

EQUALITY CALIFORNIA

FINANCIAL STATEMENTS

December 31, 2021 and 2020



EQUALITY CALIFORNIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Equality California
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equality California, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Equality California as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Equality California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Equality California's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Equality California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Equality California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

Santa Monica, California
October 31, 2022

EQUALITY CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 706,370	\$ 677,636
Pledges receivable	64,000	5,000
Employee retention tax credit receivable	383,623	-
Due from Equality California Institute	371,209	376,162
Prepaid expenses and other current assets	<u>15,781</u>	<u>15,353</u>
Total current assets	1,540,983	1,074,151
Property and equipment, net	<u>15,914</u>	<u>32,111</u>
Total assets	<u><u>\$ 1,556,897</u></u>	<u><u>\$ 1,106,262</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 87,998	\$ 37,342
Accrued expenses and other current liabilities	107,898	106,121
Note payable - Emergency Injury Disaster Loan, current portion	<u>8,258</u>	<u>-</u>
Total current liabilities	<u>204,154</u>	<u>143,463</u>
Note payable - Emergency Injury Disaster Loan, net of current portion	491,742	500,000
Note payable - Paycheck Protection Program	-	262,900
Accrued interest payable	<u>-</u>	<u>9,165</u>
Total long-term liabilities	<u>491,742</u>	<u>772,065</u>
Total liabilities	<u>695,896</u>	<u>915,528</u>
Net assets:		
Without donor restrictions:		
Undesignated	228,642	115,734
Board designated	<u>400,105</u>	<u>-</u>
	628,747	115,734
With donor restrictions	<u>232,254</u>	<u>75,000</u>
Total net assets	<u>861,001</u>	<u>190,734</u>
Total liabilities and net assets	<u><u>\$ 1,556,897</u></u>	<u><u>\$ 1,106,262</u></u>

EQUALITY CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Individual and other contributions	\$ 579,345	\$ 82,254	\$ 661,599
Grants from Equality California Institute	400,000	-	400,000
In-kind donations	1,275,115	-	1,275,115
Special events revenue	1,534,961	150,000	1,684,961
Miscellaneous income	16,912	-	16,912
	<u>3,806,333</u>	<u>232,254</u>	<u>4,038,587</u>
Total public support	3,806,333	232,254	4,038,587
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	75,000	(75,000)	-
	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total public support and revenue	<u>3,881,333</u>	<u>157,254</u>	<u>4,038,587</u>
Expenses:			
Program services	2,297,033	-	2,297,033
Supporting services:			
Management and general	525,929	-	525,929
Fundraising	680,418	-	680,418
Costs of direct benefits to donors	511,463	-	511,463
	<u>4,014,843</u>	<u>-</u>	<u>4,014,843</u>
Total expenses	4,014,843	-	4,014,843
Increase in net assets from non-operating activities:			
Employee retention tax credit	383,623	-	383,623
Forgiveness of debt - Paycheck Protection Program	262,900	-	262,900
	<u>646,523</u>	<u>-</u>	<u>646,523</u>
Total non-operating activities	646,523	-	646,523
Change in net assets	513,013	157,254	670,267
Net assets, beginning of year	115,734	75,000	190,734
Net assets, end of year	<u>\$ 628,747</u>	<u>\$ 232,254</u>	<u>\$ 861,001</u>

EQUALITY CALIFORNIA

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Individual and other contributions	\$ 664,596	\$ -	\$ 664,596
Grants from Equality California Institute	310,000	-	310,000
In-kind donations	1,982,385	-	1,982,385
Special events revenue	1,103,534	75,000	1,178,534
Interest	382	-	382
	<u>4,060,897</u>	<u>75,000</u>	<u>4,135,897</u>
Total public support and revenue			
Expenses:			
Program services	3,066,689	-	3,066,689
Supporting services:			
Management and general	568,810	-	568,810
Fundraising	609,577	-	609,577
Costs of direct benefits to donors	151,519	-	151,519
	<u>4,396,595</u>	<u>-</u>	<u>4,396,595</u>
Total expenses			
Change in net assets	(335,698)	75,000	(260,698)
Net assets, beginning of year	451,432	-	451,432
Net assets, end of year	<u>\$ 115,734</u>	<u>\$ 75,000</u>	<u>\$ 190,734</u>

