

THE HEISING-SIMONS ACTION FUND
(A NONPROFIT ORGANIZATION)

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

The Heising-Simons Action Fund
(A Nonprofit Organization)

**Independent Auditors' Report
and Financial Statements**

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
THE HEISING-SIMONS ACTION FUND
Los Altos, California

Report on the Financial Statements

We have audited the accompanying financial statements of **THE HEISING-SIMONS ACTION FUND (the Fund)** which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from inception January 13, 2020 to December 31, 2020 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Heising-Simons Action Fund as of December 31, 2020, and the results of its activities and changes in net assets, and its cash flows for the period from inception January 13, 2020 to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
November 15, 2021

The Heising-Simons Action Fund
(A Nonprofit Organization)

Statement of Financial Position

<i>December 31,</i>	2020
Assets	
Cash and equivalents	\$ 1,743,394
Total assets	\$ 1,743,394
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	\$ 34,334
Accounts payable to affiliate	47,539
Total liabilities	81,873
Net Assets Without Donor Restrictions	1,661,521
Total liabilities and net assets	\$ 1,743,394

See accompanying notes to financial statements.

The Heising-Simons Action Fund
(A Nonprofit Organization)

Statement of Activities and Changes in Net Assets

<i>For the period from inception January 13, 2020 to December 31,</i>	2020
Revenues and Support:	
Contributions	\$ 13,000,000
Interest and dividend income	2,596
Total revenues and support	13,002,596
Expenses:	
Program services:	
Grants	10,000,000
Other program expenses	342,107
Total program services	10,342,107
Management and general	998,968
Total expenses	11,341,075
Increase in Net Assets	1,661,521
Net Assets, Without Donor Restrictions - inception	-
Net Assets, Without Donor Restrictions - end of period	\$ 1,661,521

See accompanying notes to financial statements.

The Heising-Simons Action Fund
(A Nonprofit Organization)

Statement of Functional Expenses

For the period from inception January 13, 2020 to December 31, 2020

	Program Services	Management and General	Total
Grants to charitable organizations	\$ 10,000,000		\$ 10,000,000
Salaries and wages and related expenses	201,280	\$ 476,089	677,369
Professional services and program consultants	59,790	373,139	432,929
Facilities	47,134	111,487	158,621
Operations	3,112	7,362	10,474
Equipment, hardware, and software		13,275	13,275
Membership and licenses	25,001	169	25,170
Insurance		1,549	1,549
Travel, meetings, and professional development	5,790	15,898	21,688
	\$ 10,342,107	\$ 998,968	\$ 11,341,075

See accompanying notes to financial statements.

The Heising-Simons Action Fund
(A Nonprofit Organization)

Statement of Cash Flows

For the period from inception January 13, 2020 to December 31, 2020

Cash Flows from Operating Activities:	
Increase in net assets	\$ 1,661,521
Adjustments to reconcile change in net assets to net cash from operating activities:	
Changes in:	
Accounts payable and accrued expenses	34,334
Accounts payable to affiliate	47,539
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Net cash provided by operating activities	1,743,394
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Net Change in Cash and Equivalents	1,743,394
Cash and Equivalents, beginning of period	-
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Cash and Equivalents, end of period	\$ 1,743,394

See accompanying notes to financial statements.

The Heising-Simons Action Fund

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies:

a. Organization

On January 13, 2020, the Heising-Simons Action Fund (the Fund) was incorporated in the State of California and established as a 501(c)(4) organization that advances ideas and supports institutions to advance social good. The Fund engages primarily in legislative and other public policy activities, including but not limited to making contributions to ballot measure campaigns and to other legislative advocacy efforts, to promote the common good and general welfare of the general public in California and elsewhere. It is focused on a variety of issue areas, including climate and clean energy, education, human rights, bolstering civic engagement and community advocacy in the city of San Jose, CA, and grassroots mobilization at the federal and state level to strengthen democracy and equitable representation.

The Heising-Simons Foundation, an independent affiliated entity, assisted with the creation and startup of the Fund. See Note 3 regarding the Resource Sharing Agreement between the two organizations.

b. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue when earned and expenses when incurred accordingly, reflect all significant receivables, payables and other liabilities.

c. Net Assets

Net assets, revenues, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations. There are no net assets with donor restrictions as of December 31, 2020.

d. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

e. Contribution Revenue Recognition

Contributions are generally recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

The Heising-Simons Action Fund

Notes to Financial Statements

f. Grants

The Fund recognizes grants payable for unconditional promises to give. Conditional promises to give are not recorded until the barriers to entitlement are overcome, at which point the liability is recognized.

Grants payable are recorded at a discount if they extend beyond one year from the date recognized. Discounts are amortized to grant expense over the life of the grant commitment.

Grants expense consists of grants made to various other charitable and non-charitable organizations as determined by the Fund's Board of Directors and are recorded when commitments have been formally approved and all conditions have been met by the grantee.

g. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and professional fees are allocated between programs and management and are based on actual use. Facility and operations are allocated among programs and management and general based on salary expense.

h. Tax-Exempt Status

The Fund is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and the related California code sections.

The Fund follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements.

i. Use of Estimates

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

j. Concentrations of Risk

Financial instruments, which potentially subject the Fund to concentrations of credit and other risks, consist of cash and equivalents, the balances of which may exceed FDIC insured limits from time to time.

The Heising-Simons Action Fund

Notes to Financial Statements

k. Subsequent Events

The Fund evaluated subsequent events from December 31, 2020 through November 15, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements other than Note 4.

Note 2 - Availability of Financial Assets and Liquidity:

The Fund's financial assets available to meet cash needs for general expenditures within one year from December 31, 2020 are \$1,743,394. The Fund's goal is to maintain financial assets to meet all grant and operating needs. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Fund does not have any financial assets subject to donor restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

Note 3 - Related Party Transactions:

The Fund is affiliated with the Heising-Simons Foundation, a California nonprofit public benefit corporation that is exempt from federal income tax under Section 501(c)(3) and classified as a private non-operating foundation under Section 509(a). The two organizations are operated as distinct entities with their own separate (albeit complementary) missions. The Foundation does not control the Fund's board or day-to-day operations or subsidize it in any way. The operational and legal relationship between the Fund and the Foundation is set forth in a Resource Sharing Agreement stipulating that the Fund must pay fair value for all services provided by the Foundation, including but not limited to staff time, office space, computers, payroll, benefits, and bookkeeping. The Resource Sharing Agreement requires that the staff of the Foundation and the Fund keep detailed time records so that their time may be accounted for and charged to the appropriate entity.

Amounts incurred by the Foundation under the Resource Sharing Agreement with the Fund totaled \$720,979 for the period from inception through December 31, 2020. Amounts owed to the Foundation by the Fund totaled \$47,539 as of December 31, 2020.

For the year ended December 31, 2020, all contributions received by the Fund were made by two of the Fund's Directors.

The Heising-Simons Action Fund

Notes to Financial Statements

Note 4 - COVID-19 Pandemic:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines and forced closures of public places and businesses. On October 1, 2021, the Fund allowed staff to work in its offices and will require staff to work at least 10 days each quarter in office beginning January 1, 2022. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. In addition, financial markets volatility has significantly impacted the value of major market indices. Other financial impacts could occur though such potential impact is unknown at this time.