

EQUALITY CALIFORNIA INSTITUTE

FINANCIAL STATEMENTS

December 31, 2021 and 2020



EQUALITY CALIFORNIA INSTITUTE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Equality California Institute
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equality California Institute, 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 Institute 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 Institute 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 Institute'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 Institute'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 Institute'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 INSTITUTE

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,842,536	\$ 2,357,154
Program service receivable	365,906	367,468
Pledges receivable, current portion	215,000	144,288
Total current assets	3,423,442	2,868,910
Pledges receivable, net of current portion	215,000	-
Property and equipment, net	3,763	7,651
Total assets	<u>\$ 3,642,205</u>	<u>\$ 2,876,561</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 39,075	\$ 14,989
Due to Equality California	371,209	376,162
Accrued expenses and other current liabilities	70,639	97,170
Note payable, Emergency Injury Disaster Loan, current portion	8,258	-
Total current liabilities	489,181	488,321
Note payable, Emergency Injury Disaster Loan, net of current portion	491,742	500,000
Note payable, Paycheck Protection Program	-	199,000
Accrued interest payable	-	9,165
Total long-term liabilities	491,742	708,165
Total liabilities	980,923	1,196,486
Net assets:		
Without donor restrictions:		
Undesignated	437,045	1,097,169
Board designated	1,100,626	-
	1,537,671	1,097,169
With donor restrictions	1,123,611	582,906
Total net assets	2,661,282	1,680,075
Total liabilities and net assets	<u>\$ 3,642,205</u>	<u>\$ 2,876,561</u>

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	\$ 1,994,193	\$ 215,342	\$ 2,209,535
Individual and other contributions	919,476	562,768	1,482,244
In-kind donations	250,539	-	250,539
Special events revenue	720,206	200,000	920,206
Total public support	3,884,414	978,110	4,862,524
Revenue:			
Program service revenue	1,628,029	-	1,628,029
Miscellaneous income	5,710	-	5,710
Total revenue	1,633,739	-	1,633,739
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	437,405	(437,405)	-
Total public support and revenue	5,955,558	540,705	6,496,263
Expenses:			
Program services	4,622,343	-	4,622,343
Supporting services:			
Management and general	478,113	-	478,113
Fundraising	355,773	-	355,773
Costs of direct benefits to donors	257,827	-	257,827
Total expenses	5,714,056	-	5,714,056
Increase in net assets from non-operating activities:			
Forgiveness of debt - Paycheck Protection Program	199,000	-	199,000
Change in net assets	440,502	540,705	981,207
Net assets, beginning of year	1,097,169	582,906	1,680,075
Net assets, end of year	\$ 1,537,671	\$ 1,123,611	\$ 2,661,282

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	\$ 1,703,610	\$ 269,464	\$ 1,973,074
Individual and other contributions	600,332	-	600,332
In-kind donations	270,538	-	270,538
Special events revenue	494,409	200,000	694,409
Total public support	3,068,889	469,464	3,538,353
Revenue:			
Program service revenue	1,136,893	-	1,136,893
Total revenue	1,136,893	-	1,136,893
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	331,152	(331,152)	-
Total public support and revenue	4,536,934	138,312	4,675,246
Expenses:			
Program services	2,999,043	-	2,999,043
Supporting services:			
Management and general	362,053	-	362,053
Fundraising	285,079	-	285,079
Costs of direct benefits to donors	96,781	-	96,781
Total expenses	3,742,956	-	3,742,956
Change in net assets	793,978	138,312	932,290
Net assets, beginning of year	303,191	444,594	747,785
Net assets, end of year	\$ 1,097,169	\$ 582,906	\$ 1,680,075