EQUALITY CALIFORNIA
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2021 and 2020

	2021						2020					
	Supporting Services						Supporting Services					
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Supporting Services Subtotal	Total Expenses	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Supporting Services Subtotal	Total Expenses
Salaries	\$ 536,817	\$ 158,973	\$ 360,001	\$ -	\$ 518,974	\$ 1,055,791	\$ 492,101	\$ 276,258	\$ 324,321	\$ -	\$ 600,579	\$ 1,092,680
Payroll taxes	42,748	6,264	34,151	-	40,415	83,163	43,531	11,714	31,789	-	43,503	87,034
Employee benefits	47,310	27,552	41,702	-	69,254	116,564	43,265	44,440	35,637	-	80,077	123,342
Total personnel expenses	626,875	192,789	435,854	-	628,643	1,255,518	578,897	332,412	391,747	-	724,159	1,303,056
Legal	1,129,355	59,938	-	-	59,938	1,189,293	1,804,346	33,948	56,069	-	90,017	1,894,363
Special events	-	-	-	511,463	511,463	511,463	-	-	-	151,519	151,519	151,519
Professional and outside services	220,177	6,657	38,080	-	44,737	264,914	140,587	414	13,990	-	14,404	154,991
Communications	129,651	-	84,352	-	84,352	214,003	103,518	-	44,500	-	44,500	148,018
Office expenses and supplies	58,515	25,688	32,056	-	57,744	116,259	55,926	37,840	35,630	-	73,470	129,396
Accounting and audit	-	88,029	-	-	88,029	88,029	-	80,449	-	-	80,449	80,449
Rent - building and equipment	28,151	7,322	27,415	-	34,737	62,888	31,491	10,302	26,572	-	36,874	68,365
Travel and entertainment	39,409	159	11,546	-	11,705	51,114	54,061	7,969	4,414	-	12,383	66,444
Advertising	26,647	-	15,095	-	15,095	41,742	3,444	1,000	10,629	-	11,629	15,073
Insurance	6,743	25,928	5,778	-	31,706	38,449	6,582	6,388	5,659	-	12,047	18,629
Bank charges and merchant fees	-	37,163	-	-	37,163	37,163	7,168	9,377	6,277	-	15,654	22,822
Recruitment and training	1,388	33,784	507	-	34,291	35,679	1,626	8,256	1,234	-	9,490	11,116
Postage and shipping	19,887	894	6,233	-	7,127	27,014	594	650	443	-	1,093	1,687
Printing and production	3,096	1,328	13,178	-	14,506	17,602	177,893	1,109	8,526	-	9,635	187,528
Depreciation and amortization	-	16,197	-	-	16,197	16,197	-	16,185	-	-	16,185	16,185
Interest	-	14,233	-	-	14,233	14,233	-	9,263	-	-	9,263	9,263
Dues and subscriptions	4,196	2,669	5,455	-	8,124	12,320	6,507	659	185	-	844	7,351
Taxes and licenses	-	11,892	-	-	11,892	11,892	-	11,252	-	-	11,252	11,252
Repairs and maintenance	1,801	1,010	1,406	-	2,416	4,217	933	1,013	825	-	1,838	2,771
Miscellaneous	557	249	1,976	-	2,225	2,782	10,144	324	2,877	-	3,201	13,345
Cost of goods sold	-	-	1,487	-	1,487	1,487	-	-	-	-	-	-
Conferences and meetings	585	-	-	-	-	585	400	-	-	-	-	400
Grants	-	-	-	-	-	-	69,000	-	-	-	-	69,000
Polling and research	-	-	-	-	-	-	13,572	-	-	-	-	13,572
Total expenses	\$ 2,297,033	\$ 525,929	\$ 680,418	\$ 511,463	\$ 1,717,810	\$ 4,014,843	\$ 3,066,689	\$ 568,810	\$ 609,577	\$ 151,519	\$ 1,329,906	\$ 4,396,595

The accompanying notes are an integral part of these financial statements.

