net	(237,566)	-	(237,566)	246,155
Other revenue	-	-	-	1,315,045
Losses on disposal of assets	(2,252)	-	(2,252)	-
Net assets released from restrictions	49,592,008	(49,592,008)	-	-
Total support and revenues	63,481,333	(17,987,163)	45,494,170	83,440,290
Functional expenses				
Program services				
Equitable Economy	9,282,286	-	9,282,286	5,858,129
Healthy Communities of Opportunity	7,829,136	-	7,829,136	10,293,791
Just Society	5,791,185	-	5,791,185	3,987,821
Other programs	19,771,763	-	19,771,763	18,893,382
Total program services	42,674,370	-	42,674,370	39,033,123
Support services				
Management and general	9,395,396	-	9,395,396	3,283,264
Fundraising	1,340,475	-	1,340,475	1,106,520
Total support services	10,735,871	-	10,735,871	4,389,784
Total functional expenses	53,410,241	-	53,410,241	43,422,907
Change in net assets	10,071,092	(17,987,163)	(7,916,071)	40,017,383
Net assets, beginning of year	46,966,646	56,987,365	103,954,011	63,936,628
Net assets, end of year	$ 57,037,738	$ 39,000,202	$ 96,037,940	$103,954,011

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

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Equitable Economy	Healthy Communities of Opportunity	Just Society	Other Programs	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries and wages	$ 2,234,071	$ 2,140,322	$ 1,003,192	$ 3,402,024	$ 8,779,609	$ 1,709,159	$ 902,589	$ 11,391,357	$ 11,416,651
Other employee benefits	278,510	257,907	133,073	465,114	1,134,604	211,781	66,407	1,412,792	1,410,266
Payroll taxes	151,179	144,835	67,885	230,214	594,113	115,661	61,078	770,852	807,164
Retirement contributions	143,537	137,513	64,454	218,577	564,081	109,814	57,990	731,885	463,426
Grants and assistance to others	950,674	2,655,205	2,998,204	10,604,186	17,208,269	-	-	17,208,269	16,707,111
Professional services	4,996,105	1,941,711	977,316	3,977,240	11,892,372	1,178,688	135,968	13,207,028	10,335,481
Uncollectible receivables	-	-	-	-	-	5,079,320	-	5,079,320	-
Travel, meals, conferences, and meetings	197,262	241,307	373,879	229,181	1,041,629	332,289	39,392	1,413,310	450,580
Occupancy	200,068	184,513	93,788	323,006	801,375	168,268	47,565	1,017,208	957,414
Information technology	54,070	49,023	32,570	143,706	279,369	241,275	15,577	536,221	534,695
Office expenses	38,498	43,044	25,024	81,574	188,140	95,111	9,168	292,419	114,430
Insurance	-	-	-	-	-	110,254	-	110,254	98,761
Advertising and promotion	18,313	15,295	11,732	53,163	98,503	4,887	-	103,390	6,353
Telecommunications	16,177	14,931	8,274	37,631	77,013	10,695	3,835	91,543	5,886
Equipment rental and maintenance	848	783	398	1,366	3,395	12,191	201	15,787	35,590
Depreciation	2,974	2,747	1,396	4,781	11,898	1,969	705	14,572	24,402
Bank fees	-	-	-	-	-	14,034	-	14,034	6,499
Miscellaneous	-	-	-	-	-	-	-	-	48,198
	$ 9,282,286	$ 7,829,136	$ 5,791,185	$ 19,771,763	$ 42,674,370	$ 9,395,396	$ 1,340,475	$ 53,410,241	$ 43,422,907

