THE TIDES CENTER

DECEMBER 31, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The Tides Center

Independent Auditors' Report and Consolidated Financial Statements

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

THE BOARD OF DIRECTORS
THE TIDES CENTER
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **THE TIDES CENTER (the Center)** which comprise the statement of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 representation 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 representation 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 consolidated financial statements based on our audits. We conducted our audits 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 the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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CELEBRATING 1234567890 YEARS AND STILL COUNTING

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information 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 consolidated financial statements or to the consolidated 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 28, 2013

The Tides Center

Consolidated Statement of Financial Position

December 31,	2012	2011
Assets		
Cash and cash equivalents	$ 11,943,996	$ 12,875,794
Investments	35,484,892	41,311,488
Receivables	263,205	310,652
Receivables from related parties	635,881	284,315
Grants receivable	20,968,068	23,608,952
Grants receivable - Tides Foundation	-	50,000
Prepaid expenses	458,972	806,901
Other current assets	17,942	12,549
Property and equipment, net	2,029,839	2,531,714
Other assets	347,904	508,279
Total assets	$ 72,150,699	$ 82,300,644
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 4,977,288	$ 5,217,084
Payable to related parties	262,451	415,314
Liability due to agency transactions	273,563	907,432
Notes payable	40,038	291,626
Grants advance	699,983	438,637
Total liabilities	6,253,323	7,270,093
Net Assets:		
Unrestricted:		
Undesignated	1,647,161	1,925,924
Designated for projects	31,607,727	15,271,841
Total unrestricted	33,254,888	17,197,765
Temporarily restricted	32,642,488	57,832,786
Total net assets	65,897,376	75,030,551
Total liabilities and net assets	$ 72,150,699	$ 82,300,644

The accompanying notes are an integral part of this statement.

The Tides Center

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions and grants	$ 37,861,087	$ 36,596,106	$ 74,457,193
Contributions and grants - Tides Foundation	2,102,196		2,102,196
In-kind donation - Tides Network	1,464,463		1,464,463
Program revenue	9,595,709		9,595,709
Interest and dividend income	561,988		561,988
Net gain on investments and other	479,713		479,713
Net assets released from restrictions	61,786,404	(61,786,404)	
Total support and revenues	113,851,560	(25,190,298)	88,661,262
Expenses:			
Program:			
Services	60,784,070		60,784,070
Grants - Tides Foundation	9,607,076		9,607,076
Grants - Others	7,970,739		7,970,739
General and administrative	12,143,789		12,143,789
Fundraising	7,288,763		7,288,763
Total expenses	97,794,437		97,794,437
Change in Net Assets	16,057,123	(25,190,298)	(9,133,175)
Net Assets - Beginning of year	17,197,765	$ 57,832,786	$ 75,030,551
Net Assets - End of Year	$ 33,254,888	$ 32,642,488	$ 65,897,376

The accompanying notes are an integral part of this statement.

The Tides Center

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions and grants	$ 34,114,425	$ 57,298,692	$ 91,413,117
Contributions and grants - Tides Foundation	3,079,385		3,079,385
Program revenue	10,074,349		10,074,349
Interest and dividend income	753,819		753,819
Net gain on investments	428,599		428,599
Net assets released from restrictions	52,345,839	(52,345,839)	
Total support and revenues	100,796,416	4,952,853	105,749,269
Expenses:			
Program:			
Services	57,224,533		57,224,533
Grants - Tides Foundation	15,512,686		15,512,686
Grants - Others	3,829,141		3,829,141
General and administrative	16,749,747		16,749,747
Fundraising	6,241,105		6,241,105
Total expenses	99,557,212		99,557,212
Change in Net Assets	1,239,204	4,952,853	6,192,057
Net Assets - Beginning of year	15,958,561	52,879,933	68,838,494
Net Assets - End of Year	$ 17,197,765	$ 57,832,786	$ 75,030,551

The accompanying notes are an integral part of this statement.

