



**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Equality California

We have audited the accompanying financial statements of Equality California (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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.

Auditor's 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 from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equality California as of December 31, 2014 and 2013, 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.

Rossi LLP

March 25, 2016
Long Beach, California

EQUALITY CALIFORNIA
STATEMENT OF FINANCIAL POSITION

| <i>As of December 31,</i> | 2014 | 2013 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 68,701 | \$ 99,597 |
| Pledges receivable | 2,800 | 17,000 |
| Due from Equality California Institute | 723,515 | 452,363 |
| Prepaid expenses and other current assets | 3,528 | 27,260 |
| Total current assets | 798,544 | 596,220 |
| Long-term assets: | | |
| Property and equipment, net | - | 918 |
| Deposits | 4,400 | 4,600 |
| Total long-term assets | 4,400 | 5,518 |
| Total assets | \$ 802,944 | \$ 601,738 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 199,556 | \$ 150,422 |
| Accrued expenses and other current liabilities | 42,307 | 34,084 |
| Total current liabilities | 241,863 | 184,506 |
| Net assets: | | |
| Unrestricted | 536,325 | 292,476 |
| Temporarily restricted | 24,756 | 124,756 |
| Total net assets | 561,081 | 417,232 |
| Total liabilities and net assets | \$ 802,944 | \$ 601,738 |

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2014

| | Unrestricted | Temporarily restricted | Total |
|---|--------------|---------------------------|--------------|
| Public support and revenue: | | | |
| Public support: | | | |
| Individual and other contributions | \$ 1,059,739 | \$ - | \$ 1,059,739 |
| In-kind donations | 42,965 | - | 42,965 |
| Special events, net of \$382,759 direct costs | 311,979 | - | 311,979 |
| Total public support | 1,414,683 | - | 1,414,683 |
| Net assets released from restriction: | | | |
| Satisfaction of purpose / time restrictions | 100,000 | (100,000) | - |
| Total public support and revenue | 1,514,683 | (100,000) | 1,414,683 |
| Expenses: | | | |
| Program services | 736,914 | - | 736,914 |
| Management and general | 275,373 | - | 275,373 |
| Fundraising | 258,547 | - | 258,547 |
| Total expenses | 1,270,834 | - | 1,270,834 |
| Change in net assets | 243,849 | (100,000) | 143,849 |
| Net assets, beginning of year | 292,476 | 124,756 | 417,232 |
| Net assets, end of year | \$ 536,325 | \$ 24,756 | \$ 561,081 |

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2013

| | Unrestricted | Temporarily restricted | Total |
|---|-------------------|---------------------------|-------------------|
| Public support and revenue: | | | |
| Public support: | | | |
| Individual and other contributions | \$ 1,253,270 | \$ 1,191 | \$ 1,254,461 |
| In-kind donations | 47,045 | 25,000 | 72,045 |
| Special events, net of \$331,061 direct costs | 107,004 | 75,000 | 182,004 |
| Other revenue | 4,607 | - | 4,607 |
| Total public support | 1,411,926 | 101,191 | 1,513,117 |
| Net assets released from restriction: | | | |
| Satisfaction of purpose / time restrictions | 135,977 | (135,977) | - |
| Total public support and revenue | 1,547,903 | (34,786) | 1,513,117 |
| Expenses: | | | |
| Program services | 615,060 | - | 615,060 |
| Management and general | 253,972 | - | 253,972 |
| Fundraising | 428,197 | - | 428,197 |
| Total expenses | 1,297,229 | - | 1,297,229 |
| Change in net assets | 250,674 | (34,786) | 215,888 |
| Net assets, beginning of year | 41,802 | 159,542 | 201,344 |
| Net assets, end of year | \$ 292,476 | \$ 124,756 | \$ 417,232 |

