PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

POLICYLINK

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

POLICYLINK

DECEMBER 31, 2011 AND 2010

CONTENTS

Independent Auditors' Report

To the Board of Directors of PolicyLink
Oakland, California

We have audited the accompanying statements of financial position of PolicyLink, a nonprofit organization, as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of PolicyLink's management. Our responsibility is to express an opinion on these 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PolicyLink as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PMB Helin Donovan LLP
PMB Helin Donovan, LLP

San Francisco, California
October 23, 2012

PolicyLink
Statements of Financial Position
As of December 31, 2011 and 2010

ASSETS		**2011**		**2010**
Assets:				
Cash and cash equivalents	$	2,242,323	$	2,084,469
Investments, at fair value		101,339		141,237
Grants receivable, net		2,492,680		4,354,930
Contracts receivable		454,617		732,135
Other receivables		22,125		11,049
Prepaid expenses and deferred charges		270,200		179,686
Other assets		34,251		15,537
Property and equipment, net		220,404		285,911
Total Assets	$	5,837,939	$	7,804,954
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$	363,793	$	443,642
Other accrued liabilities		464,300		586,990
Contract advances		2,000		235,667
Capital lease obligations		23,416		26,707
Total Liabilities		853,509		1,293,006
Net Assets:				
Unrestricted net assets		31,153		17,662
Temporarily restricted net assets		4,953,277		6,494,286
Total Net Assets		4,984,430		6,511,948
Total Liabilities and Net Assets	$	5,837,939	$	7,804,954

See Notes to the Financial Statements

PolicyLink

Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Support and Revenues:						
Grants and contributions	$ 4,830,659	$ 3,607,426	$ 8,438,085	$ 4,206,728	$ 3,935,410	$ 8,142,138
Contracts	2,798,986	-	2,798,986	2,690,846	-	2,690,846
Earned income and honoraria	299,825	-	299,825	45,229	-	45,229
Net investment income	1,597	-	1,597	6,795	-	6,795
Net assets released from restrictions	5,148,435	(5,148,435)	-	4,240,108	(4,240,108)	-
Total Support and Revenues	13,079,502	(1,541,009)	11,538,493	11,189,706	(304,698)	10,885,008
Expenses:						
Program services	11,256,774	-	11,256,774	9,374,592	-	9,374,592
General and administrative	1,235,178	-	1,235,178	1,108,444	-	1,108,444
Fundraising	574,059	-	574,059	569,985	-	569,985
Total Expenses	13,066,011	-	13,066,011	11,053,021	-	11,053,021
Change in Net Assets	13,491	(1,541,009)	(1,527,518)	136,685	(304,698)	(168,013)
Net Assets - beginning of year	17,662	6,494,286	6,511,948	(119,023)	6,798,984	6,679,961
Net Assets - end of year	$ 31,153	$ 4,953,277	$ 4,984,430	$ 17,662	$ 6,494,286	$ 6,511,948

See Notes to the Financial Statements

PolicyLink
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Changes in net assets	$ (1,527,518)	$ (168,013)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	109,671	120,177
Loss on disposal of property and equipment	1,016	-
Depreciation in investments	2,898	4,032
Provision for doubtful accounts	4,900	(12,000)
(Increase) decrease in assets:		
Grants receivable	1,862,250	(696,620)
Contract income receivable	272,618	(393,194)
Other receivables	(11,076)	48,943
Prepaid expenses, deferred charges, and other assets	(109,228)	(22,720)
Increase (decrease) in liabilities:		
Accounts payable	(79,849)	153,173
Accrued liabilities	(122,690)	(116,504)
Contract advances	(233,667)	(132,829)
Net cash provided by (used in) operating activities	169,325	(1,215,555)
Cash Flows From Investing Activities		
Purchases of property and equipment	(30,526)	(27,389)
Purchases of investments	-	(141,805)
Proceeds from sale and maturities of investments	37,000	180,000
Net cash provided by investing activities	6,474	10,806
Cash Flows From Financing Activities		
Payments made on capital leases	(17,945)	(14,009)
Net cash used in financing activities	(17,945)	(14,009)
Net increase (decrease) in cash	157,854	(1,218,758)
Cash and cash equivalents - beginning of the year	2,084,469	3,303,227
Cash and cash equivalents - end of the year	$ 2,242,323	$ 2,084,469
Supplementary cash flow information		
Cash paid during the year for interest	$ 4,242	$ 12,404
Schedule of noncash investing and financing activities:		
Property and equipment financed through a capital lease	$ 14,654	$ 11,609