EQUALITY CALIFORNIA INSTITUTE

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2021 and 2020

	2021						2020					
	Supporting Services					Total Expenses	Supporting Services					Total Expenses
	Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Supporting Services Subtotal		Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Supporting Services Subtotal	
Salaries	\$ 1,656,511	\$ 84,512	\$ 255,121	\$ -	\$ 339,633	\$ 1,996,144	\$ 1,206,020	\$ 194,447	\$ 214,948	\$ -	\$ 409,395	\$ 1,615,415
Payroll taxes	116,072	8,061	15,327	-	23,388	139,460	83,041	7,598	14,057	-	21,655	104,696
Employee benefits	114,669	7,314	18,735	-	26,049	140,718	90,333	9,903	16,935	-	26,838	117,171
Total personnel expenses	1,887,252	99,887	289,183	-	389,070	2,276,322	1,379,394	211,948	245,940	-	457,888	1,837,282
Grants to other organizations	1,499,795	-	-	-	-	1,499,795	493,786	-	-	-	-	493,786
Grant to Equality California	400,000	-	-	-	-	400,000	310,000	-	-	-	-	310,000
Special events	-	-	-	257,827	257,827	257,827	-	-	-	96,781	96,781	96,781
Communications	233,025	-	21,673	-	21,673	254,698	474,456	-	421	-	421	474,877
Office expenses and supplies	157,994	12,325	12,377	-	24,702	182,696	88,870	4,229	11,783	-	16,012	104,882
Professional and outside services	162,507	10,533	6,891	-	17,424	179,931	72,273	1,463	4,893	-	6,356	78,629
Legal	-	141,674	-	-	141,674	141,674	20,390	33,948	-	-	33,948	54,338
Travel and entertainment	123,566	2,479	6,120	-	8,599	132,165	13,720	3,152	601	-	3,753	17,473
Rent - building and equipment	63,081	8,749	11,172	-	19,921	83,002	52,090	6,424	13,068	-	19,492	71,582
Accounting and audit	-	63,098	-	-	63,098	63,098	3,000	46,266	-	-	46,266	49,266
Miscellaneous	59,190	350	373	-	723	59,913	28,620	48	11	-	59	28,679
Recruitment and training	1,426	43,785	291	-	44,076	45,502	1,168	10,334	451	-	10,785	11,953
Conferences and meetings	3,208	31,889	-	-	31,889	35,097	18,854	79	-	-	79	18,933
Insurance	11,919	14,113	2,732	-	16,845	28,764	10,612	11,611	2,694	-	14,305	24,917
Bank charges and merchant fees	-	16,557	-	-	16,557	16,557	10,292	7,638	2,604	-	10,242	20,534
Utilities and communications	12,607	1,146	2,064	-	3,210	15,817	12,717	543	2,467	-	3,010	15,727
Interest	-	13,810	-	-	13,810	13,810	-	9,170	-	-	9,170	9,170
Repairs and maintenance	6,048	3,183	681	-	3,864	9,912	3,828	251	146	-	397	4,225
Dues and subscriptions	625	4,573	2,216	-	6,789	7,414	4,973	500	-	-	500	5,473
Taxes and licenses	100	6,074	-	-	6,074	6,174	-	10,561	-	-	10,561	10,561
Depreciation	-	3,888	-	-	3,888	3,888	-	3,888	-	-	3,888	3,888
Total expenses	\$ 4,622,343	\$ 478,113	\$ 355,773	\$ 257,827	\$ 1,091,713	\$ 5,714,056	\$ 2,999,043	\$ 362,053	\$ 285,079	\$ 96,781	\$ 743,913	\$ 3,742,956

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

EQUALITY CALIFORNIA INSTITUTE

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 981,207	\$ 932,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program note payable	(199,000)	-
Depreciation	3,888	3,888
(Increase) decrease in assets:		
Government grants receivable	1,562	(291,003)
Pledges receivable	(285,712)	(71,188)
Increase (decrease) in liabilities:		
Accounts payable	24,086	6,418
Due to Equality California	(4,953)	102,334
Accrued expenses and other current liabilities	(30,224)	24,565
Accrued interest payable	(5,472)	9,165
Net cash provided by operating activities	485,382	716,469
Cash flows from financing activities:		
Proceeds from note payable - Paycheck Protection Program	-	199,000
Proceeds from note payable - Emergency Injury Disaster Loan	-	500,000
Net cash provided by financing activities	-	699,000
Net increase in cash and cash equivalents	485,382	1,415,469
Cash and cash equivalents, beginning of year	2,357,154	941,685
Cash and cash equivalents, end of year	\$ 2,842,536	\$ 2,357,154
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 19,282	\$ -

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

1. Nature of Institute 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.

Equality California works to achieve full, lived LGBTQ+ equality by electing pro-equality leaders, passing pro-equality legislation and fighting for LGBTQ+ civil rights and social justice in the courtroom. Additionally, EQCA manages multiple affiliated political action committees. EQCAI works to achieve full, lived LGBTQ+ equality by reducing disparities in LGBTQ+ health and well-being, developing a pipeline of LGBTQ+ leaders and increasing civic participation within the LGBTQ+ community. While EQCA and EQCAI share a common mission and executive director, they have separate governing boards. EQCAI was founded in 1999 as a California nonprofit public benefit corporation.

