

TIDES ORGANIZATIONS

DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

**Tides Organizations**  
**Independent Auditors' Report,**  
**Consolidated Financial Statements and**  
**Supplementary Information**

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## Independent Auditors' Report

THE BOARD OF DIRECTORS  
THE TIDES ORGANIZATIONS  
San Francisco, California

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the **TIDES NETWORK, TIDES CENTER, TIDES FOUNDATION, TIDES INC., AND TIDES TWO RIVERS FUND (collectively, the Tides Organizations)** which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 of 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 Tides Organizations' 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 Tides Organizations' 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.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tides Organizations as of December 31, 2013, and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Information (pages 21-23) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Hood & Strong LLP*

San Francisco, California  
June 9, 2014

# Tides Organizations

## Consolidated Statement of Financial Position

December 31, 2013

### Assets

Cash and cash equivalents	\$ 20,743,543
Receivables:	
Grants and contributions	34,631,878
Other	1,348,366
Investments	157,474,905
Mission related:	
Investments	4,408,721
Notes receivable	740,276
Property and equipment, net	22,620,413
Prepaid expenses and other assets	2,212,805
<b>Total assets</b>	<b>\$ 244,180,907</b>

### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$ 7,063,873
Grants payable	7,585,441
Grant advances	853,943
Bonds payable, net	18,355,000
Other liabilities	1,361,685
<b>Total liabilities</b>	<b>35,219,942</b>

#### Net Assets:

Unrestricted:	
Designated for projects	29,910,224
Designated for donor advised funds	133,530,074
Undesignated	7,057,905
<b>Total unrestricted</b>	<b>170,498,203</b>
Temporarily restricted	38,462,762
<b>Total net assets</b>	<b>208,960,965</b>
<b>Total liabilities and net assets</b>	<b>\$ 244,180,907</b>

The accompanying notes are an integral part of this statement.

# Tides Organizations

## Consolidated Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2013*

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues:</b>			
Grants and contributions	\$ 133,010,573	\$ 44,257,983	\$ 177,268,556
Program revenues	15,827,296		15,827,296
Interest and dividend income	2,335,139		2,335,139
Net gain on investments	10,486,913		10,486,913
Other revenue	331,668		331,668
Net assets released from restrictions	39,115,792	(39,115,792)	-
<b>Total support and revenues</b>	<b>201,107,381</b>	<b>5,142,191</b>	<b>206,249,572</b>
<b>Expenses:</b>			
Programs:			
Services	65,906,551		65,906,551
Grants and awards	94,681,963		94,681,963
Grantmaking program expense	14,333,398		14,333,398
General and administrative	17,125,952		17,125,952
Fundraising	6,228,050		6,228,050
<b>Total expenses</b>	<b>198,275,914</b>	<b>-</b>	<b>198,275,914</b>
<b>Change in Net Assets</b>	<b>2,831,467</b>	<b>5,142,191</b>	<b>7,973,658</b>
<b>Net Assets - Beginning of Year</b>	<b>167,666,736</b>	<b>33,320,571</b>	<b>200,987,307</b>
<b>Net Assets - End of Year</b>	<b>\$ 170,498,203</b>	<b>\$ 38,462,762</b>	<b>\$ 208,960,965</b>

The accompanying notes are an integral part of this statement.

# Tides Organizations

## Consolidated Statement of Cash Flows

*Year Ended December 31, 2013*

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**Cash Flows from Operating Activities:**

Change in net assets	\$ 7,973,658
Adjustment to reconcile change in net assets to net cash (used) provided by operating activities:	
Depreciation and amortization	1,200,946
Gain on disposal of property and equipment	(416,687)
Net gain on investments	(10,486,913)
Dividend reinvestment	(1,871,429)
Property and equipment granted out	422,130
Changes in operating assets and liabilities:	
Grants and contributions receivable	(8,030,387)
Bond reserve funds	1,216,089
Prepaid expenses and other assets	286,617
Accounts payable and accrued expenses	(860,213)
Grants payable	3,272,462
Grant advances	153,960
Other liabilities	(134,625)

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Net cash used by operating activities (7,274,392)

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**Cash Flows from Investing Activities:**

Purchases of investments	(54,683,899)
Proceeds from sales of investments	60,790,374
Purchases of property and equipment	(487,303)

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Net cash provided by investing activities 5,619,172

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**Cash Flows from Financing Activities:**

Proceeds from bond issuance and lines of credit	18,971,761
Payments on notes and bonds payable	(20,367,017)

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Net cash used by financing activities (1,395,256)

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**Net Change in Cash and Cash Equivalents** (3,050,476)

**Cash and Cash Equivalents - Beginning of Year** 23,794,019

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**Cash and Cash Equivalents - End of Year** \$ 20,743,543

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**Supplemental Information**

Cash paid for interest	\$ 1,293,000
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The accompanying notes are an integral part of this financial statement.

# Tides Organizations

## Notes to Consolidated Financial Statements

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### Note 1 - Description of the Organization:

Tides Network, Tides Center, Tides Foundation, Tides Inc. and Tides Two Rivers Fund are aligned independent 501(c) (3) public benefit corporations (collectively the Tides Organizations) that are consolidated for primary financial reporting purposes. All significant intercompany accounts and transactions have been eliminated.

