

PolicyLink
and
PolicyLink
Equity Action Network

Consolidated Financial Statements

December 31, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of PolicyLink and PolicyLink Equity Action Network (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, 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.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Global Network Limited

Opinion

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited PolicyLink and PolicyLink Equity Action Network's 2019 consolidated financial statements, and our report dated October 21, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

September 29, 2021

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 23,938,755	\$ 5,843,756
Cash - board-designated	872,810	9,903,369
Investments	32,480,559	-
Contributions and grants receivable	9,780,000	5,550,607
Accounts receivable	155,543	862,484
Accrued interest and dividends	-	10,201
Prepaid expenses	183,803	149,826
Other assets	15,281	20,767
Property and equipment, net	110,375	141,095
Total assets	\$ 67,537,126	\$ 22,482,105
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 493,734	\$ 399,028
Deferred rent	100,962	142,806
Deferred revenue	125,600	265,991
Other current liabilities	150,000	-
Other accrued expenses	1,416,058	798,455
Paycheck Protection Program loan	1,314,144	-
Total liabilities	3,600,498	1,606,280
Net assets		
Without donor restrictions		
Undesignated	3,586,258	163,234
Board-designated - CEO Fund	24,000,000	-
Board-designated - other funds	9,753,369	10,703,369
Total without donor restrictions	37,339,627	10,866,603
With donor restrictions	26,597,001	10,009,222
Total net assets	63,936,628	20,875,825
Total liabilities and net assets	\$ 67,537,126	\$ 22,482,105

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, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenues				
Grants and contributions	\$ 26,083,597	\$ 33,614,613	\$ 59,698,210	\$ 12,892,651
Program service fees	1,511,164	-	1,511,164	2,151,760
Government grants and contracts	-	-	-	57,000
In-kind contributions	601,124	-	601,124	-
Investment income	93,072	-	93,072	250
Other revenue	76,582	-	76,582	146,182
Net assets released from restrictions	<u>17,026,834</u>	<u>(17,026,834)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>45,392,373</u>	<u>16,587,779</u>	<u>61,980,152</u>	<u>15,247,843</u>
Functional expenses				
Program services				
Healthy Communities of Opportunity	6,357,020	-	6,357,020	3,980,492
Just Society	3,473,131	-	3,473,131	2,420,850
Equitable Economy	3,028,278	-	3,028,278	4,063,696
Other programs	<u>3,309,564</u>	<u>-</u>	<u>3,309,564</u>	<u>1,867,582</u>
Total program services	<u>16,167,993</u>	<u>-</u>	<u>16,167,993</u>	<u>12,332,620</u>
Support services				
Management and general	2,238,131	-	2,238,131	1,024,499
Fundraising	<u>513,225</u>	<u>-</u>	<u>513,225</u>	<u>447,763</u>
Total support services	<u>2,751,356</u>	<u>-</u>	<u>2,751,356</u>	<u>1,472,262</u>
Total functional expenses	<u>18,919,349</u>	<u>-</u>	<u>18,919,349</u>	<u>13,804,882</u>
Change in net assets	26,473,024	16,587,779	43,060,803	1,442,961
Net assets, beginning of year	<u>10,866,603</u>	<u>10,009,222</u>	<u>20,875,825</u>	<u>19,432,864</u>
Net assets, end of year	<u>\$ 37,339,627</u>	<u>\$ 26,597,001</u>	<u>\$ 63,936,628</u>	<u>\$ 20,875,825</u>

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, 2020
(With Comparative Totals for 2019)