See Notes to the Financial Statements

PolicyLink
Statement of Functional Expenses
For the Year Ended December 31, 2011
With combined comparative totals for 2010

	Program Services	Support Services			
	Program Services	General and Administrative	Fundraising	Total	2010 Totals
Operating Expenses:					
Wages and benefits	$ 5,859,290	$ 942,656	$ 505,796	$ 7,307,742	$ 7,000,685
Other fees for services	2,146,790	46,181	494	2,193,465	1,280,529
Travel	1,646,584	39,581	13,108	1,699,273	659,606
Accounting fees	228	69,751	12	69,991	63,974
Advertising and promotion	(2,389)	2,511	(122)	-	692
Bad debts	4,900	-	-	4,900	(12,000)
Conferences, conventions and meetings	66,167	-	-	66,167	13,243
Depreciation	94,485	10,368	4,818	109,671	120,177
Equipment rental and maintenance	41,137	6,168	10,691	57,996	55,106
Grants	114,896	-	-	114,896	721,617
Information technology	20,330	2,636	817	23,783	21,360
Insurance	7,348	4,810	375	12,533	12,931
Interest	(50)	4,242	(3)	4,189	13,309
Legal fees	-	20,674	-	20,674	15,056
Occupancy	523,139	56,106	26,076	605,321	630,585
Other	70,065	2,808	326	73,199	9,006
Postage and shipping	30,162	2,108	811	33,081	22,093
Printing and publications	166,561	2,756	543	169,860	101,668
Supplies	108,239	7,961	3,867	120,067	104,879
Telephone	165,954	13,165	6,127	185,246	218,505
Temporary Agencies and Casual Labor	192,938	696	323	193,957	-
Total Operating Expenses	$ 11,256,774	$ 1,235,178	$ 574,059	$ 13,066,011	$ 11,053,021

PolicyLink
Statement of Functional Expenses
For the Year Ended December 31, 2010

	Program Services	Support Services		
	Total Program Services	**General and Administrative**	**Fundraising**	**Total**
Operating Expenses:				
Wages and benefits	$ 5,598,337	$ 889,437	$ 512,911	$ 7,000,685
Other fees for services	1,277,429	3,100	-	1,280,529
Travel	624,492	30,658	4,456	659,606
Accounting fees	-	63,974	-	63,974
Advertising and promotion	692	-	-	692
Bad debts	-	(12,000)	-	(12,000)
Conferences, conventions and meetings	13,243	-	-	13,243
Depreciation	101,928	12,051	6,198	120,177
Equipment rental and maintenance	49,887	3,447	1,772	55,106
Grants	721,617	-	-	721,617
Information technology	18,345	1,991	1,024	21,360
Insurance	9,033	3,349	549	12,931
Interest	888	12,421	-	13,309
Legal fees	328	14,728	-	15,056
Occupancy	545,077	56,470	29,038	630,585
Other	3,542	5,315	149	9,006
Postage and shipping	19,045	1,565	1,483	22,093
Printing and publications	99,709	1,553	406	101,668
Supplies	93,928	6,319	4,632	104,879
Telephone	197,072	14,066	7,367	218,505
Total Operating Expenses	$ 9,374,592	$ 1,108,444	$ 569,985	$ 11,053,021

1. Organization and Nature of Activities

Organization
PolicyLink (the Organization), founded in 1999, is a California nonprofit public benefit corporation.

PolicyLink is a national research and action institute advancing economic and social equity by Lifting Up What Works. The Organization frames policy issues and priorities; analyzes policy options from the perspective of low-income people and communities of color; lifts up what is working at the local level; and offers policy recommendations for how to help local equity innovations expand and flourish. The ultimate goal of this framing and corresponding policy agenda is to build an equitable society and a nation filled with opportunity for all. It receives funding from other charitable organizations and foundations.

PolicyLink has the following programs:

Center for Health and Place - is driven by the recognition that a neighborhood's environment, from the presence and maintenance of the local playground, to the frequency with which neighbors interact with one another, to the availability of jobs and quality affordable housing, all affect our health. The Center equips advocates with the tools necessary to push for real change by providing technical assistance, strategies for shaping policy, communications training, and other resources.