#### **Tides Network**

Effective on January 1, 2012, Tides Network (the “Network”) began operations as a shared service provider to the other Tides Organizations (Tides Center, Tides Foundation, Tides, Inc. and Tides Two Rivers Fund). Tides Network supports the operating Organizations and appoints board members for Tides Foundation, Tides Center, Tides Two Rivers Fund and Tides, Inc. Tides Network sets the general direction and policy orientation for and has economic interest in all of the Tides organizations. All direct and indirect costs including management salaries and supporting services of Tides’ central office are incurred within Tides Network.

The activities of the Network include executive leadership and administrative services for related Tides Organizations and other nonprofit organizations. These activities include executive and financial leadership, risk management, communications, administration of human resources, office administration, telephone and telecommunication, and administration of information technology systems and services.

#### **Tides Center**

Tides Center (the Center) is organized and operated to support emerging charitable and educational activities. The Center provides fiscal sponsorship and essential organizational, financial and personnel services to projects promoting shared principles of social justice and a sustainable, healthy society. The Center operates hundreds of projects and activities, all of which seek funding from the grant making community and donors throughout the world.

#### **Tides Foundation**

Tides Foundation (the Foundation) actively promotes change toward broadly shared economic opportunity, robust democratic processes and the opportunity to live in a healthy and sustainable environment where human rights are preserved and protected. Its financial statements include all accounts and results of activities of the Foundation and Harding Rock Fund, a supporting organization of the Foundation.

The Foundation receives funds through grants and donations from individuals, foundations, and corporations. Distribution of funds for philanthropic purposes is made primarily through the direct operation of a grant making program. Grants are made in the areas of land preservation and stewardship, resources and the environment, economic and public policy, community affairs and social justice both domestically and internationally. The Foundation also provides grant making support and related assistance to other mission-aligned foundations.

# Tides Organizations

## Notes to Consolidated Financial Statements

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### *Grant Making Program*

Grants are awarded to eligible domestic nonprofit and qualified foreign charitable organizations through advised funds and direct grant making initiatives. All grants are taken under consideration by the staff of the Foundation and approved by the Board of Directors. Grant making activities are tracked within discrete funds administered by the Foundation.

### *Supporting Organizations*

The Foundation also works with supporting organizations operated in connection with the Foundation to increase their ability to provide financial and programmatic support in areas consistent with the Foundation's philosophy and programs. The Foundation has positions on the Board of Directors of the supporting organizations to assist in decision-making activities and to act as advisors. With the exception of Harding Rock Fund, the supporting organizations are not considered to be part of the Foundation's reporting entity because the Foundation does not have both control and an economic interest in them. Control is construed to mean majority control of the Board of Directors. Economic interest is generally indicated by either residual interest in the supporting organization or some type of material financial support. The supporting organizations as of December 31, 2013 are listed below:

Beauchamp Charities	One Pacific Coast Foundation
Ginungagap	Rouhana Family Foundation
Harding Rock Fund	Underdog Foundation
JK Irwin Foundation	Weithorn and Ehrmann Families Foundation

Subsequent to year end, the Foundation and the JK Irwin Foundation determined it was in their mutual best interests to discontinue JK Irwin's status as a supporting organization and convert to a private foundation to best achieve our respective charitable, educational and philanthropic goals.

### **Tides, Inc.**

Tides, Inc. (TINC) operates and manages the Thoreau Center for Sustainability (the "Facility") in San Francisco providing supportive office space to other charitable and/or mission aligned organizations.

### **Tides Two Rivers Fund**

Tides Two Rivers Fund (TTRF) operates and manages the Thoreau Center for Sustainability in New York City, providing office space to other charitable and/or mission aligned organizations.

# Tides Organizations

## Notes to Consolidated Financial Statements

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### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Accordingly, the Tides Organizations present information regarding net assets and activities according to three classes of net assets:

##### *Unrestricted Net Assets*

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support all activities of the Tides Organizations.

The Foundation has unrestricted net assets that represent total donor advised and other client funds held by the Foundation with variance power. The Foundation board has designated approximately \$1,329,000 of unrestricted net assets as reserves for specific programmatic or operational purposes.

The Center accounts for unrestricted funds as designated for projects when funds raised by projects are for general support funding for furtherance of the Center's mission in programming areas within project's normal operations.

##### *Temporarily Restricted Net Assets*

Temporarily restricted Net Assets are resources whose use by the Tides Organizations is limited by donor-imposed stipulations that either expire by passage of time or fulfillment of programmatic purpose.

For the Center temporarily restricted net assets primarily relate to the various projects of the Center and are restricted for specific programs of the projects. If the net asset restriction will be fulfilled during the fiscal year (usually by passage of time), the grant is treated as unrestricted-designated for projects upon receipt.

##### *Permanently Restricted Net Assets*

Permanently restricted net assets are resources that are restricted by the donor to endowment purposes and only the income generated by these assets may be used. There were no permanently restricted net assets as of December 31, 2013.