	Healthy Communities of Opportunity	Just Society	Equitable Economy	Other Programs	Management and General	Fundraising	2020 Total	2019 Total
Personnel expenses								
Salaries and wages	\$ 3,060,600	\$ 1,517,462	\$ 1,588,180	\$ 1,246,303	\$ 1,176,804	\$ 333,906	\$ 8,923,255	\$ 6,176,490
Other employee benefits	319,356	158,338	165,717	130,045	122,793	34,841	931,090	947,018
Payroll taxes	208,107	103,181	107,989	84,743	80,017	22,704	606,741	457,894
Retirement contributions	141,302	70,059	73,323	57,540	54,331	15,416	411,971	323,917
Professional services	844,032	361,602	787,959	1,487,484	329,178	28,811	3,839,066	2,930,390
Grants and assistance to others	1,020,764	902,000	-	15,000	-	-	1,937,764	339,698
Occupancy	291,601	144,577	151,315	118,743	112,121	31,814	850,171	747,540
Information technology	146,473	72,622	76,007	59,645	56,319	15,980	427,046	157,055
Travel, meals, conferences, and meetings	210,892	86,821	18,688	63,682	9,457	8,454	397,994	1,337,494
Miscellaneous	-	-	-	-	245,036	8,874	253,910	17,900
Depreciation	33,414	16,567	17,339	13,607	12,848	3,645	97,420	118,660
Insurance	22,088	10,951	11,461	8,994	8,493	2,410	64,397	22,104
Equipment rental and maintenance	20,891	10,358	10,840	8,507	8,033	2,279	60,908	20,622
Office expenses	19,595	9,716	10,169	7,980	7,535	2,138	57,133	92,632
Telephone	16,584	8,222	8,606	6,753	6,377	1,809	48,351	66,508
Interest	-	-	-	-	8,281	-	8,281	6,726
Advertising and promotion	1,321	655	685	538	508	144	3,851	7,531
Temporary labor	-	-	-	-	-	-	-	34,703
	<u>\$ 6,357,020</u>	<u>\$ 3,473,131</u>	<u>\$ 3,028,278</u>	<u>\$ 3,309,564</u>	<u>\$ 2,238,131</u>	<u>\$ 513,225</u>	<u>\$ 18,919,349</u>	<u>\$ 13,804,882</u>

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, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 43,060,803	\$ 1,442,961
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	97,420	118,660
Net realized and unrealized gains on investments	(92,160)	-
Changes in operating assets and liabilities		
Contributions and grants receivable	(4,229,393)	420,309
Accounts receivable	706,941	229,061
Accrued interest and dividends	10,201	(10,201)
Prepaid expenses	(33,977)	35,333
Other assets	5,486	33,179
Accounts payable	94,706	(138,353)
Deferred rent	(41,844)	(74,935)
Deferred revenue	(140,391)	95,514
Other accrued expenses	<u>767,603</u>	<u>453,758</u>
Net cash provided by operating activities	<u>40,205,395</u>	<u>2,605,286</u>
Cash flows from investing activities		
Purchases of property and equipment	(66,700)	(52,851)
Purchases of investments	(50,399,268)	-
Proceeds from sale of investments	<u>18,010,869</u>	-
Net cash used in investing activities	<u>(32,455,099)</u>	<u>(52,851)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	<u>1,314,144</u>	-
Net cash provided by financing activities	<u>1,314,144</u>	-
Net increase in cash, cash equivalents and designated cash	9,064,440	2,552,435
Cash, cash equivalents and designated cash, beginning of year	<u>15,747,125</u>	<u>13,194,690</u>
Cash, cash equivalents and designated cash, end of year	<u>\$ 24,811,565</u>	<u>\$ 15,747,125</u>

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

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

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 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; the Convergence Partnership; 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.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

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 PolicyLink Legal; Alliance for Boys and Men of Color; 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. In 2020, PolicyLink expanded this program area to offer several fiscal sponsorships including: Black Ambition, Liberation in a Generation, and Liberation Ventures. 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 for PolicyLink, 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.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

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. 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 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 statement of activities as net assets released from restriction.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with original maturities of six 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.

As of December 31, 2020, PolicyLink had \$872,810 of cash designated by the Board of Directors for the Reserve Fund, Growth Fund, and CEO Fund.

Investments

Short-term investments and marketable securities include money market accounts, certificates of deposit, and investment grade government and corporate bonds. Investments received by donation are recorded at fair value at the date of donation.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

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 statements of financial position.

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 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.

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, 2020 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. Management credits to the allowance for doubtful accounts any subsequent payments on such receivables.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Program service revenue

The Organization recognizes program service 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 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 a deferred revenue liability until it has rendered the related services, at which point it recognizes the liability as program service 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. The Organization had no conditional grants as of December 31, 2020. Contributions of assets other than cash are recorded at their estimated fair value. 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, 2020, there was no allowance for uncollectible contributions as management considered all balances fully collectible.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions (continued)

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.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2020 totaled \$3,851.

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, 2020 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 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.

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

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:

Contributions and grants receivable consisted of the following:

Receivables due in less than one year	\$ 8,280,000
Receivables due in two to five years	<u>1,500,000</u>
	<u>\$ 9,780,000</u>

4. INVESTMENTS

Investments consisted of the following at December 31, 2020:

U.S. Treasury Bills	\$ 32,454,256
Money Market	<u>26,303</u>
	<u>\$ 32,480,559</u>

Investment income for the year ended December 31, 2020 amounted to \$93,072.