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES

| <i>For the years ended December 31,</i> | 2014 | | | | 2013 | | | |
|---|-------------------------|-------------------------------|--------------------|-----------------------|-------------------------|-------------------------------|--------------------|-----------------------|
| | Program services | Management and general | Fundraising | Total expenses | Program services | Management and general | Fundraising | Total expenses |
| Salaries | \$ 287,137 | \$ 166,491 | \$ 120,562 | \$ 574,190 | \$ 270,234 | \$ 145,847 | \$ 221,033 | \$ 637,114 |
| Payroll taxes | 31,287 | 18,147 | 13,141 | 62,575 | 27,500 | 14,840 | 22,491 | 64,831 |
| Employee benefits | 14,965 | 8,680 | 6,285 | 29,930 | 16,962 | 9,156 | 13,876 | 39,994 |
| Accounting and audit | - | 21,514 | - | 21,514 | - | 18,000 | - | 18,000 |
| Bank charges and merchant fees | - | 5,791 | 45,858 | 51,649 | 1,427 | 769 | 24,612 | 26,808 |
| Conferences and meetings | 260 | - | - | 260 | 788 | - | - | 788 |
| Depreciation and amortization | - | 463 | - | 463 | - | 2,406 | - | 2,406 |
| Dues and subscriptions | 15,650 | 6,072 | - | 21,722 | 4,844 | 2,615 | 3,964 | 11,423 |
| Insurance | 13,178 | 7,644 | 5,535 | 26,357 | 15,987 | 8,629 | 13,078 | 37,694 |
| Legal | 32,000 | - | - | 32,000 | 32,000 | - | - | 32,000 |
| Miscellaneous | 2,482 | 8,605 | 986 | 12,073 | 32,808 | 4,877 | 7,392 | 45,077 |
| Office expenses and supplies | 10,319 | 5,977 | 4,328 | 20,624 | 14,530 | 4,923 | 7,461 | 26,914 |
| Postage and shipping | 3,295 | 1,911 | 1,384 | 6,590 | 5,310 | 2,867 | 4,345 | 12,522 |
| Printing and production | 113,996 | - | - | 113,996 | 11,678 | 6,303 | 9,552 | 27,533 |
| Professional and outside services | 170,333 | - | 41,201 | 211,534 | 120,324 | - | 50,775 | 171,099 |
| Recruitment and training | 771 | 158 | 115 | 1,044 | 926 | 501 | 759 | 2,186 |
| Rent - building and equipment | 16,963 | 9,838 | 7,124 | 33,925 | 13,034 | 7,033 | 10,658 | 30,725 |
| Repairs and maintenance | 1,322 | 767 | 555 | 2,644 | 1,336 | 721 | 1,093 | 3,150 |
| Taxes and licenses | 4,514 | 2,618 | 1,896 | 9,028 | 2,481 | 1,338 | 2,028 | 5,847 |
| Travel and entertainment | 18,442 | 10,697 | 9,577 | 38,716 | 42,891 | 23,147 | 35,080 | 101,118 |
| Total expenses | \$ 736,914 | \$ 275,373 | \$ 258,547 | \$ 1,270,834 | \$ 615,060 | \$ 253,972 | \$ 428,197 | \$ 1,297,229 |

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA
STATEMENT OF CASH FLOWS

| <i>For the years ended December 31,</i> | 2014 | 2013 |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 143,849 | \$ 215,888 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 918 | 5,191 |
| (Increase) decrease in assets: | | |
| Pledges receivable | 14,200 | (17,000) |
| Due from Equality California Institute | (271,152) | (452,363) |
| Prepaid expenses and other current assets | 23,732 | 51,133 |
| Deposits | 200 | (806) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 49,134 | 28,383 |
| Due to Equality California Institute | - | (48,033) |
| Accrued expenses and other current liabilities | 8,223 | 22,073 |
| Net cash used in operating activities | (30,896) | (195,534) |
| Net decrease in cash and cash equivalents | (30,896) | (195,534) |
| Cash and cash equivalents, beginning of year | 99,597 | 295,131 |
| Cash and cash equivalents, end of year | \$ 68,701 | \$ 99,597 |
| Supplemental cash flow information: | | |
| Recognition of in-kind contributions and related assets and expenses | \$ 42,965 | \$ 72,045 |