EQUALITY CALIFORNIA

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 670,267	\$ (260,698)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of Paycheck Protection Program note payable	(262,900)	-
Depreciation expense	16,197	16,185
(Increase) decrease in assets:		
Employee retention tax credit receivable	(383,623)	-
Pledges receivable	(59,000)	33,150
Due from Equality California Institute	4,953	(102,334)
Prepaid expenses and other current assets	(428)	6,639
Increase (decrease) in liabilities:		
Accounts payable	50,656	28,732
Accrued expenses and other current liabilities	(1,916)	(10,801)
Accrued interest payable	(5,472)	9,165
Net cash provided by (used in) operating activities	28,734	(279,962)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(2,426)
Net cash used in investing activities	-	(2,426)
Cash flows from financing activities:		
Proceeds from note payable - Paycheck Protection Program	-	262,900
Proceeds from note payable - Emergency Injury Disaster Loan	-	500,000
Net cash provided by financing activities	-	762,900
Net increase in cash and cash equivalents	28,734	480,512
Cash and cash equivalents, beginning of year	677,636	197,124
Cash and cash equivalents, end of year	\$ 706,370	\$ 677,636
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 19,705	\$ 71

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. Nature of Organization and Activities

Equality California is made up of three separate organizations, Equality California (“EQCA”) a 501(c)(4) nonprofit organization, Equality California Institute (“EQCAI”) a 501(c)(3) organization, and Equality California PACs (political action committees) working together to advance civil rights and social justice. These entities form the nation’s largest statewide lesbian, gay, bisexual, transgender and queer (“LGBTQ+”) civil rights organization. Equality California brings the voices of LGBTQ+ people and allies to institutions of power in California and across the United States, striving to create a world that is healthy, just and fully equal for all LGBTQ+ people. Equality California advances civil rights and social justice by inspiring, advocating, and mobilizing through an inclusive movement that works tirelessly on behalf of those we serve.

EQCA is an I.R.C. 501(c)(4) organization that utilizes electoral, advocacy, and mobilization programs to achieve its mission. EQCA also manages multiple affiliated political action committees. EQCAI is an I.R.C. 501 (c)(3) organization that utilizes advocacy, education, and mobilization programs to achieve its mission. EQCA and EQCAI share a common mission and executive director but have separate governing boards. EQCA was founded in 1998 as a California nonprofit public benefit corporation.

Since 2000, EQCA has had an extensive legislative program in the California Legislature that has helped to win passage of more than 184 laws that improve the lives of LGBTQ people. EQCA’s legislative work has helped give California the most comprehensive LGBTQ civil rights protections of any state in the nation. EQCA also engages in governmental budget advocacy at the federal and state levels to ensure that government resources reach LGBTQ people in need.

Equality California has staff in Los Angeles, Sacramento, the San Francisco Bay Area, Las Vegas, and Washington, DC. Equality California is exempt from federal and California income taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

EQCA’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

Net Assets

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, EQCA's net assets, revenues, gains, expenses and losses are classified as with donor restrictions and without donor restrictions, as follows:

Net assets without donor restrictions: Net assets available for use at the discretion of the Board of Directors (the "Board") and/or management for general operations and not subject to donor restrictions.

Board designated net assets: In December 2020, EQCA established a board-designated operating reserve policy to ensure the stability of EQCA's mission, programs, employment, and ongoing operations of the organization. The operating reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expense, unanticipated loss in funding, uninsured losses, and one-time, nonrecurring expenses that will build long-term capacity. The annual targeted minimum amount of the operating reserve is four months of average operating costs that is based on the annual budget approved by the Board and will be funded with surplus operating funds without donor restrictions commencing in 2021.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been accomplished, or both.

