

Public Advocates Inc.

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2021

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Governors
Public Advocates Inc.
San Francisco, California

We have audited the accompanying financial statements of Public Advocates Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 financial statements are free of 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 an assessment of the risks of the 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.

(continued on next page)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Advocates Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2020, financial statements of Public Advocates Inc. and our report dated January 5, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year end June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

A Professional Accountancy Corporation
San Francisco, California
November 18, 2021

Public Advocates Inc.

Statement of Financial Position June 30, 2021 with Comparative Totals for June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	6/30/21 Total	6/30/20 Total (Note 2)
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 238,363	\$ -	\$ 238,363	\$ 78,980
Investments (Note 3)	6,855,516	3,764,043	10,619,559	8,576,246
Accrued interest	12,232	-	12,232	19,339
Grants receivable (Note 4)	-	2,796,128	2,796,128	2,351,584
Other receivables	13,550	-	13,550	11,285
Prepaid expenses	51,479	-	51,479	72,285
Total current assets	7,171,140	6,560,171	13,731,311	11,109,719
Grants receivable, long-term (Note 4)	-	978,280	978,280	825,081
Deposits	12,184	-	12,184	12,184
Property & equipment, net (Note 5)	8,819	-	8,819	11,815
TOTAL ASSETS	\$ 7,192,143	\$ 7,538,451	\$ 14,730,594	\$ 11,958,799
LIABILITIES & NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 61,796	\$ -	\$ 61,796	\$ 120,169
Grants payable	-	-	-	32,400
Accrued payroll liabilities	89,123	-	89,123	75,694
Accrued vacation pay	157,094	-	157,094	162,580
Deferred rent, current (Note 6)	-	-	-	685
Total current liabilities	308,013	-	308,013	391,528
Long-term debt (Note 7)	447,163	-	447,163	446,424
Deferred rent, long-term (Note 6)	32,156	-	32,156	2,678
TOTAL LIABILITIES	787,332	-	787,332	840,630
Net Assets				
Without donor restrictions	6,404,811	-	6,404,811	5,224,343
With donor restrictions (Note 8)	-	7,538,451	7,538,451	5,893,826
TOTAL NET ASSETS	6,404,811	7,538,451	13,943,262	11,118,169
TOTAL LIABILITIES & NET ASSETS	\$ 7,192,143	\$ 7,538,451	\$ 14,730,594	\$ 11,958,799

See accompanying notes to financial statements and independent auditor's report.

Public Advocates Inc.

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020/21 Total	2019/20 Total (Note 2)
Support:				
Grants	\$ 3,529	\$ 5,930,386	\$ 5,933,915	\$ 5,756,402
Net assets released from restriction:				
Satisfaction of donor requirements	4,285,761	(4,285,761)	-	-
Donations	172,397	-	172,397	321,578
In-kind support (Note 9)	237,351	-	237,351	215,069
	4,699,038	1,644,625	6,343,663	6,293,049
Revenue:				
Program revenue	43,750	-	43,750	24,429
Attorney fees	92,911	-	92,911	-
Interest & dividends	150,210	-	150,210	175,861
Realized & unrealized gains/(losses) on investments	676,804	-	676,804	158,585
Investment management fees	(13,375)	-	(13,375)	(12,029)
Other income	495,925	-	495,925	40,845
	1,446,225	-	1,446,225	387,691
Total support & revenue	6,145,263	1,644,625	7,789,888	6,680,740
Expenses:				
Program services	3,542,055	-	3,542,055	4,013,329
General & administrative	900,399	-	900,399	723,476
Fundraising	522,341	-	522,341	574,453
	4,964,795	-	4,964,795	5,311,258
CHANGE IN NET ASSETS	1,180,468	1,644,625	2,825,093	1,369,482
NET ASSETS, beginning of year	5,224,343	5,893,826	11,118,169	9,748,687
NET ASSETS, end of year	\$ 6,404,811	\$ 7,538,451	\$ 13,943,262	\$ 11,118,169

See accompanying notes to financial statements and independent auditor's report.

Public Advocates Inc.