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

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (7,916,071)	$ 40,017,383
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,572	24,402
Losses on disposal of assets	2,252	29,761
Net realized and unrealized losses (gains) on investments	699,797	(12,834)
Forgiveness of Paycheck Protection Program loan	-	(1,314,144)
Amortization of operating lease right-of-use assets	831,577	-
Changes in operating assets and liabilities		
Contributions and grants receivable, net	10,877,008	(17,358,444)
Accounts receivable	(191,571)	21,786
Prepaid expenses	(640,735)	(5,556)
Other assets	(93,443)	7,889
Accounts payable	1,755,523	1,191,718
Deferred rent	(379,694)	278,732
Deferred revenue	75,000	(125,600)
Other liabilities	(150,000)	-
Other accrued expenses	81,270	6,043,982
Operating lease liability	(548,674)	-
Net cash provided by operating activities	4,416,811	28,799,075
Cash flows from investing activities		
Purchases of property and equipment	(1,041,933)	(1,061,185)
Purchases of investments	(112,533,981)	(41,147,593)
Proceeds from sale of investments	105,408,375	8,506,499
Net cash used in investing activities	(8,167,539)	(33,702,279)
Net decrease in cash and cash equivalents	(3,750,728)	(4,903,204)
Cash and cash equivalents, beginning of year	19,908,361	24,811,565
Cash and cash equivalents, end of year	$ 16,157,633	$ 19,908,361

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use assets obtained in exchange for lease liability	$ 4,493,780	$ -

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

1. NATURE OF OPERATIONS

Organization

PolicyLink, founded in 1999, is a California nonprofit public benefit corporation organized under Section 501(c)(3) of the Internal Revenue Code. PolicyLink is a national research and action institute advancing racial and economic equity by Lifting Up What Works®. PolicyLink advocates for groundbreaking policy and practice changes that enable everyone, especially people of color, to be economically secure, live in healthy communities of opportunity, and benefit from a just society. PolicyLink accomplishes this by leveraging a results framework focused on providing pathways to opportunity for the 100 million people in America living in or near poverty so that they can achieve economic security, live in or connect to communities of opportunity, and actively participate in civic and democratic processes. PolicyLink is guided by the belief that the solutions to the nation's challenges lie with those closest to these challenges: when the wisdom, voice, and experience of those traditionally absent from policymaking drive the process, profound policy transformations emerge. PolicyLink receives funding from individuals, other charitable organizations, and foundations.

PolicyLink Equity Action Network (the "Network"), founded in 2015, is a California nonprofit public benefit corporation organized under section 501(c)(4) of the Internal Revenue Code. The Network was formed to advance racial equity and social justice initiatives at local, state, and federal levels of government.

Nature of activities

PolicyLink's programs focus in four complementary areas of work. Through these initiatives, PolicyLink advances policies that enable everyone to participate in an equitable economy, live in a community of opportunity, and thrive in a just society.

The following programs and supporting services are included in the accompanying consolidated financial statements:

Healthy Communities of Opportunity - This portfolio is dedicated to creating and maintaining opportunity-rich communities in all neighborhoods and all regions of the country through strong networks and social capital, equitable development, and infrastructure investments that enable low-income people and communities of color to thrive. Work in this area includes advancing housing justice, advocating for equitable infrastructure investments, cultivating inclusive social enterprises in an equitable food system, pushing for water justice and climate resilience, and supporting cradle-to-career policies and practices. This program includes such projects as Anti-Displacement Policy Network; Affirmatively Furthering Fair Housing; Water Equity and Climate Resilience Caucus; Cradle-to-Career Advocacy; Building and Sustaining Healthy Communities; Healthy Food Procurement; Health Equity Fellowship for Systems Change Leaders; Community Development Investment Initiative; and Arts, Culture, and Equitable Development Initiative.

1. NATURE OF OPERATIONS (continued)

Nature of activities (continued)

Just Society - This portfolio is dedicated to building power and expanding agency to ensure that all systems and institutions are just, free of racial bias, and lead to a vibrant democracy where all, especially the most vulnerable, can participate and prosper. To do so, PolicyLink provides representation, analysis, and strategies to community-based coalitions working toward equity in economic development and criminal justice. This includes advancing policies related to inequitable fines, police accountability and alternatives, and the needs of boys and men of color. Specific projects include People's Coalition for Safety and Freedom; Community Safety and Justice, Fines and Fees, and Public Safety Metrics.