See Note 9 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Revenue and Support Recognition

In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, unconditional promises to give are recognized as contributions when the underlying promises are received by EQCA. Unconditional promises to give, gifts of cash and other assets are reported as contribution revenue without donor restrictions or revenues with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed Goods and Services

In accordance with ASC 958-605, contributions of donated noncash assets, free use of facilities and services are recorded at their estimated fair values in the period received. Contributed services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended December 31, 2021 and 2020, the values of contributed services included as in-kind donations in the accompanying financial statements were \$1,237,615 and \$1,939,363, respectively. The in-kind services consisted primarily of pro bono legal services.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

Contributed Goods and Services, continued

During the years ended December 31, 2021 and 2020, the value of contributed goods included as in-kind donations which were related to special events and travel in the accompanying financial statements were \$37,500 and \$43,022, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and money market funds. Management considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Pledges Receivable

EQCA records pledges receivable which represent unconditional promises to give as revenue when the promise is received. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. EQCA believes all pledges receivable at December 31, 2021 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Property and equipment acquired is recorded at cost. Donated property and equipment are recorded at estimated fair market value at the date of donation. Property and equipment, which is donated or acquired with resources restricted for such acquisition, are considered to be without donor restrictions when placed into service. Depreciation is recorded using the straight-line method over the assets' estimated useful lives ranging from five to seven years.

Income Taxes

EQCA is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. EQCA does not believe that during the years ended December 31, 2021 and 2020, it had any unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

EQCA follows the provisions of FASB ASC 740-10, *Income Taxes*, and subsections. Accordingly, EQCA accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. EQCA recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. EQCA does not believe that its tax-exempt income tax filings include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

Financial instruments which potentially subject EQCA to a concentration of credit risk consist primarily of cash, cash equivalents and receivables. EQCA maintains its cash balances in the form of demand deposits and money market accounts with a major financial institution that management has determined to be credit worthy. EQCA has no significant financial instrument with off-balance sheet risk of accounting loss.

Functional Allocation of Expenses

The costs of providing the various program services and other activities of EQCA are reported on the statement of functional expenses. Expenses that can be identified with a specific activity are allocated directly according to their functional benefit. Personnel related expense allocations are based on the staff time spent on each function. Expenses that are not directly associated with a specific program function are allocated among program services and the other activities benefited. Certain costs such as occupancy, office and other expenses are allocated among the program services and other activities benefited based on full time equivalents.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, pledges receivable, prepaid expenses and other current assets, amounts due to or from related parties, accounts payable and accrued expenses and other current liabilities are stated at fair value which approximates historical cost.

Advertising Expenses

Equality California incurred non-direct response advertising costs that were expensed during the years ended December 31, 2021 and 2020, totaling \$41,742 and \$15,073, respectively, which were charged to program expenses as they directly promote programs and education events provided to the community EQCA serves.

New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, pursuant to which lessees are required to recognize a lease asset and lease obligation in the statement of financial position for leases with a noncancelable term longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statements of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. EQCA is currently evaluating the provisions of ASU 2016-02 to determine the effect, if any; ASU 2016-02 will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. EQCA is currently evaluating the impact of the pending adoptions of ASU No. 2020-07 on these financial statements.

Reclassifications

Certain reclassifications were made to the 2020 financial statements herein to conform to the 2021 presentation. These reclassifications had no effect on the total net assets or the total change in net assets for 2020.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

3. Liquidity and Availability of Financial Assets

The following reflects EQCA's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed purpose restrictions within one year of the balance sheet date. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet dates, are comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 706,370	\$ 677,636
Pledges receivable	64,000	5,000
Employee retention tax credit receivable	383,623	-
Due from Equality California Institute	<u>371,209</u>	<u>376,162</u>
Total financial assets available	1,525,202	1,058,798
Less amounts not available to be used within one year:		
Board designations	<u>(400,105)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 1,125,097</u></u>	<u><u>\$ 1,058,798</u></u>

As part of EQCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, EQCA reviews its funding level on an on-going basis to ensure they are adequate.