Statement of Functional Expenses for the Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	Program Services	General & Administrative	Fundraising	2020/21 Total	2019/20 Total (Note 2)
Salaries	\$ 1,789,098	\$ 553,935	\$ 370,681	\$ 2,713,714	\$ 2,673,554
Payroll taxes	132,391	40,990	27,430	200,811	194,596
Employee benefits	275,070	69,242	60,852	405,164	407,987
Total personnel expenses	2,196,559	664,167	458,963	3,319,689	3,276,137
Subgrants awarded	638,710	-	-	638,710	981,910
Donations to other nonprofits	50,500	-	-	50,500	5,000
Stipends & fellowship grants	22,990	-	-	22,990	19,190
Accounting & audit	-	16,546	-	16,546	16,327
Legal services	206,282	66,510	-	272,792	219,820
Information technology	28,203	5,800	6,790	40,793	37,015
Other professional services	112,686	69,978	2,568	185,232	187,705
Rent	208,675	58,681	41,564	308,920	304,849
Supplies	11,206	2,636	1,725	15,567	17,065
Equipment rental & maintenance	3,362	973	689	5,024	5,176
Telecommunications	23,112	4,816	4,081	32,009	19,290
Postage & delivery	869	1,193	153	2,215	2,130
Printing & copying	784	227	161	1,172	6,090
Insurance	8,127	2,353	1,666	12,146	10,106
Travel & meetings	1,146	-	-	1,146	140,135
Business meals / hospitality	760	50	33	843	12,823
Dues & subscriptions	11,570	566	1,188	13,324	14,498
Staff training / continuing education	3,298	122	86	3,506	15,513
Reference & research	11,194	394	52	11,640	11,064
Interest	-	4,442	-	4,442	685
Depreciation & amortization	2,004	580	411	2,995	7,257
Miscellaneous	18	365	2,211	2,594	1,473
Total	\$ 3,542,055	\$ 900,399	\$ 522,341	\$ 4,964,795	\$ 5,311,258

See accompanying notes to financial statements and independent auditor's report.

Public Advocates Inc.

Statement of Cash Flows for the Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	<u>2020/21</u> <u>Total</u>	<u>2019/20</u> <u>Total</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 2,825,093	\$ 1,369,482
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation & amortization expense	2,995	7,257
Realized & unrealized gains/losses on investments	(676,804)	(158,585)
Forgiveness of debt	(446,424)	-
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(597,743)	(951,643)
(Increase) decrease in other receivables	(2,265)	(7,418)
(Increase) decrease in other assets	27,913	(22,292)
Increase (decrease) in accounts payable	(58,373)	60,769
Increase (decrease) in grants payable	(32,400)	2,400
Increase (decrease) in accrued payroll liabilities	13,429	26,689
Increase (decrease) in accrued vacation pay	(5,486)	31,687
Increase (decrease) in other liabilities	28,794	1,140
Cash provided (used) by operating activities:	1,078,729	359,486
<i>Cash flows from investing activities:</i>		
Purchases of capital assets	-	(8,210)
Net liquidation (purchases) of investments	(1,366,509)	(1,019,295)
Cash provided (used) by investing activities:	(1,366,509)	(1,027,505)
<i>Cash flows from financing activities:</i>		
Cash provided by forgivable government loan	447,163	446,424
Cash provided (used) by financing activities:	447,163	446,424
Cash provided (used) during year	159,383	(221,595)
Cash & cash equivalents, beginning of year	78,980	300,575
Cash & cash equivalents, end of year	\$ 238,363	\$ 78,980

See accompanying notes to financial statements and independent auditor's report.

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

1. The Organization

Nature of Activities

Public Advocates Inc. (PA or the Organization), established in 1971 as a nonprofit organization, challenges the systemic causes of poverty and racial discrimination by strengthening community voices in public policy and achieving tangible legal victories advancing education, housing, transportation equity and climate justice. PA uses a range of strategies, including litigation and administrative actions, policy advocacy, multi-cultural coalition building, and community development, to promote equity and systemic change. Exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Code 23701(d), PA is governed by a Board of Governors.

Nature of Funding

PA receives the majority of its funding through foundation grants. Additional sources of income include contributions from individual and corporate donors, contracts for legal services performed for other organizations, attorney fees received from litigation, and interest and earnings from the Organization's cash and investments.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Cash & Cash Equivalents

Cash & cash equivalents include cash and money market funds held in a brokerage account.

Investments

Investments include mutual funds consisting of equity and debt securities, as well as bank certificates of deposit with initial maturity periods greater than 90 days. Certificates of deposit rest with different banks so that they are all covered by the FDIC insurance limits. All amounts are readily accessible.

Grants Receivable

Grants receivable consist of contributions promised to the Organization prior to year-end, which are expected to be collected during subsequent fiscal years. Amounts due within one year are stated at face value, while amounts due beyond one year are discounted to present value using interest rates ranging from 0.8% to 1.1%, depending upon the due date. As management believes that all amounts are fully collectible, there is no allowance for uncollectible amounts.

Fair Value of Current Assets & Liabilities

The carrying amounts of cash and cash equivalents, other receivables and accounts payable approximate fair value because of the short maturity of these instruments.