Equitable Economy - This portfolio is dedicated to promote economic inclusion and ownership to eliminate poverty, shrink inequality, and increase mobility, This program includes All-in-Cities, National Equity Atlas, Bay Area Equity Atlas, the Federal Job Guarantee, Racial Wealth Gap, Corporate Racial Equity Index and Financial Security and is a body of work driven by data and demographic analysis that is applied to the development of policy proposals and strategy development to secure opportunity for all, including people in low income communities and communities of color. These programs are designed to further the development of an equitable economy: one in which working-class people and people of color have good jobs, economic security, rising standards of living, and increased voice, power, and ownership.

Other Programs - Central to its mission, PolicyLink seeks to expand the thinking, reach, and power of local partners by creating more fertile ground for action through framing national debates and policy advocacy. This portfolio is dedicated to supporting and growing the equity movement and building new alliances and partnerships across the PolicyLink program areas that empower advocates to win on equity. PolicyLink's flagship initiative is the Equity Summit, which is held approximately every three years and assembles over 4,000 leaders to design and chart the course of the equity movement. This program area also includes fiscal sponsorships of projects aligned with PolicyLink's mission including Alliance for Boys and Men of Color, Black Ambition, the Convergence Partnership, Liberation in a Generation, and Liberation Ventures. During 2022 PolicyLink entered into agreements to transfer Alliance for Boys and Men of Color, Black Ambition, and the Convergence Partnership projects to new fiscal sponsors (see Note 7). Additional projects include the following: the Office of the Founder in Residence, Race Equity and Inclusion consultancies, and strategic communications initiatives.

Management and General - Includes the functions necessary to: support programs, ensure a supportive working environment, provide coordination of organizational strategy, properly implement the directives of the Board of Directors (the "Board"), and manage the financial and budgetary responsibilities of PolicyLink.

Fundraising - Provides the structure necessary to encourage and secure financial support for the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of PolicyLink and PolicyLink Equity Action Network (collectively, the "Organization"). All intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting and financial statement presentation

The accompanying consolidated financial statement have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Organization reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - represent resources which have not been specifically restricted by a donor. Net assets without donor restrictions may be designated for specific purposes by the Organization, such as board-designated net assets, or may be limited by contractual agreements with outside parties.
- *Net assets with donor restrictions* - represent contributions and grants whose use is limited by donor- imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and those net assets to be held in perpetuity. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, an initial lease liability of $4,815,035, which represents the present value of the remaining operating lease payments of $5,011,656 discounted using risk free rates ranging from 1.04% to 1.55%, and a right-of-use asset of $4,493,780, which represents the operating lease liability of $4,815,035 adjusted for accrued rent and other deferred costs of $321,255.

The standard had a material impact on the Organization's consolidated statement of financial position as of December 31, 2022, but did not have a material impact on the Organization's consolidated statement of activities, nor consolidated statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the consolidated statement of financial position as of December 31, 2022.

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Organization adopted ASU 2020-07 with a date of the initial application of January 1, 2022. The adoption of ASU 2020-07 did not have a significant impact on the Organization's consolidated financial position, results of operations, or cash flows.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with original maturities of three months or less, donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at time, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Short-term investments and marketable securities include mutual funds, exchange traded stocks and investment grade government bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investment securities are exposed to various risks such as changes in interest rates or credit and market fluctuations. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

SAFE Agreements

The Organization, as fiscal sponsor for Black Ambition, invested in Simple Agreements for Future Equity ("SAFE") with person-of-color led start-up organizations during 2021 and 2022. The SAFEs provide the Organization with the right to receive equity in the investee entities upon certain triggering events. The events, as defined by the SAFEs include Equity Financing, Liquidity Event, Dissolution Event, and Termination. The investments under SAFEs amounted to $1,335,000 as of December 31, 2022.

Fair value measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. The Organization has characterized the fair value of its assets, based on the priority of the inputs used to value the assets, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset.

Assets recorded in the consolidated statement of financial position are categorized based on the inputs to valuation techniques as follows:

- *Level 1* - Values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to assess.
- *Level 2* - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investment.
- *Level 3* - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments. The fair values of the SAFE investments are based upon the amounts invested at the date of the signed SAFEs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Contracts receivable consists of amounts due from entities under fee-for-service agreements. Management believes these amounts to be fully collectible as of December 31, 2022 and, therefore, has provided no allowance for doubtful accounts. In determining the adequacy of the allowance, management identifies specific receivables for which collection is not certain and estimates the potentially uncollectible amount based on the most recently available information. Management writes off receivables when it deems them to be uncollectible.