4. Property and Equipment, Net

Property and equipment, net consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Computer, software and equipment	\$ 53,048	\$ 53,049
Furniture and fixtures	<u>40,007</u>	<u>40,007</u>
Subtotal	93,055	93,056
Less: accumulated depreciation	<u>(77,141)</u>	<u>(60,945)</u>
Property and equipment, net	<u><u>\$ 15,914</u></u>	<u><u>\$ 32,111</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 were \$16,197 and \$16,185, respectively.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

5. Employee Retention Tax Credits

Under the Consolidated Appropriations Act, 2021 passed by the United States Congress and signed by the President on December 27, 2020, provisions of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) were extended and modified making the organization eligible for a refundable employee retention credit subject to meeting certain criteria. For the year ended December 31, 2021, the organization recorded \$383,623 of employee retention credits which is reflected as a receivable on the statement of financial position and is classified in the non-operating income on the statement of activities.

6. Note Payable – Paycheck Protection Program

In May 2020, EQCA received a loan in the original principal amount of \$262,900 under the Paycheck Protection Program (“PPP”) established under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The United States Small Business Administration (“SBA”) administers the PPP loan program. Under the terms of the CARES Act, PPP loan recipients can apply for, and the SBA can grant forgiveness of all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, as set forth in the CARES Act. EQCA received \$262,900 in PPP loan forgiveness on April 28, 2021 in accordance with the terms of the CARES Act.

7. Note Payable – Emergency Injury Disaster Loan

In April 2020, the Company obtained a loan under the SBA Economic Injury Disaster Loan (“EIDL”) assistance program, because of the impact of the COVID-19 pandemic on EQCA’s operations. The principal amount of the loan is \$500,000, with proceeds used for working capital purposes. Monthly payments of \$2,136, including principal and interest, commence in April 2022 with interest accruing at the rate of 2.75% per annum. EQCA commenced interest only payments on April 2021. As of December 31, 2021 and 2020, accrued interest payable was \$3,693 and \$9,165, respectively. The loan is scheduled to mature in April 2050.

Future minimum principal payments on the EIDL note payable are as follow:

For the year ending December 31:	
2022	\$ 8,258
2023	12,263
2024	12,604
2025	12,955
2026	13,316
Thereafter	<u>440,604</u>
	<u>\$ 500,000</u>

8. Related Party Transactions

EQCA shares personnel, office space, and various overhead costs with EQCAI. EQCA generally allocates costs based on the time spent by personnel and other reasonable methods of allocation. The impact on either Organization’s viability should the costs not be shared has not been determined.

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8. Related Party Transactions, continued

EQCA invoiced EQCAI for the following shared expenses for the years ended December 31:

	2021	2020
Salaries, payroll taxes and benefits	\$ 1,429,062	\$ 1,362,528
Other expenses	470,328	252,200
Direct special event expenses	248,782	96,781
Travel and entertainment	44,974	10,810
Office expenses and supplies	4,734	5,254
Total	<u>\$ 2,197,880</u>	<u>\$ 1,727,573</u>

EQCAI invoiced EQCA for the following shared expenses for the years ended December 31:

	2021	2020
Salaries payroll taxes and benefits	<u>\$ 54,466</u>	<u>\$ 49,740</u>

EQCA received grants from EQCAI of \$400,000 and \$310,000 during the years ended December 31, 2021 and 2020, respectively. EQCA had a receivable from EQCAI of \$371,209 and \$376,162 at December 31, 2021 and 2020, respectively, for allocated expenses invoiced and grant revenue.

9. Net Assets

With Donor Restrictions

From time to time, EQCA receives contributions subject to donor restrictions. Those contributions received with restrictions are released from restriction when expenses are incurred, the purpose has been fulfilled, or through passage of time.