The accompanying notes are an integral part of these financial statements

For the years ended December 31, 2014 and 2013

NOTE 1

NATURE OF ORGANIZATION AND ACTIVITIES

Equality California (the “Organization”) is nation’s largest statewide lesbian, gay, bisexual and transgender (LGBT) civil rights organization dedicated to creating a fair and just society. Our mission is to achieve and maintain full and lasting equality, acceptance, and social justice for all people in our diverse LGBT communities, inside and outside of California. Our mission includes reducing disparities in health and wellbeing that LGBT people suffer compared to non-LGBT people, through direct healthcare service advocacy and public education. Through electoral, advocacy, education and mobilization programs, we strive to create a broad and diverse alliance of LGBT people, educators, government officials, communities of color and faith, labor, business, and social justice communities to achieve our goals.

Since 2000, Equality California has had an extensive legislative program in the California Legislature that has helped to win passage of more than 100 laws that improve the lives of LGBT people. Our legislative work has helped give California the most comprehensive LGBT civil rights protections of any state in the nation. In 2014, our sponsored legislation ended “panic” defenses in court, where a victim’s sexual orientation or gender identity is used to justify violence, mandated LGBT cultural competency training for healthcare providers, required that death certificates for transgender Californians accurately reflect their authentic identities, required that the language of California’s marriage documents be updated to make sure they respect and include same-sex couples, modernized birth certificates to accurately reflect LGBT parents, and more. We also engage in governmental budget advocacy at the state and local level to make sure that government resources reach LGBT people in need.

Equality California was founded in 1998 and has offices in Los Angeles, Sacramento and Palm Springs. 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.

Equality California is affiliated with Equality California Institute (the “Institute”), a California nonprofit organization, and shares a common mission and executive director. However, the two entities have separate governing boards.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

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.

Equality California follows the provisions of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under these provisions, net assets, public support and revenue and expenses are classified based on the existence or absence of donor-imposed restrictions.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of assets is based on the existence or absence of donor imposed restrictions, and the statement of activities reflects the changes in the classification of net assets.

For the years ended December 31, 2014 and 2013

Unrestricted: Those net assets and activities which represent the portion of expendable funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily restricted: Those net assets and activities which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently restricted: Those net assets and activities which are permanently donor-restricted for holdings of: (a) assets donated with stipulations that they be preserved and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. Equality California has no permanently restricted net assets as of December 31, 2014 and 2013.

In preparing these financial statements, the Organization evaluated the period from January 1, 2015 through March 25, 2016, the date the financial statements were available for issuance, for subsequent events requiring recognition and or disclosure in the accompanying financial statements.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and support recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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.

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.

Property and equipment:

Property and equipment acquired is recorded at cost. Donated property and equipment is 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 unrestricted when placed into service.

For the years ended December 31, 2014 and 2013

Depreciation and amortization is recorded using the straight-line method over the assets' estimated useful lives ranging from five to seven years.

Contributed goods and services:

Contributions of goods are recognized at fair value when received. During the years ended December 31, 2014 and 2013, the value of contributed goods included in in-kind donations which was related to special events in the accompanying financial statements was \$10,965 and \$39,345, respectively.

Contributions of services are recognized at fair value when received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the years ended December 31, 2014 and 2013, the value of contributed services included as in-kind donations in the accompanying financial statements was \$32,000 and \$32,000, respectively, and consisted primarily of legal services.

Functional allocation of expenses:

The costs of providing the various program services and other activities of Equality California are shown 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 cannot be directly identified with a specific 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.

Concentration of credit risk:

Cash and cash equivalents are financial instruments which potentially subject Equality California to a concentration of credit risk. Equality California maintains its cash and cash equivalents at one financial institution. The balances in these accounts may at times exceed federally insured limits. Equality California has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to these accounts.

Advertising expenses:

Equality California incurred non-direct response advertising costs that were expensed during the years ended December 31, 2014 and 2013. The total advertising cost of \$130 and \$22,162 were charged to program expenses as they directly promote programs and education events provided to the community they serve.