Property and equipment

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 8 years
Furniture and fixtures	3 - 7 years

Leases

The Organization leases office space and equipment under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the consolidated statement of financial position. The Organization does not have any finance leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization does not have any short-term leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program service fees revenue

The Organization recognizes program service fees revenue as earned when it renders specific services and completes certain deliverables in accordance with an agreement under which it performs services for another party in return for valuable consideration. The Organization recognizes program service fee revenue as net assets without donor restrictions when it earns such revenue.

Certain agreements provide for the counterparty to make an initial payment to PolicyLink, in advance, to fund the Organization's performance of services contemplated under those agreements. PolicyLink accounts for such advances as deferred revenue until it has rendered the related services, at which point it recognizes the liability as program service fee revenue.

Grants and contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At December 31, 2022, the Organization has approximately $42,500,000 of conditional contributions that have been committed, but not yet recognized because the conditions have not been met.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions have been met in the current year. If the restriction has not been met by year end, the amount is reported as an increase in net assets with donor restrictions. When the restriction is met, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions. Contributions to be received after fiscal year-end are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. At December 31, 2022, there was no allowance for uncollectible contributions as management considered all balances fully collectible.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue within the net asset class without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenue within the net asset class with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2022 totaled $103,390.

Income tax

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 Sections 501(c)(3) and 501(c)(4) and the California Revenue and Taxation Code Sections 23701(d) and 23701(f). The Organization has evaluated its current tax positions as of December 31, 2022 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional classification of expenses

The Organization allocates all direct expense attributable to individual functions relating to program and supporting services. The Organization allocates expenses - including, but not limited to salaries and benefits, travel, fees for services, occupancy costs, and depreciation - that benefits more than one function (one or more program services, general and administrative, or fundraising) to those functions on the basis of time estimates, full-time employee equivalents, and other criteria.

Reclassifications

Certain amounts presented in the 2021 financial statement have been reclassified to conform to the current year presentation. Such reclassifications had no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows from the amount previously presented.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying consolidated financial statements as contributions and grants receivable and revenue in the appropriate net asset category.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE (continued)

Contributions and grants receivable, net consisted of the following:

Receivables due in less than one year	$ 12,323,798
Receivables due in two to five years	4,179,116
	16,502,914
Less discounts to present value	(241,478)
	$ 16,261,436

During 2022, approximately $5.05 million of grants and contributions receivables were determined to be uncollectible with $5 million of that amount related to the transition of Black Ambition from a fiscal sponsorship project to a new independent entity (see Note 7).

4. INVESTMENTS AND FAIR VALUE

Investments consisted of the following at December 31, 2022:

U.S. Treasury Bills	$ 64,645,104
Mutual Funds	3,885,941
Exchange Traded Stocks	1,694,251
SAFEs	1,335,000
	$ 71,560,296

Net investment income (loss) consisted of the following for the year ended December 31, 2022:

Interest	$ 303,192
Dividends and other distributions	191,162
Unrealized loss	(699,797)
Investment fees	(32,123)
	$ (237,566)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury Bills	$ -	$ 64,645,104	$ -	$ 64,645,104
Mutual Funds	3,885,942	-	-	3,885,942
Exchange Traded Stocks	1,694,250	-	-	1,694,250
SAFEs	-	-	1,335,000	1,335,000
	$ 5,580,192	$ 64,645,104	$ 1,335,000	$ 71,560,296

4. INVESTMENTS AND FAIR VALUE (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended December 31, 2022:

Balance, beginning of year	$ 1,260,000
Investments made in SAFEs	75,000
Balance, end of year	$ 1,335,000

5. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Construction in progress	$ 1,961,017
Office equipment	208,889
Leasehold improvements	48,706
	2,218,612
Accumulated depreciation	(76,106)
	$ 2,142,506

6. PAYCHECK PROTECTION PROGRAM LOAN

On April 15 2020, the Organization received a loan in the amount of $1,314,144 under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan accrues interest at a rate of 1% and has an original maturity date of April 15, 2022. Under the terms of the loan agreement, payments were deferred during the first six months after the loan was funded (the "Deferral Period"). Monthly payment of principal and interest were to commence at the end of the Deferral Period and continue through the maturity date. Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds were only to be used for the Organization's eligible payroll costs, or other eligible costs, in each case paid during the 24-week period following disbursement. The principal amount of the PPP loan is subject to forgiveness upon the Organization's request to the extent that the loan proceeds are used to pay expenses permitted by the PPP.