As of December 31, 2021 and 2020, net assets with donor restrictions were as follows.

	2021	2020
Subject to expenditure for specified purposes:		
Educational support	<u>\$ 82,254</u>	<u>\$ -</u>
Subtotal	<u>82,254</u>	<u>-</u>
Subject to the passage of time:		
General support for future periods	<u>150,000</u>	<u>75,000</u>
Subtotal	<u>150,000</u>	<u>75,000</u>
Total	<u>\$ 232,254</u>	<u>\$ 75,000</u>

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9. Net Assets, continued

With Donor Restrictions, continued

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Time restriction expired:		
General support for future periods	<u>\$ 75,000</u>	<u>\$ -</u>

Board Designated Net Assets

EQCA established the board-designated operating reserve in December 2020. During the year ended December 31, 2021, there was a transfer of \$400,105 from undesignated net assets to Board designated net assets. As of December 31, 2021 and 2020, board designated operating reserve was \$400,105 and \$0, respectively.

10. Commitments and Contingencies

Leases

EQCA entered into a sixty (60) month noncancelable operating lease for its Los Angeles headquarters effective May 1, 2017 through April 30, 2022. Monthly lease payments are \$8,812 starting May 2017, with an annual escalation clause of 3%. The lease also provides for certain rent concessions to EQCA that are not material to the financial statements. As of December 31, 2021 and 2020, EQCA reported deferred rent of \$3,877 and \$14,452, respectively, which is included with “accrued expenses and other current liabilities” on the accompanying statements of financial position. This lease was not renewed after expiration and is month-to-month.

EQCA also leases an office in Sacramento under the terms of an operating lease agreement effective through March 31, 2022, with monthly lease payments of \$1,425. This lease was not renewed after expiration and is month-to-month. In addition, EQCA leases storage on a month-to-month basis.

Future minimum rental payments under non-cancelable operating leases having remaining terms through the year ending December 31, 2022 of approximately \$43,753.

Total rent expense under operating leases for the years ended December 31, 2021 and 2020 was \$62,888 and \$68,365, respectively, net of rent expense of \$80,106 and \$68,883, respectively, allocated to EQCAI.

Legal Contingencies

From time to time, EQCA participates as a plaintiff or petitioner in lawsuits related to equality issues. If EQCA did not prevail in these lawsuits, the defendants could seek an award of allowable costs against EQCA and other plaintiffs in certain cases. It is not possible to estimate the amount of costs defendants could seek in the event of an adverse decision; accordingly, EQCA has not recorded any liabilities for such an event as of December 31, 2021 or 2020 nor were there any such cases that management is aware of.

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10. Commitments and Contingencies, continued

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic that remains a global concern. Governments, both locally and nationally, have instituted varying levels of actions to contain the virus's spread. Accordingly, EQCA implemented a work from home policy for its employees. While the ultimate impact of COVID-19 on EQCA's revenue and public support are unknown, EQCA continues to review its program activities and will make the necessary modifications to its operating plan and programs based on the current health concerns as a result of the pandemic.

Concentrations

In-kind Donations

For the year ended December 31, 2021, EQCA received 74% of pro-bono services from three donors and for the year ended December 31, 2020, EQCA received 69% of pro-bono services from one donor.

Pledges Receivable

As of December 31, 2021, 78% of pledges receivable were due from two donors and as of December 31, 2020, 100% of pledges receivable was due from one donor

11. 401(k) Plan

Equality California maintains a 401(k) plan. The Plan covers all employees who are 21 or older and have completed 1,000 hours of service within the 12 months following an employee's commencement of employment. EQCA may make discretionary matching contributions. There were \$18,647 and \$13,737 employer contributions made during the years ended December 31, 2021 and 2020, respectively.

12. Subsequent Events

Subsequent events have been evaluated through October 31, 2022, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in such financial statement.