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

EQCAI’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.

Net Assets

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, EQCAI’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.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

Net Assets, continued

Board designated net assets: In December 2020, EQCAI established a board-designated operating reserve policy to ensure the stability of EQCAI'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 10 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Revenue and Support Recognition

EQCAI receives a portion of its program service revenue from government grants. Government grants are recorded as revenues in the period EQCAI meets the conditions for revenue recognition, namely when expenses have been incurred for the purposes specified by the contracts.

In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, unconditional promises to give are recognized as contribution revenue when the underlying promises are received by EQCAI. Unconditional promises to give gifts of cash and other assets are reported as either contribution revenue without donor restrictions or revenue 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 \$151,739 and \$252,338, respectively. The in-kind services consisted primarily of pro bono legal services and communications support.

During the years ended December 31, 2021 and 2020, the value of contributed goods included as in-kind donations which were related to travel vouchers in the accompanying financial statements were \$98,800 and \$18,200, respectively.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

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.

Program Service Receivable

Program service receivable represent amounts awarded by various government agencies. Program service receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible program service receivable based on current economic conditions, historical trends, and current and past experience with the government agency awarding the grant. EQCAI determined that no allowance was necessary for government grants at December 31, 2021 and 2020.

Pledges Receivable

EQCAI 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. EQCAI believes all pledges receivable at December 31, 2021 will be fully collected. Accordingly, no allowance for doubtful accounts has been recorded by EQCAI at December 31, 2021.

Grants Expense

EQCAI, after review and approval of management, awards grants to tax-exempt organizations. Grant expense is recorded when EQCAI makes an unconditional promise to give. Conditional promises to give are recorded as grant expense in the period in which the recipient meets the terms of the conditions imposed. There were no conditional grants at December 31, 2021 and 2020. Grant cancellations and unspent funds are recorded in the year cancelled or the funds returned.

Property and Equipment

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

Income Taxes

EQCAI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California and Revenue 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. EQCAI does not believe that during the years ended December 31, 2021 and 2020 that it had any unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

EQCAI follows the provisions of FASB ASC 740-10, *Income Taxes*, and related subsections. Accordingly, EQCAI 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. EQCAI recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. EQCAI 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.

Concentration of Credit Risk

Financial instruments which potentially subject EQCAI to a concentration of credit risk consist principally of cash, cash equivalents, receivables and debt. EQCAI maintains its cash balances in the form of demand deposits and money market accounts with major financial institutions that management has determined to be credit worthy. At times, these bank deposits exceed the amount of federally insured limits. EQCAI has no significant financial instruments with off-balance sheet risk of accounting loss.

Functional Allocation of Expenses

The costs of providing the various program services and other activities of EQCAI are reported on the statement of functional expenses. Expenses that are 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 the 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, grants and pledges receivable, accounts payable, accrued expenses and other current liabilities and amounts due to/from related parties are stated at fair value which approximates historical cost.

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. EQCAI 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.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, continued

New Accounting Standards Not Yet Adopted, continued

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. EQCAI is currently evaluating the impact of the pending adoption 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.

3. Liquidity and Availability of Financial Assets

The following reflects EQCAI'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:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,842,536	\$ 2,357,154
Government grant receivables	365,906	367,468
Pledges receivable, current portion	215,000	144,288
Total financial assets available	3,423,442	2,868,910
Less amounts not available to be used within one year:		
Board designations	(1,100,626)	-
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,322,816</u>	<u>\$ 2,868,910</u>

At December 31, 2021 and 2020, EQCAI had \$2,322,816 and \$2,868,910, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. As part of the EQCAI'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, EQCAI reviews its funding levels on an on-going basis to ensure they are adequate. EQCAI entered into an agreement for a line of credit with a financial institution, which provides for \$300,000 of financing (Note 8).

4. Conditional Contributions

EQCAI has conditional contributions of approximately \$2,400,000 and \$3,000,000 at December 31, 2021 and 2020, respectively, from government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met. EQCAI will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

5. Property and Equipment

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

	2021	2020
Computer, software and equipment	\$ 25,049	\$ 25,049
Donated furniture and fixtures	11,768	11,768
Leasehold improvements	3,200	3,200
Equipment	-	-
Subtotal	40,017	40,017
Less: accumulated depreciation	(36,254)	(32,366)
Property and equipment, net	\$ 3,763	\$ 7,651

Depreciation expense totaled \$3,888 for both years ended December 31, 2021 and 2020.