# Tides Organizations

## Notes to Consolidated Financial Statements

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b. Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with maturities of three months or less at date of acquisition, except those that are held for investment purposes.

c. Investments

Generally, investments are stated at estimated fair value, using quoted market prices. Net realized and unrealized gains and losses are included in the accompanying consolidated statement of activities and changes in net assets. Investments received by donation are recorded at estimated fair value at date of donation. Interest and dividend income are recorded when earned, and reinvested in the investment pool.

Valuation of investments in pooled investments which are pooled income funds are based on net asset value per share of the pooled income funds.

Non-publicly traded investments are in the form of shares in limited partnerships or limited liability corporations. These represent investments in private companies and investment trust funds. Because no readily ascertainable market value exists for these investments, the values are based on the latest available valuations which may be determined by the general partner or fund manager. Due to the uncertainty of valuations, however, these amounts may differ materially from values that would be determined if the investments were publicly traded.

d. Fair Value Measurements

The Tides Organizations carry certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Tides Organizations classify their financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not directly corroborated by market data.

# Tides Organizations

## Notes to Consolidated Financial Statements

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e. Fair Value of Financial Instruments

As of December 31, 2013, the estimated fair value of the Tides Organizations' financial instruments not measured at fair value on a recurring basis (including receivables, notes receivable, accounts payable, grants payable, and advances) approximates their carrying values due to their short length to maturity.

f. Receivables

Receivables represent grants and contributions unconditionally promised or for which constructive delivery has been made, but which have not been received prior to year-end. Management determines the allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. No allowance for doubtful accounts is considered necessary at December 31, 2013.

g. Mission Related Investments and Notes Receivable

Mission related investments are investments that would not be made were it not for the relationship of the investment to the Foundation's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by the Foundation. Mission related investments must be consistent with the Foundation's mission. These investments usually are recommended by donor advisors or fund managers from the funds with which they are associated. Sometimes they may also be a result of a gift by a donor. These investments are held at cost basis unless impaired.

Mission related notes receivable consist of loans to Organizations which support the Foundation's mission. The organizations may be commercial companies or non-profit organizations.

The Foundation records mission related investments and notes receivable at cost if purchased or market value on the date of donation. These investments are evaluated for impairment annually and written down when appropriate.

h. Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair market value at the date of donation. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: furniture and equipment, 3-5 years; leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful life.

i. Interest Rate Swap Agreement

The fair value of the interest rate swap is accrued as market rates change. The change in fair value of the derivative during the year, if material, is recognized within other expense in the statement of activities.

# Tides Organizations

## Notes to Consolidated Financial Statements

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j. Grants Advance

Grants received in advance from various government agencies are recorded as a liability.

k. Revenue Recognition

Contributions and grants are recognized at fair value, as revenue when received or unconditionally promised and collection is deemed to be reasonably certain.

The Tides Organizations report contributions and grants as temporarily restricted support if such gifts are received with donor stipulations that limit the use of the donated assets, unless there are written agreements which supersede those stipulations. For the Foundation, most written agreements with donors (donor advised funds and other client funds) stipulate that contributions are within the exclusive control of the Foundation, and the Foundation is not bound by recommendations by the donors, thus creating variance power. When a donor restriction exists with no variance power by the Foundation, the grants are accounted for as restricted assets or temporarily restricted assets. When the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same year they are received are reported as unrestricted contributions.

The Tides Organizations do not recognize conditional contributions until the conditions are met. As of December 31, 2013, the Foundation and Center are the recipients of conditional contributions totaling approximately \$1,980,000 and \$6,207,000, respectively. These conditional contributions are contingent on donors' continued discretionary approval.

Program revenues, which include both fees earned and rental income are recognized as earned. Rental revenue is recorded on a straight line basis over the lease terms.

l. Grants

Grants expense and payable represent amounts committed by the Foundation and approved by the Board of Directors to be distributed to various nonprofit organizations or their charitable activities. Grant refunds, rejections, and cancellations are recorded as a reduction of grants and awards expense at the time the grant is refunded or cancelled.

m. Income Taxes

The Tides Organizations are tax exempt organizations under the provisions of the Internal Revenue Service Code, Section 501(c)(3). Accordingly, no provision for income taxes has been reflected in these statements. Tides Foundation, Tides Center, Tides Network, Tides Two Rivers Fund and Tides, Inc. are not considered private foundations under the Internal Revenue Service Code and could be subject to tax on unrelated business activities, if any, generated by certain investments and activities.