The Tides Center

Consolidated Statement of Cash Flows

Years Ended December 31,	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ (9,133,175)	$ 6,192,057
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	444,968	636,051
Net assets granted to Tides Network	169,468	
Loss on disposal of property and equipment		619
Net gain on investments and other	(479,710)	(428,599)
Property and equipment granted to former projects	100,517	372,027
Changes in operating assets and liabilities:		
Receivables	47,447	204,809
Receivables from related parties	(351,566)	79,017
Grants receivable	2,690,884	(5,879,480)
Prepaid expenses	347,929	(372,715)
Other current assets and other assets	154,982	162,218
Accounts payable and accrued expenses	(239,799)	530,063
Payable to related parties	(152,863)	203,127
Liability due to agency transactions	(633,869)	(1,937,501)
Grants advance	261,345	(262,403)
Net cash used by operating activities	(6,773,442)	(500,710)
Cash Flows from Investing Activities:		
Purchases of investments	(778,402)	(3,367,956)
Proceeds from sales of investments	7,084,711	2,105,535
Purchases of property and equipment	(213,078)	(1,154,845)
Net cash provided (used) by investing activities	6,093,231	(2,417,266)
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	291,626
Payments on notes payable	(251,588)	(12,000)
Net cash (used) provided by financing activities	(251,588)	279,626
Net Decrease in Cash and Cash Equivalents	(931,798)	(2,638,350)
Cash and Cash Equivalents - Beginning of Year	12,875,794	15,514,144
Cash and Cash Equivalents - End of Year	$ 11,943,996	$ 12,875,794

The accompanying notes are an integral part of this statement.

Note 1 - Description of the Organization:

Tides Center (the Center) is a California Non-Profit Public Benefit Corporation, established in 1996, organized and operated to support emerging charitable and educational activities. The Tides Center provides fiscal sponsorship and essential organizational, financial and personnel services to projects promoting shared principles of social justice and a sustainable, healthy society. Tides Center operates hundreds of projects and activities, all of which seek funding from the grant making community and donors throughout the world.

Tides Inc., a related organization, was formed in late 2002 and provides administrative services to the Tides Center and Tides Foundation until December 31, 2011. In 2012, Tides Inc. role to provide administrative services was replaced by Tides Network.

Tides Network, The Tides Center, Tides Foundation, Tides Inc. and Tides Two Rivers Fund are aligned independent entities. Tides Network supports the operating entities 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.

On January 1, 2012, Tides Network began operations as a service provider to other Tides entities (see Note 13). Certain employees of the Tides entities became employees of Tides Network. Certain assets, net of liabilities, of the Tides entities were granted or transferred to Tides Network. Tides Network now participates in a cost sharing agreement with the other entities related to the provision of operating services. Tides Center non-program operations are now incorporated in Tides Network. Certain direct and indirect costs including management salaries and supporting services are incurred within Tides Network.

In 2008 Pathway Home LLC was created as a wholly owned subsidiary of Tides Center. The Pathway Home LLC provides a residential recovery program specifically created for, and dedicated to serve veterans who have served in areas of the world such as Afghanistan and Iraq. The goal of the Pathway Program is to provide a comprehensive program of treatment and support for its warriors so that they can continue to recover from the stresses of war or combat or other traumatic military-related stressors. Pathway Home LLC has been consolidated into these financial statements.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The consolidated financial statements include the financial statements of The Tides Center, and Pathway Home LLC (collectively, the Center). All intercompany transactions and balances have been eliminated.

b. Description of Net Assets

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

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.

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

Temporarily Restricted Net Assets

The portion of net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or fulfillment of programmatic purpose. The 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.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with maturities of three months or less.

d. Investments

Investments in money markets are carried at fair value. Investments in U.S. Government and agency securities are carried at fair value based on unadjusted quoted market prices. Valuation of investments in pooled investments which are pooled income funds are based on net asset value per share of the pooled income funds. Realized and unrealized gains and losses are included in the statement of activities. Investment income is reported gross in the statement of activities.

e. 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.

f. Grants Advance

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

g. Liability Due to Agency Transactions

Transfer of assets in which the Center is acting as an agent, trustee, or intermediary for the funder are recorded as a liability.

h. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the Center or its projects. Contributions are recorded at fair value when received. As appropriate, Management will evaluate grants receivable and other receivables for collectability and make any necessary valuation allowances for doubtful accounts. There were no valuation allowances as of December 31, 2012.

Donor restricted contributions and grants are reported as increases in temporarily restricted support when such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, essentially as the monies are spent, temporarily restricted net assets are reclassified to unrestricted net assets and reported as released from restrictions.