5. FAIR VALUE

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ -	\$32,454,256	\$ -	\$32,454,256
Money Market	<u>26,303</u>	<u>-</u>	<u>-</u>	<u>26,303</u>
	<u>\$ 26,303</u>	<u>\$32,454,256</u>	<u>\$ -</u>	<u>\$32,480,559</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Office equipment	\$ 824,479
Leasehold improvements	<u>613,172</u>
	1,437,651
Accumulated depreciation	<u>(1,327,276)</u>
	<u>\$ 110,375</u>

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

7. 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 Organization has elected to record this loan under 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. As of December 31, 2020, the Organization had not received or recognized any forgiveness of the obligation and has recognized the PPP obligation as debt in the accompanying consolidated statement of financial position. On August 2, 2021, the Organization received notification of full forgiveness of the PPP loan balance. See Note 15.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Equitable Economy	\$ 6,132,789
Healthy Communities of Opportunity	5,520,606
Just Society	3,921,273
Fiscal Sponsees	8,994,007
Other programs	1,622,188
PolicyLink Equity Action Network	<u>406,138</u>
	<u>\$ 26,597,001</u>

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

Equitable Economy	\$ 5,781,155
Healthy Communities of Opportunity	5,962,808
Just Society	2,867,776
Fiscal Sponsees	1,165,393
Other programs	1,118,260
PolicyLink Equity Action Network	<u>131,442</u>
	<u>\$ 17,026,834</u>

PolicyLink and PolicyLink Equity Action Network
Notes to Consolidated Financial Statements
December 31, 2020

9. 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, 2022.

The CEO Fund is a board-designated fund intended for large-scale investments in the racial equity movement, both internally and throughout the racial equity movement. 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, 2020, the balance of the Reserve Fund was \$6,600,000 and the balance of the Growth Fund was \$3,153,369, of which \$400,000 is receivable from one funder in 2021. 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.

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9. BOARD-DESIGNATED FUNDS (continued)

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

	<u>Growth Fund</u>	<u>Reserve Fund</u>	<u>CEO Fund</u>	<u>Total</u>
Balance at January 1, 2020	\$ 4,103,369	\$ 6,600,000	\$ -	\$ 10,703,369
Spending	(950,000)	-	-	(950,000)
Funding	-	-	24,000,000	24,000,000
Balance at December 31, 2020	<u>\$ 3,153,369</u>	<u>\$ 6,600,000</u>	<u>\$ 24,000,000</u>	<u>\$ 33,753,369</u>

10. COMMITMENTS AND CONTINGENCIES

PolicyLink has various operating lease agreements for equipment and office space for locations in California and New York. The leases require monthly payments ranging from approximately \$3,000 to \$57,000 and expiring at various dates through 2027.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>		
2021	\$	888,761
2022		918,215
2023		952,305
2024		979,760
2025		773,966
Thereafter		1,339,165
	<u>\$</u>	<u>5,852,172</u>

11. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus ("COVID-19") as a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter-in-place orders and the ultimate impact of the CARES Act and other governmental initiatives.

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12. 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 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, 2020 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash, cash equivalents and designated cash	\$ 24,811,565
Investments	32,480,559
Contributions and grants receivable	9,780,000
Accounts receivable	<u>155,543</u>
	<u>67,227,667</u>
Less amounts unavailable for general expenditures within one year, due to:	
Purpose restricted projects	(26,597,001)
Board designated for Reserve Fund	(6,600,000)
Board designated for Growth Fund	(3,153,369)
Board designated for CEO Fund	<u>(24,000,000)</u>
	<u>(60,350,370)</u>
	 <u><u>\$ 6,877,297</u></u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically Certificates of Deposit held at FDIC-insured financial institutions through a Certificate of Deposit Account Registry Service ("CDARS") in amounts such that both principal and interest are fully-insured. In addition, the Organization is able to utilize the Growth Fund and Reserve Fund as deemed necessary to help the Organization grow should it need available capital.

13. 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, 2020 amounted to \$411,971.

14. 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.

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14. CONCENTRATIONS (continued)

Grants receivable due from three donors comprise approximately 43% of the total grants receivable as of December 31, 2020. Grants from one donor comprise approximately 30% of total grants from foundations, corporations, and individuals for the year ended December 31, 2020.

15. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to December 31, 2020 for potential recognition or disclosure in the financial statements. On August 2, 2021, the Organization received notification of full forgiveness of its PPP loan balance.

The Organization did not have further subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 29, 2021.