The Organization accounts for the PPP under the provisions of Accounting Standards Codification (ASC) Topic 470, *Debt*, in which any forgiveness of the loan would result in a gain or extinguishment during the period in which the Organization is legally released from the obligation of the debt. On August 2, 2021, the Organization received notification of full forgiveness of the PPP loan balance and recognized other revenue of $1,314,144 related to the loan forgiveness.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Equitable Economy	$ 4,221,292
Healthy Communities of Opportunity	11,543,233
Just Society	1,431,368
Other programs	786,742
Fiscal sponsees	4,710,758
General support - time restricted	16,306,809
	$ 39,000,202

Net assets with donor restrictions released from restriction during the year were as follows:

Equitable Economy	$ 8,532,341
Healthy Communities of Opportunity	4,340,203
Just Society	3,068,457
Other programs	2,306,065
Fiscal sponsees	23,423,478
General support - time restricted	7,921,464
	$ 49,592,008

The Organization entered into fiscal sponsorship agreements to serve as the fiscal sponsor for various projects related to the Organization's mission. During 2022, the Organization completed separation agreements with two of those projects, Alliance for Boys and Men of Color ("ABMoC") and the Convergence Partnership. ABMoC and the Convergence Partnership transitioned to new fiscal sponsors, Sierra Health Foundation Center for Health Program management and NEO Philanthropy, Inc., respectively. Net assets for each project were transferred to their new fiscal sponsors in 2022. The Organization also entered into a separation agreement with the Black Ambition project during 2022 that is anticipated to be complete in 2023. As part of that agreement, net assets related to the Black Ambition project will be transferred to Black Ambition Opportunity, Inc. ("BAOI"), an independent corporate not-for-profit that was formed and received tax-exempt status in 2022. During 2022, all net assets related to the Black Ambition project were transferred to BAOI less $1,428,615 payable in 2023, $50,000 in holdback cash to cover additional expenses incurred by the Organization related the transition, and $1,335,000 in SAFEs to be transferred to the new entity upon the signing of a SAFE transfer agreement by both parties. Prior to 2022, revenue totaling $5 million was recognized by the Organization for unconditional promises to give for the Black Ambition project that were payable in various installments after 2021. Since those installments were due after the Organization was no longer the fiscal sponsor of the Black Ambition project, the related receivables were deemed uncollectible and reported as uncollectible receivables during 2022.

8. BOARD-DESIGNATED FUNDS

The Board established the Reserve Fund, Growth Fund, and CEO Fund to ensure the stability of the mission, programs, personnel, and ongoing operations of the Organization and to provide sources of internal funds for capacity building.

The Reserve Fund is intended for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Management replenishes any Reserve Fund assets it uses within a reasonably short period of time as the Board, at its sole discretion, may determine. The Reserve Fund is board-designated. The Board may, from time to time, direct management to set aside a specific source of operating revenue to augment the Reserve Fund and has authorized certain members of management to use Reserve Fund assets so long as such use is consistent with the purpose of the Reserve Fund. The Board must approve the use of Reserve Fund assets in any amount over $300,000 and requires management to report to the Board all uses of Reserve Fund assets. Management's report to the Board must include specific plans to replenish the Reserve Fund to its balance prior to all such uses. The Reserve Fund is intended to operate in perpetuity.

The Growth Fund is a board-designated fund intended for capacity building including, but not limited to, activities such as staff development, program research and development, and investment in infrastructure. The Board has determined that the Chief Executive Officer has sole discretion over the use of the Growth Fund and has, furthermore, directed the Chief Executive Officer to report to the Board the uses of the Growth Fund and any impact thereof. At present, management anticipates it will have spent down the Growth Fund in its entirety by the Organization's fiscal year ending December 31, 2023.