Contributions are recognized as revenue in the period received. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments that are supported by verifiable documentation, and contain no ambiguous conditions. If these contributions are to be received after a year or over a number of years, they are discounted to their estimated net present value using risk adjusted interest rates applicable to the years in which the promises are received.

Program revenues are recognized when earned.

i. Income Taxes

The Center is a tax exempt organization 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.

Management evaluated the Center’s tax positions and concluded that the Center had maintained its 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 Center is no longer subject to income tax examinations by the Internal Revenue Service for the tax years ended 2009 and before, and by the California Franchise Tax Board for the tax years ended 2008 and before.

j. Fair Value Measurements

Fair value is 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 Center classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Center's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

k. Fair Value of Financial Instruments

Financial instruments included in the Center’s Statement of Financial Position as of December 31, 2012 and 2011 which are not required to be measured at fair value include cash equivalents, receivables, payables, grants advance and other notes payables. For cash equivalents, receivables, payables, grants advance and other notes payables carrying amounts represent a reasonable estimate of the corresponding fair values.

l. Functional Expenses

Program expenses generally include the direct expenses of the various projects of the Tides Center. As indicated in Notes 8 and 13, Tides Network provides centralized services, operating and administrative functions to all Tides Entities which include both personnel and other expenses incurred by each Tides Entity. Thus, there are allocations to the Center for various program, general and administrative and fundraising personnel and non personnel expenses that relate to the Center activities. General and administrative expenses include the expenses of the administrative offices of the Center and its projects and with fundraising expenses, for various projects, are calculated based on management's allocation methodology and estimates. This presentation is deemed to be reflective of the activities of the organization on a functional basis, taken as a whole.

m. 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.

n. Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update No. 2012-05 – Statement of Cash Flows (Topic 230) *Not-for-Profit Entities – 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 Center's financial statements.

o. Subsequent Events

The Center evaluated subsequent events through June 28, 2013, 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 disclosed in Note 11.

Note 3 - Investments:

Investments at fair market value at December 31, 2012 and 2011 consist of the following:

	2012		
	Quoted Prices In Active Markets for Identical Instruments (Level 1)	Significant Other Inputs (Level 2)	Total
Money market	$ 4,408,057		$4,408,057
U.S. government and agency securities	$26,464,987		$26,464,987
Corporate debt securities, obligations		$1,866,988	$1,866,988
Pooled investments		$2,744,860	$2,744,860
Total	$30,873,044	$4,611,848	$35,484,892

	2011		
	Quoted Prices In Active Markets for Identical Instruments (Level 1)	Significant Other Inputs (Level 2)	Total
Money market	$ 7,520,139		$ 7,520,139
U.S. government and agency securities	27,120,939		27,120,939
Corporate debt securities, obligations		$ 4,131,118	4,131,118
Pooled investments		2,539,292	2,539,292
Total	$ 34,641,078	$ 6,670,410	$ 41,311,488

Net realized gain and unrealized gain for 2012 were $98,723 and $380,990, respectively. Net realized gain and unrealized loss for 2011 were $187,482 and $241,117, respectively.

The pooled investments represent amounts invested in Tides Foundation pooled investment fund. The Center uses the net asset value to determine the fair value of the pooled investments which do not have readily determinable fair value. The pooled investments are not restricted and are redeemable anytime at its fair value.

Note 4 - Grants Receivable:

Grants receivable as of December 31, 2012 and 2011 are due as follows:

	2012	2011
Less than one year	$ 16,645,996	$ 19,267,866
One to five years (net of discount of $14,641 and $24,165 in 2012 and 2011 respectively)	4,322,072	4,391,086
Total	20,968,068	23,658,952

Note 5 - **Property and Equipment:**

Property and equipment are comprised of the following at December 31, 2012 and 2011:

	2012	2011
Land improvements and structures	$ 1,168,130	$ 1,168,130
Furniture and equipment	1,979,441	3,470,338
Leasehold improvements	1,146,154	1,219,428
Vehicles	115,129	138,041
Art and sculpture	1,404	4,404
	4,410,258	6,000,341
Accumulated depreciation and amortization	(2,380,419)	(3,468,627)
	$2,029,839	$ 2,531,714

Land improvements and structures relate to the National AIDS Memorial Grove. Those assets are not depreciated because they are to be maintained in perpetuity.