# Tides Organizations

## Notes to Consolidated Financial Statements

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Management evaluated the Tides Organizations tax positions and concluded that they had maintained their tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the related Organizations are no longer subject to income tax examinations by the Internal Revenue Service for the tax years ended before 2010, and by the California Franchise Tax Board for the tax years ended before 2009.

n. Functional Expense Allocations

Expenses are allocated among program services, general and administrative and fundraising based on management's estimate. For the Center, direct expenses of the various projects are allocated to program.

o. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

p. Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update No. 2013-05 – Statement of Cash Flows (Topic 230) *Not-for-Profit Organizations – Classifications of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The update requires a not-for-profit entity to classify sale proceeds of donated financial assets consistent with cash donations as an operating activity, if such assets were converted nearly immediately into cash, unless the donor restricted the use of the proceeds to long-term purposes, in which case those cash receipts should be classified as a financing activity. If those assets were not immediately converted to cash, the proceeds upon sale should be classified as an investing activity. This guidance is effective prospectively for annual periods, beginning after June 15, 2013. The adoption of this guidance is not expected to have a material effect on the Tides Organizations' financial statements.

q. Subsequent Events

The Tides Organizations evaluated subsequent events through June 9, 2014, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition, or additional disclosure in these consolidated financial statements, except as discussed in Note 1.

# Tides Organizations

## Notes to Consolidated Financial Statements

### Note 3 - Investments and Fair Value Measurements:

The table below presents the balances of investments measured at fair value on a recurring basis at December 31, 2013.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Cash and Cash Equivalents</b>	\$ 19,093,123	\$ 19,093,123		
<b>Equities:</b>				
Utilities	47,566	47,566		
Financial	8,341,186	8,341,186		
Consumer products	9,528,453	9,528,453		
Consumer services	4,113,137	4,113,137		
Industrials	8,109,961	8,109,961		
Capital goods	10,728,053	10,728,053		
Energy	1,833,860	1,833,860		
Basic industries	1,942,657	1,942,657		
Transportation	1,016,507	1,016,507		
Foreign assets	7,206,470	7,206,470		
Other assets	63,893	63,893		
<b>International Mutual Fund</b>	2,757,440	2,757,440		
<b>Fixed Income:</b>				
U.S. Government agency, state, and municipal	69,539,324		\$ 69,539,324	
Corporate debt	11,749,516		11,749,516	
<b>Non-Publicly Traded</b>				
<b>Investments:</b>				
Telecommunications	1,403,759			\$ 1,403,759
<b>Total assets measured at fair value</b>	<b>\$ 157,474,905</b>	<b>\$ 74,782,306</b>	<b>\$ 81,288,840</b>	<b>\$ 1,403,759</b>

The Foundation has two investment pools available to donors for investment of gifted assets. Donor funds with a longer time horizon are typically pooled in an actively managed balanced fund of equity and fixed income securities with an emphasis on growth and preservation of capital. Donor funds with a shorter time horizon typically are invested in fixed income securities that provide liquidity for cash flow needs. The Foundation's separate investments approximate \$123 Million, the substantial portion of which is allocated to grantmaking funds. Social goals and screens are applied to the management of the investments when practical.

Net realized and unrealized gain for 2013 were \$5,440,801 and \$5,046,112 respectively.

A description of the valuation techniques and inputs applied to the Tides Organizations' classes of investments which are not listed or quoted on a securities exchange or other regulated market measured at fair value is described in 2c.

# Tides Organizations

## Notes to Consolidated Financial Statements

The changes in Non-Publicly Traded Investments classified as Level 3 are as follows for the year ended December 31, 2013:

	<u>Financials</u>	<u>Telecom</u>	<u>Real Estate</u>	<u>Total</u>
Balance, January 1, 2013	\$ 687,500	\$ 1,229,091	\$ 3,098	\$ 1,919,689
Distributions		(20,457)	(4,056)	(24,513)
Income		(24,516)	958	(23,558)
Unrealized gain (loss)	(687,500)	219,641		(467,859)
Balance, December 31, 2013	\$ -	\$ 1,403,759	\$ -	\$ 1,403,759

### Note 4 - Grants and Contributions

Grants receivable as of December 31, 2013 are due as follows.

Less than one year	\$ 26,928,067
One to five years, net of discount of \$32,576	7,703,811
	<u>\$ 34,631,878</u>

### Note 5 - Programmatic Investments:

#### *Mission Related Investments*

Mission related investments are made primarily for desirable social outcomes consistent with the Tides Foundation's mission, with less emphasis on economic returns. Mission related investments are comprised of the following at December 31, 2013:

Land and nonprofit community real estate	\$ 553,171
Community development investments – certificates of deposit	3,063,700
Other	791,850
	<u>\$ 4,408,721</u>

Mission related investments are valued at original cost unless impaired. Overall, the Foundation reduced the value of these investments by \$7,298,699 in 2013.

#### *Notes Receivable - Mission Related*

Notes receivable of \$740,276 is comprised of nine loans to companies and organizations ranging from \$13,127 to \$100,000 at interest rates from zero to eight percent. The notes are due at various dates ranging between 2014 and 2017.

# Tides Organizations

## Notes to Consolidated Financial Statements

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### Note 6 - Property and Equipment:

Property and equipment consist of the following at December 31, 2013:

Land	\$ 1,710,828
National AIDS Memorial Grove	1,168,130
Structures	22,106,159
Leasehold improvements	3,768,005
Furniture and equipment	1,723,521
Other	233,355
	<hr/>
	30,709,998
Accumulated depreciation and amortization	(8,089,585)
	<hr/>
	\$ 22,620,413

Depreciation and amortization expense for the year ended December 31, 2013 was \$1,200,946.