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

Property & Equipment

Property and equipment consist of leasehold improvements, office furnishings and equipment. Assets with an initial cost (or fair market value if donated) of \$2,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is three to seven years for assets currently on the books.

Long-Term Debt

Long-term debt consists of forgivable loans received from the Paycheck Protection Program (PPP) through the U.S. Small Business Administration. Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization has elected the latter method, the total amount received is presented as long-term debt on the *statement of financial position*.

One loan was received in early 2020 and subsequently forgiven during the fiscal year ending June 30, 2021. This loan was recognized within the *other income* line of the *statement of activities*. A second loan was received in early 2021 and is reflected as long-term debt on the *statement of financial position*. Any amounts forgiven on the second loan will be recognized as revenue on the date when the formal act of forgiveness occurs.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets. 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 substantially met.

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

Contracts with Customers

Revenues from contracts with customers (as defined by FASB ASC 606) are presented under the *program revenue* caption of the *statement of activities and changes in net assets*. These include occasional amounts received from other organizations for programmatic consulting, stipends, and honoraria. Such revenues are recognizable at the point in time when services are rendered. The timeframe under contracts with customers is typically short, but occasionally spans fiscal years. As of June 30, 2021, the Organization held one account receivable in the amount of \$3,000 which is reflected on the *statement of financial position*. As of the balance sheet date, there were no unrecognized contract assets, nor do these financial statements reflect deferred revenue / contract liabilities associated with contracts with customers.

Attorney Fees

When PA successfully litigates a case against a third party, the defendant may be required to pay attorney fees. As the realization of attorney fees is unpredictable and indeterminable until a case is closed, revenue and associated receivables are recognized when a party becomes legally obligated to pay attorney fees.

In-kind Support

In-kind services consist primarily of pro bono program support provided by various law firms and recorded at fair value. In addition, fellows and junior-level attorneys, provided to the Organization at no or low cost to PA, are generally valued at rates similar or equal to those the Organization compensates its regular, full-time entry-level attorneys.

Functional Expenses

The Organization presents its expenses by function and natural category.

Program services include the direct conduct and direct supervision of specific program activities.

Fundraising includes efforts to solicit monetary and nonmonetary contributions.

Management & general includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

At fiscal year-end, the cost of each employee's compensation is allocated amongst program and supporting services according to management's estimate of time and effort. Shared facility expenses (e.g. rent, information technology, and office expenses) are allocated according to each function's proportionate share of time and effort. Other expenses are charged directly to the appropriate function based on specific identification.

Subgrants

Subgrants include contributions awarded by PA to other nonprofit organizations for activities that support PA's mission. Amounts are recognized as expense when they are pledged.

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), PA is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's activities are related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2018 through 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2017 through 2021 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement is reflected in the Organization's financial statements for the year ended June 30, 2021.

These financial statements also reflect the provisions Accounting Standards Update No. 2018-08— *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement is effective for calendar years ending in 2019 and beyond.

There is no effect on the Organization's beginning net assets in connection with the enactment of either of these pronouncements.

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

Comparative Data

The financial statement information for the year ended June 30, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. For a complete presentation of fiscal year 2020, please refer to the financial statements for that fiscal year.

3. Investments - Fair Value Measurements

PA has valued its investments in accordance with FASB ASC #820, which establishes a framework for measuring fair value in accordance with generally accepted accounting principles. The Standard clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 – Prices or valuation techniques that require inputs that are significant to the fair value measurement and unobservable (supported by little or no market activity).

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows. All assets are valued based on Level 1 inputs (quoted prices in active markets for identical assets).

Certificates of deposit	\$6,905,399
Mutual funds	
Domestic stock market index fund	1,590,404
International stock index fund	1,039,984
Total bond fund	382,076
Total international bond fund	322,724
Intermediate term bond fund	230,876
Short term bond fund	148,096
Total investments at June 30, 2021	\$10,619,559

4. Grants Receivable

	Due in <u>1 year</u>	Due in <u>1 – 5 years</u>	<u>Total</u>
Grants receivable	\$2,796,128	\$986,766	\$3,782,894
Discount to present value	<u>0</u>	<u>(8,486)</u>	<u>(8,486)</u>
Grants receivable, net	\$2,796,128	\$978,280	\$3,774,408

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

5. Property & Equipment

Office furnishings & equipment	\$59,517
Leasehold improvements	<u>13,219</u>
Property & equipment, cost basis	72,736
Accumulated depreciation	<u>(63,917)</u>
Property & equipment, net book value	\$8,819

6. Operating Leases

PA rents office facilities in San Francisco and Sacramento under operating leases with various terms; the San Francisco lease expires in March of 2023 and the Sacramento lease in December of 2024. Because the Organization enters into lease agreements with staggered payment schedules, rent expense associated with each lease is straight-lined in accordance with generally accepted accounting principles. The difference between the amount of rent expense accrued and the total paid to date is reflected on the statement of financial position as a deferred rent liability. Deferred rent will be fully amortized at the end of the lease terms in March 2023 and December 2024, respectively. Office rent expense accrued for the fiscal year ended June 30, 2021 was \$302,947. In addition, PA leases office equipment under various terms.