Note 6 - **Net Assets:**

Temporarily restricted net assets represent funds which have not yet been expended for donor imposed restrictions or time restrictions.

Temporarily restricted net assets are available for the following purposes as of December 31**:**

	2012	2011
Time restriction	$ 5,159,968	$ 17,436,047
Purpose/program restrictions	27,482,520	40,396,739
	$ 32,642,488	$ 57,832,786

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time elapse.

	2012	2011
Time restrictions	$ 22,412,555	$ 19,459,446
Purpose/program restrictions	39,373,849	32,886,393
	$ 61,786,404	$ 52,345,839

Note 7 - Commitments and Contingencies:

Leases

The Center is obligated on various operating lease agreements for the Center's building and other facilities used by the project programs. The Center leases its building and certain facilities from Tides Network. The Center's lease is on a year to year basis through February 2015. The Center is obligated for the subsequent calendar year, unless it notifies the Network by September 1 that it wishes to terminate the agreement. The Network has the same rights. The rental rate is based upon the total expenses incurred to operate the leased space and is allocated to the Tides organizations based upon space utilized. The rent may be modified during the year depending upon space utilized. See Note 8 for amounts paid for rent by the Center to the Tides Network.

As of December 31, 2012, minimum rental commitments under the operating leases for Tides Center offices and projects are approximately as follows:

2013	$ 1,406,000
2014	714,000
2015	367,000
2016	156,000
2017	132,000
Total	$2,775,000

Rental expense for 2012 and 2011 was approximately $2,449,000 and $3,088,000, respectively.

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.

Note 8 - Related Party Transactions:

Tides Foundation

At December 31, 2012 and 2011, certain investments of the Center (Note 3) are held in a pooled investment fund directed by Tides Foundation.

In 2012 and 2011, the Center received approximately $2.1 and $3.1 million, respectively, of total grants and contributions from Tides Foundation. At December 31, 2012 and 2011, balances due from Tides Foundation were $0 and $50,110, respectively. At December 31, 2012 and 2011 balances due to Tides Foundation were $33,766 and $524,938, respectively. In 2012 and 2011, the Center made grants to Tides Foundation totaling approximately $9.6 million and $15.5 million, respectively. The sources of the grants made to Tides Foundation are mainly grants originally received by the Center from its donors. These grants were subsequently redirected to Tides Foundation upon the Center's projects or donors approval.

Tides, Inc.

Tides, Inc. provides shared administrative services such as general administration, communications, executive leadership, human resources, and information technology support for the various Tides entities. Through December 31, 2011, these expenses were billed to Tides Center and paid directly to Tides, Inc. Beginning January 1, 2012, Tides, Inc. began billing Tides Network for these expenses, which were then allocated to Tides Center based on the agreed monthly payment. Expenses incurred and related balances as of December 31, 2011 are:

Accounts receivable from Tides, Inc.	$ 90,260
Shared services, rent and other charges from Tides, Inc.	$ 2,744,768
Accounts payable to Tides, Inc.	$ 301,957

There were no similar amounts for 2012 and as of December 31, 2012.

Tides Two Rivers Fund

In 2012 and 2011, the Center paid rent expense to Tides Two Rivers Fund totaling $159,087 and $167,006, respectively.

Tides Network

As noted in Note 7, Tides Network is the master lessor to the various Tides entities. Rent paid to Tides Network for 2012 and 2011 totaled approximately $0 and $476,577, respectively.

As noted in Note 13, beginning January 1, 2012, Tides Network became the centralized entity for all of the related parties. Payments made to Tides Network for 2012 was $8,644,463 of which $1,464,463 was forgiven, and is recorded as in-kind revenue.

Accounts receivable from and accounts payable to Tides Network at December 31, 2012 were $587,566 and $220,431, respectively.

Note 9 - Retirement Plans:

Defined Contribution Plan

The Center, along with its related entities, provides a defined contribution retirement plan for employees, including those working on projects, meeting eligibility requirements. The contribution relates to a percentage of compensation, ranging from 2% to 5%, based upon years of service. Employer contributions by the Center totaled approximately $759,000 for 2011. The amount charged to the Center in 2012 by Tides Network for personnel providing services to the Center was approximately $646,000.