The National Aids Memorial Grove is not depreciated because it is to be maintained in perpetuity.

Land and structures include the fourth floor and lower floor of an office condominium that is collateral for certain bonds see Note 9.

### Note 7 - Grants Payable:

Multi-year grants, net of discount of \$4,802 as of December 31, 2013 are scheduled to be paid as follows:

2014	\$ 6,249,575
2015	1,047,437
2016	288,429
	<hr/>
Total	\$ 7,585,441

Conditional grants are not recognized until the conditions are met. As of December 31, 2013, conditional grants totaling approximately \$1,004,000 have been approved. Payment of these grants is contingent on the grantees fulfilling specific requirements.

# Tides Organizations

## Notes to Consolidated Financial Statements

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### **Note 8 - Revolving Credit Agreements:**

Tides Foundation has a \$4 million, unsecured, revolving bank line of credit with Wells Fargo Bank that expires on August 31, 2014. Advances under the line of credit bear interest at the bank's prime rate or libor plus 2.5%. There were no borrowings under the line of credit at December 31, 2013.

The Tides Foundation and a Canadian nonprofit organization amended an existing revolving demand loan agreement to allow the Foundation to borrow up to \$2,000,000 with no interest due in support of a single fund at the Foundation. At December 31, 2013, there was no outstanding balance.

Tides Foundation has a \$1.5 million, unsecured line of credit with Annie E. Casey Foundation, Inc. that expires in August, 2017. Advances under the line of credit bear interest at a fixed rate of 2% per annum. There was \$100,000 drawn on the line of credit at December 31, 2013, and it is included under other liabilities.

### **Note 9 - Bonds Payable:**

In December 2003, the ABAG Finance Authority for Nonprofit Corporations (ABAG) issued "Series 2003A – Insured Mortgage Revenue bonds (Tides, Inc.) and Series 2003B – Taxable Insured Mortgage Revenue Bonds (Tides, Inc.)" with a discount of \$207,088 which had been accreted to their redemption value over the bond term. TINC used the proceeds to purchase the leasehold improvements related to the Facility. The bonds bore interest at fixed rates from 2.25-6.4% per annum.

In June 2007, the New York City Industrial Development Agency (NYIDA) issued "Civic Facility Revenue Bonds (2007 Tides Two Rivers Fund Project)" totaling \$9,950,000. TTRF used the proceeds to refinance debt incurred from the purchase of the Facility. The interest rate on the bonds was 5.65%. The Bonds were secured by the fourth floor of the office condominium.

The ABAG bonds were retired through a loan refunding transaction in December, 2013 and replaced by Public Finance Authority (PFA) issued Series 2013A tax exempt and Series 2013B taxable refunding Mortgage Revenue Bonds secured by existing and future lease agreements; the NYIDA bonds were retired through a loan refunding transaction in December, 2013 and replaced by PFA issued Series 2013 refunding Revenue Bonds secured by real property comprising the fourth floor and lower floor of the office condominium. The tax exempt bonds bear interest at 70% of 30 day libor plus 1.225. The taxable bonds bear interest at 30 day libor plus 1.75. The 30 day libor rate at December 31, 2013 was 0.17%.

# Tides Organizations

## Notes to Consolidated Financial Statements

### Interest Rate Swap – Bonds Payable

On December 24, 2013, the Entity entered into an International Swaps and Derivatives Association Master Agreement with Wells Fargo Bank, National Association and swap transactions occurred for each of the 2013 bond issuances at amounts equal to the original notional amounts of the bonds payable. The result of these swap agreements is to effectively fix the rate on the bonds from 2.975% to 3.59%. Payments are due on the 1st of each month commencing January 2, 2014 through and including their maturity dates.

The agreements related to the tax exempt bonds are cancellable during the period from December 1, 2018 to November 1, 2023, their maturity date. The agreement related to the taxable bonds expire December 1, 2018.

The swap agreements have a fair value totaling \$343,770 as of December 31, 2013, which was a derivative liability. The liability was not considered significant to the financial position of the Tides Organizations and was therefore not recorded on the consolidated statement of financial position.

These obligations as of December 31, 2013 consisted of the following:

Description	Interest Rate with Swap	Final Maturity Date of Bonds	Original Issue Amount	Amount Outstanding
TINC:				
Series 2013A Tax Exempt	3.59%	12/01/2030	\$ 7,935,000	\$ 7,935,000
Series 2013B Taxable	2.975%	12/01/2018	2,515,000	2,515,000
TTRF:				
Series 2013 Tax Exempt	3.46%	12/01/2030	7,905,000	7,905,000
<b>Total bonds payable</b>			<b>\$ 18,355,000</b>	<b>\$ 18,355,000</b>

The 2013 Bonds contain various restrictive covenants related to reporting, finance and additional debt. TTRF and TINC have satisfied all restrictive covenants at December 31, 2013 with respect to this borrowing. The Bonds are guaranteed by Tides Foundation.