The CEO Fund is a board-designated fund intended for large-scale investments in the racial equity movement, both internally and in partner organizations. The Board has determined that the Chief Executive Officer, in consultation with the Chief Operating Officer and Chief Financial Officer, has discretion over the use of the CEO Fund and has, furthermore, directed the Chief Executive Officer to report to the Board the uses of the CEO Fund and any impact thereof. At present, management anticipates replenishing the CEO Fund to its current level and that the CEO Fund will operate in perpetuity.

As of December 31, 2022, the balance of the Reserve Fund was $8,000,000 and the balance of the Growth Fund was $2,309,819. The Organization has invested these funds in U.S. Treasury Bills and Bonds secured by the full faith and credit of the United States of America. The spending on these funds are included on the consolidated statement of activities as program and supporting services expense.

8. BOARD-DESIGNATED FUNDS (continued)

Activity in the Growth Fund, Reserve Fund and CEO Fund consisted of the following:

	Growth Fund	Reserve Fund	CEO Fund	Total
Balance at January 1, 2022	$ 2,709,819	$ 6,600,000	$ 22,203,000	$ 31,512,819
Spending	(400,000)	-	(3,807,000)	(4,207,000)
Funding	-	1,400,000	1,000,000	2,400,000
Balance at December 31, 2022	$ 2,309,819	$ 8,000,000	$ 19,396,000	$ 29,705,819

9. LEASES

The Organization leases office space and equipment for locations in California and New York under operating leases. The leases require monthly payments ranging from approximately $300 to $58,000, with escalating rent payments and expiring at various dates through 2027.

Additional information related to leases is as follows:

Operating lease cost	$ 917,113
Operating cash flows from operating leases	$ 934,297
ROU assets obtained in exchange for lease obligations	$ 4,493,780
Weighted average remaining lease term	4.20 years
Weighted average discount rate	1.49 %

Future minimum lease payments under non-cancelable operating leases are as follows:

Year ending December 31,	
2023	$ 968,387
2024	995,842
2025	773,966
2026	797,184
2027	541,980
	4,077,359
Less: imputed interest	(132,253)
	$ 3,945,106

10. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available. Contributions and grants receivable that are considered current will be collected from donors within one year.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash, cash equivalents and designated cash	$ 16,157,633
Investments	71,560,296
Contributions and grants receivable	16,261,436
Accounts receivable	325,328
	104,304,693
Less amounts unavailable for general expenditures within one year, due to:	
Purpose and time restricted projects	(39,000,202)
Board designated for Reserve Fund	(8,000,000)
Board designated for Growth Fund	(2,309,819)
Board designated for CEO Fund	(19,396,000)
	(68,706,021)
	$ 35,598,672

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in United States Treasury securities, money market funds, mutual funds, and exchange traded stock. In addition, the Organization is able to utilize the Growth Fund, CEO Fund, and Reserve Fund as deemed necessary to help the Organization grow should it need available capital.

11. RETIREMENT PLAN

PolicyLink has a contributory 401(k) plan for all eligible employees. Contributions are based on 4% of each eligible participant's compensation for the plan year, regardless of whether the participant made 401(k) contributions. In addition, PolicyLink matches the eligible participant's contributions up to 2% of their compensation. Retirement plan expense for the year ended December 31, 2022 amounted to $731,885.

12. CONCENTRATIONS

The Organization receives a significant portion of its revenues from external donors. Accordingly, the Organization's financial condition is dependent to some extent on the economic state of the region and the philanthropic community in general.

12. CONCENTRATIONS (continued)

Contributions and grants receivable due from two donors comprise approximately 50% of the total contributions and grants receivable as of December 31, 2022. Grants from three donors comprise approximately 42% of total grants and contributions from foundations, corporations, and individuals for the year ended December 31, 2022.

13. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to December 31, 2022 for potential recognition or disclosure in the consolidated financial statements.

The Organization did not have any subsequent events that require recognition or disclosure in the consolidated financial statements for the year ended December 31, 2022. Subsequent events have been evaluated through the date the consolidated financial statements became available to be issued, May 24, 2023.