403(b) Salary Reduction Plan

Employees of the Center may participate in a 403(b) plan, whereby they may elect to make contributions pursuant to a salary reduction plan. Under the terms of the plan, the Center does not make contributions.

Note 10 - Concentrations of Credit and Other Risk:

The Center has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash and investments.

The Center invests its excess cash with various financial institutions. These deposits include balances of approximately $12,678,000 and $12,314,000 above the federally insured limits as of December 31, 2012 and 2011, respectively.

Essentially all of the Center's investments portfolio is maintained at one major financial institution. The Center closely monitors these investments and to date has not experienced significant losses.

In 2012, the Center received approximately $20.6 million from four foundations, representing approximately 27% of the Center's contributions and grants revenue. In 2011, the Center received approximately $18.5 million from three foundations, representing approximately 20% of the Center's contributions and grants revenue.

Note 11 - Projects:

General

The Center provides fiscal sponsorship and organizational 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 2012 and 2011, net assets of $4,695,293 and $1,076,344, respectively, were distributed to spun projects. These amounts are recorded as grant expense.

Subsequent to December 31, 2012, there were spun off projects with net assets distributed of approximately $57,000.

Note 12 - Litigation:

The Center is a party 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.

Note 13 - Tides Network:

On November 30, 2011, the Board of Directors of Tides Network determined that in order to more effectively manage the operations of the Tides entities, it is desirable to centralize certain operations under one entity – Tides Network. Accordingly, effective January 1, 2012, all employees of Tides, Inc., Tides Foundation and certain employees of The Tides Center became employees of Tides Network. Certain assets, of the Center net of liabilities, of $169,468 were transferred to Tides Network and are included in grants in the statement of activities. In addition to the transfer of employment to Tides Network, operating costs associated with those employees as well as other administrative costs in operating Tides, Inc., Tides Two Rivers Fund, Tides Center, and Tides Foundation were also assumed by Tides Network. Tides Foundation, Tides Center, Tides, Inc. and Tides Two Rivers Fund were authorized to enter into an appropriate cost sharing agreements with Tides Network for terms that are fair and reasonable.

The centralization of certain Tides entities operations into Tides Network impacted the Center's financial statements in 2012 in that the expenses relating to certain salaries, benefits, payroll taxes, consulting and contract services were transferred to Tides Network. Support and Revenues will remain activities in the Tides Center.

The Tides Center

Supplemental Schedule
Consolidated Schedule of Functional Expenses
(See Independent Auditors' Report)

Year Ended December 31, 2012

	Program Services	Support Services		
	Project Services	General and Administrative	Fund-Raising	Total
Labor	$ 24,396,905	$ 5,113,535	$ 3,387,045	$ 32,897,485
Benefits and Taxes	6,105,635	1,321,934	801,311	8,228,880
Total salaries and related expenses	30,502,540	6,435,469	4,188,356	41,126,365
Legal	2,959	505,258	22,956	531,173
Auditing	143,784	237,774	23,964	405,522
Professional Fundraising Fees	-	-	24,439	24,439
Investment Service Fees	9,755	-	-	9,755
Interest	16,897	-	-	16,897
Other Professional Services	15,477,152	2,552,764	1,573,461	19,603,377
Rent	2,126,565	730,367	225,417	3,082,349
Telephone	660,923	55,302	84,318	800,543
Depreciation & Amortization	513,634	34,333	11,444	559,411
Office Expenses	1,194,786	243,715	150,123	1,588,624
Information Technology	582,403	151,955	7,152	741,510
Advertising & Promotion	1,482,259	11,289	27,277	1,520,825
Insurance	409,641	7,208	1,349	418,198
Facilities	1,150,224	203,681	136,586	1,490,491
Travel & Conference	4,076,767	426,952	634,031	5,137,750
Grants & Awards	17,577,815	310,063	25,991	17,913,869
Other Project Expenses	504,014	-	60,871	564,885
Shared Services	11,889	-	-	11,889
All other expenses	1,917,878	237,659	91,028	2,246,565
Total	$ 78,361,885	$ 12,143,789	$ 7,288,763	$ 97,794,437