Maturities on bonds payable are as follows:

2014	\$ 848,397
2015	835,699
2016	861,759
2017	891,770
2018	921,157
Thereafter	13,996,218
<b>Total</b>	<b>\$ 18,355,000</b>

# Tides Organizations

## Notes to Consolidated Financial Statements

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Interest expense on bonds payable for the year ended December 31, 2013 was \$1,284,575.

**Note 10 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets released from restriction in 2013 because of satisfying restrictive purposes are:

Time restrictions	\$ 10,904,394
Program/purpose restrictions	28,211,398
	<hr/>
	\$ 39,115,792

Temporarily restricted net assets as of December 31, 2013 are restricted for:

Time restrictions	\$ 7,843,482
Program/purpose restrictions	30,619,280
	<hr/>
	\$ 38,462,762

**Note 11 - Retirement Plans:**

An IRS qualified defined contribution plan 403(b) is provided to Tides Organizations employees including those working on projects. Employer contribution is a percentage of compensation, ranging from 2% to 5%, based upon years of service. Contributions made by the Tides Organizations approximated \$883,000 in 2013.

**Note 12 - Projects**

The Center provides fiscal sponsorship and organization services to approximately 165 projects. From time to time, projects will obtain their own 501(c)(3) status and are “spun-off” as separate organizations. During 2013, net assets of \$946,773, were distributed to spun-off projects. These amounts are recorded as grant expense.

# Tides Organizations

## Notes to Consolidated Financial Statements

### Note 13 - Commitments and Contingencies

#### *Commitments*

The Tides Organizations have lease arrangements as both a Lessee and Lessor.

a. As Lessee

TINC leases a complex of twelve historic buildings within the Presidio (the Facility), which was a United States Army base from 1848-1994. In 1994, the Presidio was transferred to the Golden Gate National Recreation Area and came under the administration of the National Park Service of the United States Department of the Interior (the "Park Service").

The Facility is currently under the administration of the Presidio Trust (the "Trust"), a government corporation, who serves as Master Lessor on two long term ground leases (the "Ground Leases").

Pursuant to documents dated December 23, 2003, and with the approval of the Trust, TINC assumed the Master Lessee function on the Ground Leases and purchased the leasehold improvements related to the Facility in order to operate a center for nonprofit organizations in the Facility.

The first Ground Lease ("Phase I") was entered into in 1995, and the second ("Phase II") was entered into in 1997. Both Ground Leases expire on September 10, 2050. The minimum annual rental through September 10, 2020 is as follows:

	Phase I	Phase II	Total
September 11, 2010-September 10, 2015	\$ 65,000	\$ 65,000	\$ 130,000
September 11, 2015-September 10, 2020	\$ 80,000	\$ 80,000	\$ 160,000

Beginning September 11, 2020, the minimum rent is subject to appraisal adjustments and consumer price index ("CPI") adjustments.

The Trust and Tides, Inc. amended the Ground Leases, effective January 1, 2007. The amendment provides for the payment of percentage rent, increasing from 5% to 10%, through September 2020 including at a minimum the rent schedule detailed above.

For the year ended December 31, 2013, TINC has made the required minimum rent payments to the Trust amounting to \$130,000, as no percentage rent was due.

# Tides Organizations

## Notes to Consolidated Financial Statements

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The Tides Organizations have minimum lease commitments under operating leases for projects which as of December 31, 2013 are:

2014	\$ 1,390,000
2015	899,000
2016	624,000
2017	488,000
2018	314,000
Thereafter	35,000
<hr/>	
Total	\$ 3,750,000

Rent expense was approximately \$2,355,000 for 2013.

b. As Lessor

The Tides Organizations have long-term operating leases for various periods to 2026. Future minimum rents receivable under noncancelable leases with remaining terms in excess of one year are:

2014	\$ 3,794,000
2015	2,519,000
2016	1,696,000
2017	1,520,000
2018	1,062,000
Thereafter	3,013,000
<hr/>	
Total	\$ 13,604,000

c. Contingencies

Certain grants and contracts that the Center administers and receives reimbursement for are subject to audit and final acceptance by the federal and state granting agencies. Current and prior year revenues of such grants are subject to adjustment upon audit.

Tides Organizations are parties to various actions in the ordinary course of business. In the opinion of management, the outcome of these matters would not have a material effect on its financial statements.