Center for Infrastructure Equity - advocates for fair and inclusive policies and provides community and grassroots leaders, advocates, and public officials with the tools, training, and consultation needed to ensure that public investments in infrastructure create economic opportunity and health in all communities.

Leadership and Civic Engagement - works to bring more leaders of color into the policymaking process and uses arts and culture as means to inform, mobilize, and build communities. PolicyLink believes that local leaders are national leaders, and their wisdom, engagement, and innovation are necessary for policies to be equitable and, ultimately, sustainable.

Federal Policy Agenda - aims to bring to national scale the programs and policies that are succeeding at the community level. By bringing the voices and concerns of our communities inside the Beltway, we work with our partners to create smarter, more just, and more equitable federal policy.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets in accordance with the provisions of Accounting Standards Codification 958, "*Financial Statements of Not-For-Profit Organizations*".

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, all highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents.

Allowance for Doubtful Accounts

In determining the adequacy of the allowance, management identifies specific receivables for which collection is not certain and estimates the potentially uncollectible amount based on the most recently available information. Receivables are written off when determined to be uncollectible. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts. During the years ended December 31, 2011 and 2010, the Organization had no allowance for doubtful accounts.

Property and Equipment

The Organization capitalizes all property and equipment acquisitions in excess of $1,000. Property and equipment purchased is recorded at cost. Assets acquired by contribution or bequest are stated at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computer Software	3 years
Computer Hardware and Equipment	3 years
Furniture and Fixtures	3 years
Leasehold Improvements	Lesser of life of lease or useful life

2. Summary of Significant Accounting Policies (continued)

Investments

Short-term investments are carried at the fair value. Investment income consists of dividends, interest income, and appreciation (depreciation) of investments and which are reflected in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include depreciation, accrued liabilities, and the allocation of functional expenses.

Net Assets

PolicyLink classifies its net assets into three categories: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual arrangements with outside parties, but may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of the Organization pursuant to donor restrictions or by the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that the Organization must maintain. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2011 and 2010, the Organization had no permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

2. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants or contributions receivable that are expected to be collected within one year are recorded at net realizable value, which approximates fair value. Grants or contributions receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional grants or contributions are not included as support until the conditions are substantially met.

Contract Revenue

Contract revenues are earned when PolicyLink renders specific services and completes certain deliverables, pursuant to a reciprocal agreement entered into with a third party. Contract revenues are recognized as unrestricted net assets when the contracted services have been performed.

Contract advances

Certain contracts provide for an initial payment to be made to PolicyLink in advance, so as to provide funding to complete the objectives of the contract. Such advances are accounted for as contract advances until the related services have been rendered, at which point the liability is recognized as revenue.

Donated Services

Contribution of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Leases

Leases that transfer all of the risks and benefits of ownership are capital leases. Others are operating leases. Capital leases are included in property and equipment and are amortized over the shorter of their useful life or lease term using the straight-line method. Operating leases are expensed in the period incurred.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

PolicyLink was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. PolicyLink has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(VI) of the Code.

The Organization adopted Financial Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. This standard addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. This standard provides related guidance on measurement, classification, interest and penalties, and disclosure. PolicyLink has assessed its policies and determined that it has not taken any uncertain tax positions. PolicyLink believes that it is not subject to audit for tax years prior to 2008.

Advertising Costs

Advertising costs are expensed as incurred and amounted to $0 and $692 for the years ended December 31, 2011 and 2010, respectively.

Functional Classification of Expenses

Costs are allocated between fund-raising, general and administrative and the appropriate program based on management's evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Fund-raising expenses are associated with the development staff of the Organization.

Deferred rent

PolicyLink accounts for operating leases in accordance with US GAAP. Accordingly, rent expense under the Organization's operating leases is recognized on a straight-line basis over the original term of each lease.

Compensated Absences

The Organization accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financial statements include accrued vacation benefits of $312,128 and $333,976 as of December 31, 2011 and 2010, respectively.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments
The carrying value of certain financial instruments, including cash and cash equivalents, certificates of deposit, accounts and grants receivable, contracts receivable, accounts payable, contract advances, and accrued liabilities approximate fair value due to their short-term nature. The recorded values of capital lease obligation approximate its fair values as interest approximates market rates.