Future minimum lease payments as of June 30, 2021, are as follows:

2021 – 2022	\$159,984
2022 – 2023	180,095
2023 – 2024	68,613
2024 – 2025	<u>34,494</u>
Total future minimum lease payments	\$443,186

7. Long-Term Debt

Long-term debt consists of a Paycheck Protection Program loan that originated in early 2021. Interest shall accrue at an annual rate of 1%. Under the terms of a signed promissory note, repayment of all principal and interest shall occur no later than March 2026. Repayment is scheduled to occur in monthly installments of \$10,264 beginning in July 2022.

The future scheduled maturities of long-term debt are as follows:

Year ending June 30:	
2023	\$113,188
2024	120,385
2025	121,594
2026	<u>91,996</u>
Total	\$447,163

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

8. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions consists of awards received for the following:

Capacity building and general support through 2024 (time-restricted)	\$2,911,225
Metropolitan equity (includes housing, transit & climate justice)	2,273,278
Education equity (includes school finance reform, Local Control Funding Formula)	<u>2,353,948</u>
Total net assets with donor restrictions	\$7,538,451

9. In-Kind Support

For the fiscal year ended June 30, 2021, in-kind support received and recognized in the financial statements include:

Legal services:	
Education policy program	\$205,642
Human resources and management issues	29,322
Free month of dental insurance premiums	<u>2,387</u>
Total	\$237,351

10. Retirement Plan

PA maintains a defined contribution 403(b) retirement plan. Contributions to the plan are made at the board's discretion and are allocated to eligible individual employee accounts pro rata based on respective compensation paid during the fiscal year. During the year ended June 30, 2021, the board made contributions totaling \$99,994 to employee accounts.

11. Contingencies, Risks & Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Compliance with Funding Source Restrictions

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

all donor conditions have been met for grants and contributions that have been recorded as net assets released from restriction.

Investments

The Organization's investments in index funds (detailed in Note 3) are subject to fluctuation in fair value. Although this presents the possibility for loss, management believes that the Organization's investments are adequately diversified.

Cash Deposits in Excess of FDIC Insurance Limits

As of June 30, 2020, the Organization held \$238,363 in a brokerage money market fund. The fund is SIPC-insured up to \$250,000 in the event of broker insolvency but it is not insured or guaranteed by the FDIC. While the fund seeks to preserve the traditional market value of \$1.00 per share, there can be no assurance that will occur and it is possible to lose money should the fund's share value fall. While this subjects the Organization to investment risk, management believes that there is no significant exposure.

12. Liquidity & Availability

In addition to investment income and contributions without donor restrictions, Public Advocates also considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Public Advocates has \$13,668,532 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting substantially of:

- CD investments (with maturities ranging from 1-64 months) of \$6,905,399
- Mutual fund investments of \$3,714,160
- Grants receivable of \$2,796,128
- Available cash of \$238,363
- Current receivables without restrictions of \$14,482 (includes accounts, interest and other receivables)

Approximately 83% of the Organization's CD investments have maturities greater than 12 months; however, they are considered liquid because they are redeemable at any time and without penalty. While Public Advocates' mutual fund investments are also considered liquid for the same reasons, because they comprise our reserves, the Organization generally does not consider these available to fund current operations.

Altogether, these liquid assets represent approximately 33 months of operating expenses. Public Advocates monitors liquidity required to meet its operating needs and other contractual commitments on an ongoing basis.

As part of its liquidity management, Public Advocates invests cash in various short- and intermediate-term investments, including certificates of deposit with staggered maturity dates ranging from 1 month to 60+ months. Long-term restricted grants that have been received in full

Public Advocates Inc.

Notes to Financial Statements June 30, 2021

are left in these investments until needed for operating expenses. Cash is drawn as needed from the CDs; however, as Public Advocates prioritizes guaranteed preservation of capital and liquidity over investment gains, it is the Organization's goal to keep these CD investments intact.

13. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through November 18, 2021, the date the financial statements were available to be issued.