## Tides Organizations

### Consolidating Statement of Financial Position (See Independent Auditors' Report)

December 31, 2013

	Tides Network	Tides Center	Tides Foundation	Tides Inc.	Tides Two Rivers Fund	Subtotal	Eliminations	Consolidated Total
<b>Assets</b>								
Cash and cash equivalents	\$ 933,123	\$ 12,709,617	\$ 5,792,036	\$ 977,269	\$ 331,498	\$ 20,743,543		\$ 20,743,543
Receivables:								
Grants and contributions	200,000	25,390,625	9,041,253			34,631,878		34,631,878
Related parties	1,008,963	52	905,197	3,401		1,917,613	\$ (1,917,613)	-
Other	144,638	217,905	898,370	60,431	27,022	1,348,366		1,348,366
Investments		34,669,969	122,804,936			157,474,905		157,474,905
Mission related:								
Investments			4,408,721			4,408,721		4,408,721
Notes receivable			740,276			740,276		740,276
Notes receivable, related party			7,298,470	1,962,623		9,261,093	(9,261,093)	-
Property and equipment, net	146,930	2,092,287	54,720	8,297,039	12,029,437	22,620,413		22,620,413
Prepaid expenses and other assets	67,110	909,000	300	292,957	947,209	2,216,576	(3,771)	2,212,805
<b>Total assets</b>	<b>\$ 2,500,764</b>	<b>\$ 75,989,455</b>	<b>\$ 151,944,279</b>	<b>\$ 11,593,720</b>	<b>\$ 13,335,166</b>	<b>\$ 255,363,384</b>	<b>\$ (11,182,477)</b>	<b>\$ 244,180,907</b>
<b>Liabilities and Net Assets</b>								
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 874,045	\$ 5,803,597	\$ 219,658	\$ 176,116	\$ 20,757	\$ 7,094,173	\$ (30,300)	\$ 7,063,873
Payable related parties	652,627	829,392	52	163,137	245,876	1,891,084	(1,891,084)	-
Grants payable			7,585,441			7,585,441		7,585,441
Advances		853,943				853,943		853,943
Bonds payable, net				10,450,000	7,905,000	18,355,000		18,355,000
Notes payable to related party					9,261,093	9,261,093	(9,261,093)	-
Other liabilities	54,910	281,063	418,295	372,751	234,666	1,361,685		1,361,685
<b>Total liabilities</b>	<b>1,581,582</b>	<b>7,767,995</b>	<b>8,223,446</b>	<b>11,162,004</b>	<b>17,667,392</b>	<b>46,402,419</b>	<b>(11,182,477)</b>	<b>35,219,942</b>
<b>Net Assets:</b>								
Unrestricted:								
Undesignated	719,182	352,378	9,886,855	431,716	(4,332,226)	7,057,905		7,057,905
Designated for projects		29,910,224				29,910,224		29,910,224
Designated for donor advised funds			133,530,074			133,530,074		133,530,074
<b>Total unrestricted</b>	<b>719,182</b>	<b>30,262,602</b>	<b>143,416,929</b>	<b>431,716</b>	<b>(4,332,226)</b>	<b>170,498,203</b>	<b>-</b>	<b>170,498,203</b>
Temporarily restricted	200,000	37,958,858	303,904			38,462,762		38,462,762
<b>Total net assets</b>	<b>919,182</b>	<b>68,221,460</b>	<b>143,720,833</b>	<b>431,716</b>	<b>(4,332,226)</b>	<b>208,960,965</b>	<b>(11,182,477)</b>	<b>208,960,965</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,500,764</b>	<b>\$ 75,989,455</b>	<b>\$ 151,944,279</b>	<b>\$ 11,593,720</b>	<b>\$ 13,335,166</b>	<b>\$ 255,363,384</b>	<b>\$ -</b>	<b>\$ 244,180,907</b>

## Tides Organizations

### Consolidating Statement of Activities and Changes in Net Assets (See Independent Auditors' Report)

Year Ended December 31, 2013

	Tides Network	Tides Center	Tides Foundation	Tides Inc.	Tides Two Rivers Fund	Subtotal	Eliminations	Consolidated		
								Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues:</b>										
Contributions and grants	\$ 487,780	\$ 79,801,229	\$ 96,989,547			\$ 177,278,556	\$ (10,000)	\$ 133,010,573	\$ 44,257,983	\$ 177,268,556
Contributions and grants - related parties	100,000	2,670,854	9,221,331		\$ 292,065	12,284,250	(12,284,250)			-
Program revenues	12,348,659	11,319,260	461,095	\$ 3,529,258	1,249,336	28,907,608	(13,080,312)	15,827,296		15,827,296
Interest and dividend income		443,382	2,052,583	1,394		2,497,359	(162,220)	2,335,139		2,335,139
Net gain on investments		(435,682)	10,922,595			10,486,913		10,486,913		10,486,913
other revenue	777,135			37,479	70,410	885,024	(553,356)	331,668		331,668
Net assets released from restrictions								39,115,792	(39,115,792)	-
<b>Total support and revenues</b>	<b>13,713,574</b>	<b>93,799,043</b>	<b>119,647,151</b>	<b>3,568,131</b>	<b>1,611,811</b>	<b>232,339,710</b>	<b>(26,090,138)</b>	<b>201,107,381</b>	<b>5,142,191</b>	<b>206,249,572</b>
<b>Expenses:</b>										
Programs:										
Services		61,843,984		3,004,500	1,640,685	66,489,169	(582,618)	65,906,551		65,906,551
Grants and awards - related parties		9,222,331	2,451,850			11,674,181	(11,674,181)			-
Grants and awards		3,028,110	91,653,853			94,681,963		94,681,963		94,681,963
Grantmaking program expense			14,717,402			14,717,402	(384,004)	14,333,398		14,333,398
General and administrative	12,117,258	12,077,847	3,447,278	1,396,555	678,809	29,717,747	(12,591,795)	17,125,952		17,125,952
Fundraising	1,388,380	5,302,687	394,523			7,085,590	(857,540)	6,228,050		6,228,050
<b>Total expenses</b>	<b>13,505,638</b>	<b>91,474,959</b>	<b>112,664,906</b>	<b>4,401,055</b>	<b>2,319,494</b>	<b>224,366,052</b>	<b>(26,090,138)</b>	<b>198,275,914</b>		<b>198,275,914</b>
<b>Change in Net Assets</b>	<b>207,936</b>	<b>2,324,084</b>	<b>6,982,245</b>	<b>(832,924)</b>	<b>(707,683)</b>	<b>7,973,658</b>	<b>-</b>	<b>2,831,467</b>	<b>5,142,191</b>	<b>7,973,658</b>
<b>Net Assets - Beginning of year</b>	<b>711,246</b>	<b>65,897,376</b>	<b>136,738,588</b>	<b>1,264,640</b>	<b>(3,624,543)</b>	<b>200,987,307</b>		<b>167,666,736</b>	<b>33,320,571</b>	<b>200,987,307</b>
<b>Net Assets - End of Year</b>	<b>\$ 919,182</b>	<b>\$ 68,221,460</b>	<b>\$ 143,720,833</b>	<b>\$ 431,716</b>	<b>\$ (4,332,226)</b>	<b>\$ 208,960,965</b>	<b>\$ -</b>	<b>\$ 170,498,203</b>	<b>\$ 38,462,762</b>	<b>\$ 208,960,965</b>