6. Paycheck Protection Program

In April 2020, EQCAI received a loan in the original principal amount of \$199,000 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. On June 16, 2021, EQCAI received \$199,000 of principal and \$2,263 of interest in PPP loan forgiveness, in accordance with the terms of the CARES Act.

7. Emergency Injury Disaster Loan

In April 2020, EQCAI obtained a loan under the SBA Economic Injury Disaster Loan (“EIDL”) assistance program, because of the COVID-19 pandemic impact on EQCAI’s operations. The principal amount of the loan is \$500,000, with the proceeds to be used for working capital purposes. Installment payments of principal and interest, with interest accruing at the rate of 2.75% per annum, with payments applied to accrued interest first then towards the outstanding principal. Payments were due monthly commencing April 2022, however EQCAI commenced interest only payments on April 2021. As of December 31, 2021 and 2020, accrued interest payable was \$3,693 and \$9,165, respectively.

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

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

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

8. Line of Credit

In July 2021, EQCAI obtained a working capital line of credit with a financial institution that has an available borrowing limit of \$300,000. The credit line has an interest rate of 0.75% over prime and expires in July 2023. There is no outstanding balance as of December 31, 2021.

9. Related Party Transactions

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

EQCA invoiced EQCAI during the years ended December 31, 2021 and 2020 for the following shared expenses:

	2021	2020
Salaries payroll taxes and benefits	\$ 1,429,062	\$ 1,362,528
Other expenses	390,222	183,317
Direct special event expenses	248,782	96,781
Rent	80,106	68,883
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>

In addition, EQCAI issued grants to EQCA in the amounts of \$400,000 and \$310,000 during the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, EQCAI had a payable balance due to EQCA of \$371,209 and \$376,162, respectively, for allocated expenses and grant expenses.

10. Net Assets

With Donor Restrictions

From time to time, EQCAI 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

10. Net Assets, continued

With Donor Restrictions, continued

At December 31, 2021 and 2020, net assets with donor restrictions were as follows:

	2021	2020
Subject to expenditure for specified purposes:		
Health outreach	\$ 226,401	\$ 194,464
Fellowship program	58,143	63,442
Leadership academy	124,517	75,000
Safe and supportive schools	71,792	50,000
Voter outreach	12,758	-
Subtotal	493,611	382,906
Subject to the passage of time:		
General support for future periods	630,000	200,000
Subtotal	630,000	200,000
Total	\$ 1,123,611	\$ 582,906

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:

	2021	2020
Purpose restrictions accomplished:		
Health outreach	\$ 196,623	\$ -
Leadership academy	35,483	64,723
Fellowship program	5,299	30,000
Census outreach	-	211,887
Community engagement	-	24,542
Subtotal	237,405	331,152
Time restrictions expired:		
General support for future periods	200,000	-
Subtotal	200,000	-
Total	\$ 437,405	\$ 331,152

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

10. Net Assets, continued

Board Designated Net Assets

EQCAI established the board-designated operating reserve in December 2020. During the year ended December 31, 2021 there was a transfer of \$1,100,626 from undesignated net assets to Board designated net assets. As of December 31, 2021 and 2020, board designated operating reserve was \$1,100,626 and \$0, respectively.

11. Commitments and Contingencies

Legal Contingencies

From time to time, EQCAI participates as a plaintiff or petitioner in lawsuits related to equality issues. If EQCAI did not prevail in these lawsuits, the defendants could seek an award of allowable costs against EQCAI 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, EQCAI 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.

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, EQCAI implemented a work from home policy for its employees. While the ultimate impact of COVID-19 on EQCAI's revenue and public support are unknown, EQCAI 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

Public Support

During 2021, EQCAI derived forty-three percent (43%) of its public support from two donors, and during 2020, EQCAI received twenty-seven (27%) of its public support from one donor.

Pledges Receivable

At December 31, 2021, one hundred percent (100%) of pledges receivable was due from one donor, and at December 31, 2020, eighty-seven percent (87%) of pledges receivable were due from two donors.

12. 401(k) Plan

EQCAI maintains a 401(k) plan that covers all employees who are age 21 or older and have completed 1,000 hours of service within the 12 months following an employee's commencement of employment. EQCAI may make discretionary matching contributions. During the years ended December 31, 2021 and 2020, there were \$2,048 and \$4,278 employer contributions, respectively.

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NOTES TO FINANCIAL STATEMENTS

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13. 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 statements.