New Accounting Pronouncements
In May of 2011, the FASB issued ASU 2011-04, ‘‘Amendments to Achieve Common Fair Value Measurement and disclosure Requirements in U. S. GAAP & IFRS,’’ which results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The Organization does not expect future adoption of ASU 2011-04 to have a material impact on its financial statements.

3. Investments

As defined in US GAAP, 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 (an exit price methodology). US GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity’s view of market assumptions in the absence of observable market information.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

3. Investments (continued)

The three levels of the fair value hierarchy are as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

- Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable, and other observable inputs.

- Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models, and other similar techniques.

The Organization's policy is to principally invest in money market and fixed income funds with a conservative risk profile that yields income and dividends.

Fixed income funds consist primarily of fixed-rate certificates of deposit and are stated at fair value. Investments consisted of the following at December 31, 2011 and 2010:

	2011	2010
Certificates of Deposit	$ 101,339	$ 141,237

3. Investments (continued)

The following table represents PolicyLink's fair value hierarchy for its financial assets measured at fair value using quoted prices in active markets as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 101,339	$ -	$ 101,339

The following table represents PolicyLink's fair value hierarchy for its financial assets measured at fair value using quoted prices in active markets as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 141,237	$ -	$ 141,237

Dividends and interest income amounted to approximately $3,991 and $5,939 at December 31, 2011 and 2010, respectively. Depreciation in the fair value of the investments amounted to $2,898 and $4,032 in 2011 and 2010, respectively. These amounts are included in net investment income in the statements of activities and changes in net assets.

4. Grants Receivable

Management has determined that all grants receivable are collectible. A discount rate of 1.50% was used to calculate the present value of the grants receivable expected to be collected within one year. A discount rate of 4.50% (risk-adjusted discount rate) was used to calculate the present value of the grants receivable expected to be collected in future years. Total amount of grants receivable at December 31, 2011 and 2010 are expected to be collected as follows:

	2011	2010
Receivable in less than one year	$ 2,358,104	$ 3,771,797
Receivable in one to five years	166,181	658,252
Total grants receivable	2,524,285	4,430,049
Less unamortized discount	(31,605)	(75,119)
Net grants receivable	$ 2,492,680	$ 4,354,930

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2011 and 2010:

	2011	2010
Equipment	$ 542,139	$ 505,169
Leasehold improvements	329,589	323,019
	871,728	828,188
Less accumulated depreciation and amortization	(651,324)	(542,277)
Net property and equipment	$ 220,404	$ 285,911

For the years ended December 31, 2011 and 2010 PolicyLink recorded $109,671 and $120,177 of depreciation and amortization expense, respectively.

6. Contract Advances

Advances received by PolicyLink under certain contracts for unfulfilled services are recorded as contract advances and amounted to $ 2,000 and $235,667 at December 31, 2011 and 2010, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

	2011	2010
Health	$ 2,539,704	$ 3,992,425
Leadership for Change	1,435,817	1,638,488
General Support	494,410	-
Public Investment	476,083	734,831
Training for Organizations on Equitable Development	-	99,624
Equitable Development	7,263	22,000
Housing	-	6,918
Total	$ 4,953,277	$ 6,494,286

7. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows for the years ended December 31, 2011 and 2010:

	2011	2010
Health	$ 2,811,999	$ 2,359,486
Housing	6,918	125,544
Public Investment	576,669	516,237
Equitable Development	14,737	109,627
Leadership for Change	1,638,488	954,214
Training for Organizations on Equitable Development	99,624	175,000
Total	$ 5,148,435	$ 4,240,108

8. Retirement Plan

PolicyLink has a contributory 401(k) plan for all eligible employees. Contributions are based on 4% of each eligible participant's compensation for the plan year, regardless of whether the participant made 401(k) contributions. In addition, PolicyLink will match the eligible participant's contributions up to 2% of his/her compensation. Retirement plan expense for the years ended December 31, 2011 and 2010 amounted to $305,458 and $301,504, respectively.

9. Capital Leases

PolicyLink leases copiers in its Oakland and New York offices under capital lease agreements. Total monthly payments towards these leases amount to $2,227. Total gross assets recorded under capital leases are approximately $79,000, and $65,000 with accumulated depreciation of approximately $57,000 and $42,000 as of December 31, 2011 and 2010, respectively. Depreciation expense amounted to approximately $16,000 and $14,000 for the years ended December 31, 2011 and 2010, respectively.