## Tides Organizations

### Consolidating Statement of Cash Flows (See Independent Auditors' Report)

Year Ended December 31, 2013

	Tides Network	Tides Center	Tides Foundation	Tides Inc.	Tides Two Rivers Fund	Subtotal	Eliminations	Consolidated Total
<b>Cash Flows from Operating Activities:</b>								
Change in net assets	\$ 207,936	\$ 2,324,084	\$ 6,982,245	\$ (832,924)	\$ (707,683)	\$ 7,973,658		\$ 7,973,658
Adjustment to reconcile change in net assets to net cash (used) provided by operating activities:								
Depreciation and amortization	100,512	327,079	2,488	398,316	372,551	1,200,946		1,200,946
Gain on disposal of property and equipment		(416,687)				(416,687)		(416,687)
Net (gain) loss on investments		435,682	(10,922,595)			(10,486,913)		(10,486,913)
Dividend reinvestment			(1,871,429)			(1,871,429)		(1,871,429)
Property and equipment granted out		422,130				422,130		422,130
Changes in operating assets and liabilities:								
Grants and contributions receivable	(170,838)	(3,741,428)	(4,727,684)	(1,685,646)	(7,800)	(10,333,396)	\$ 2,303,009	(8,030,387)
Bond reserve funds				867,002	349,087	1,216,089		1,216,089
Prepaid expenses and other assets	(39,895)	(84,183)		496,010	(89,085)	282,847	3,770	286,617
Accounts payable and accrued expenses	(669,002)	1,498,493	(634,608)	(499,869)	98,929	(206,057)	(654,156)	(860,213)
Grants payable			3,272,462			3,272,462		3,272,462
Grant advances		153,960				153,960		153,960
Other liabilities		(106,102)	(28,523)			(134,625)		(134,625)
Net cash (used) provided by operating activities	(571,287)	813,028	(7,927,644)	(1,257,111)	15,999	(8,927,015)	1,652,623	(7,274,392)
<b>Cash Flows from Investing Activities:</b>								
Purchases of investments		(2,902,133)	(51,781,766)			(54,683,899)		(54,683,899)
Proceeds from sales of investments		3,281,375	57,508,999			60,790,374		60,790,374
Purchases of property and equipment	(58,635)	(394,970)		(32,577)	(1,121)	(487,303)		(487,303)
Net cash (used) provided by investing activities	(58,635)	(15,728)	5,727,233	(32,577)	(1,121)	5,619,172	-	5,619,172
<b>Cash Flows from Financing Activities:</b>								
Proceeds from bond issuances and lines of credit			616,761	10,450,000	9,557,623	20,624,384	\$ (1,652,623)	18,971,761
Payments on notes and bonds payable	29,662	(31,679)		(10,840,000)	(9,525,000)	(20,367,017)		(20,367,017)
Net cash (used) provided by financing activities	29,662	(31,679)	616,761	(390,000)	32,623	257,367	(1,652,623)	(1,395,256)
<b>Net Change in Cash and Cash Equivalents</b>	(600,260)	765,621	(1,583,650)	(1,679,688)	47,501	(3,050,476)	-	(3,050,476)
<b>Cash and Cash Equivalents - Beginning of Year</b>	1,533,383	11,943,996	7,375,686	2,656,957	283,997	23,794,019		23,794,019
<b>Cash and Cash Equivalents - End of Year</b>	\$ 933,123	\$ 12,709,617	\$ 5,792,036	\$ 977,269	\$ 331,498	\$ 20,743,543	\$ -	\$ 20,743,543