9. Capital Leases (continued)

The future minimum lease payments required under these capital leases and the present value of the net minimum lease payments as of December 31, 2011 are as follows:

	Year ending December 31,		Amount
	2012	$	16,067
	2013		7,450
	2014		4,303
Total minimum lease payments			27,820
Less: Amount representing interest			(4,404)
Present value of net minimum lease payments			23,416
Less: Current maturities of capital lease obligations			(13,007)
Long-term capital lease obligations		$	10,409

The future scheduled maturities of the capital leases are as follows:

Years ending December 31,		Amount
2012	$	13,007
2013		6,344
2014		4,065
Total	$	23,416

10. Concentrations

Credit Risk

The Organization maintains its cash balances at various financial institutions and brokerage firms. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. All non-interest bearing transaction accounts are fully insured by the FDIC for the entire amount in the account. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules.

10. Concentrations (continued)

Credit Risk (continued)

PolicyLink has identified its financial instruments that are potentially subject to credit risk. These financial instruments consist principally of bank deposits and investments in fixed income securities. There were no bank deposits with amounts in excess of the federal insurance at December 31, 2011 and 2010. Investments in fixed income securities held at PolicyLink's investment broker are protected by a combination of SIPC insurance and additional insurance protection maintained by the brokerage firm.

Significant Sources of Funding

PolicyLink has identified its contributors from which it received greater than 10% of its support and revenue during the years ended December 31, 2011 and 2010. Support and revenue received from its five largest contributors during 2011 accounted for approximately 63% of total revenues. Support and revenue received from its four largest funders during 2010 accounted for approximately 60% of total revenues. Total receivables from these contributors were approximately $2,060,000 and $3,296,000 at December 31, 2011 and 2010, respectively.

11. Line of Credit

In February 2009 PolicyLink entered into a $1,500,000 revolving line of credit ("the Line") with OneCalifornia Bank that expired in February 2010. The line of credit has been extended through February 10, 2013 with a reduced limit of $1,000,000. During the year ended December 31, 2011 PolicyLink did not borrow any funds against this line of credit and the outstanding balance at December 31, 2011 was zero. Interest on the line of credit is based on the prime rate as published in the Wall Street Journal, (3.25% at December 31, 2011 and 2010) plus two percent (2.00%) but not less than 6.00% per year.

12. Commitments and Contingencies

PolicyLink leases office space in California and New York under operating leases with various terms. Future minimum payments, by year and in aggregate under these leases with initial or remaining terms of one year or more as of December 31, 2011, consist of the following:

Year ending December 31,		Operating leases
2012	$	487,294
2013		488,330
2014		375,507
2015		134,750
2016		134,750
Years thereafter		44,917
Total minimum lease payments	$	1,665,548

Rent expense under operating leases for the years ended December 31, 2011 and 2010 amounted to $555,404 and $561,291, respectively.

13. Related party transactions

During the year ended December 31, 2010 PolicyLink signed a contract, with CSSP (Center for the Study of Social Policy) with a term running from July 1, 2010 through June 30, 2011 to compensate CSSP for work done in support of the Promise Neighborhoods Initiative. The Chair of the PolicyLink Board of Directors is also a CSSP employee. This employee did not and will not receive any compensation from the above mentioned contract. PolicyLink paid approximately $527,000 and $163,000 for these services during 2011 and 2010, respectively.

The President and CEO of the Harlem Children Zone is also a member of PolicyLink’s Board of Directors. PolicyLink received $12,472 and $79,508 from Harlem Children’s Zone for work done in support of the Promise Neighborhoods Initiative during 2011 and 2010, respectively. The President and CEO of the Harlem Children’s Zone will not receive any compensation from the above mentioned contract.

During 2011, PolicyLink paid a total of $160,000 to the Program for Environmental and Regional Equity (PERE), which is part of the University of Southern California. The Director of PERE is also a board member of PolicyLink. This director did not receive any compensation from the payments made to PERE.

14. Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on total assets, liabilities, net assets or change in net assets of the Organization.

15. Subsequent events

The Organization has evaluated all subsequent events through October 23, 2012, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.