Income taxes:

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes* and subsections. Accordingly, the Organization 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. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

For the years ended December 31, 2014 and 2013

NOTE 3

PLEDGES RECEIVABLE

Pledges receivable at December 31, 2014 and 2013, consist of unconditional promises to give by certain donors as follows:

| As of December 31, | 2014 | 2013 |
|---------------------------|-------------|-------------|
| Amounts due in: | | |
| Less than one year | \$ 2,800 | \$ 17,000 |
| | \$ 2,800 | \$ 17,000 |

The balance of the pledge receivable as of December 31, 2014 and 2013 were subsequently collected in 2015 and 2014, respectively.

NOTE 4

PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| As of December 31, | 2014 | 2013 |
|--------------------------------|-------------|-------------|
| Equipment | \$ 21,375 | \$ 21,375 |
| Computer and software | 79,910 | 79,910 |
| Leasehold improvements | 33,840 | 33,840 |
| | 135,125 | 135,125 |
| Less: accumulated depreciation | (135,125) | (134,207) |
| | \$ - | \$ 918 |

Depreciation and amortization expense for the year ended December 31, 2014 and 2013, was \$918 and \$5,191, including \$455 and \$2,785, which was allocated to the Institute, respectively.

NOTE 5

COMMITMENTS AND CONTINGENCIES

Leases:

Effective December 15, 2014, the Organization moved to a new location for its Los Angeles headquarters facility. The lease is for a period of twenty-five (25) months. Monthly rent related to this lease is \$3,333.

For the first six months of 2013, the Organization was located in a facility in West Hollywood with free rent. In July 2013, the Organization moved to a new facility and entered into a lease agreement which expired in December 31, 2013. Monthly rent on this agreement was \$3,300. Subsequent to December 31, 2013, the Organization's lease was on a month to month basis until such time as it relocated.

Effective June 2013, the Organization leased its San Francisco office under a lease agreement expiring on February 1, 2014. The lease is now on a month to month basis. Monthly rent related to this lease is approximately \$284. Previously the San Francisco office was under a lease agreement that expired in June 2013.

In addition, the Organization leases its office facilities in Palm Springs, California on a month-to-month basis. The Organization is also renting a storage space on a month-to-month basis.

In September 2013, the Organization leased an office in Sacramento. The monthly rent is \$350. The lease expired in October 2014. This lease is now on a month to month basis.

For the years ended December 31, 2014 and 2013

The Organization also leases office equipment for its various offices.

Future minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2014 were as follows:

| <i>For the years ending December 31,</i> | Amount |
|---|------------------|
| 2015 | \$ 42,095 |
| 2016 | 42,095 |
| 2017 | 2,099 |
| 2018 | 1,050 |
| | \$ 87,339 |

Total rent expense for the years ended December 31, 2014 and 2013, was \$33,925 and \$30,725, net of \$40,608 and \$28,748 allocated to the Institute, respectively.

Legal contingencies:

From time to time, Equality California participates as a plaintiff or petitioner in lawsuits related to equality issues which name the State of California, selected California counties and/or state officials acting in their official capacities as defendants. If Equality California did not prevail in these lawsuits, the defendants could seek an award of allowable costs against Equality California and other plaintiffs in the cases. It is not possible to estimate the amount of costs defendants might seek in the event that they prevail.

NOTE 6

RELATED PARTY TRANSACTIONS

Equality California shares personnel, office space and various overhead costs with the Institute. Equality California 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.

Equality California invoiced the Institute for the following shared expenses:

| <i>For the years ended December 31,</i> | 2014 | 2013 |
|--|---------------------|---------------------|
| Salaries payroll taxes and benefits | \$ 788,331 | \$ 927,076 |
| Professional services | 138,548 | 86,267 |
| Office and related expenses | 70,603 | 95,939 |
| Occupancy | 40,608 | 28,748 |
| Travel | 29,802 | 35,954 |
| Recruitment | 670 | 306 |
| Depreciation and amortization | 455 | 2,785 |
| | \$ 1,069,017 | \$ 1,177,075 |

At December 31, 2014 and 2013, Equality California had a receivable from the Institute for allocated expenses in the amount of \$723,515 and \$452,363, respectively.

NOTE 7

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 consist of the following:

| <i>As of December 31,</i> | 2014 | 2013 |
|----------------------------------|------------------|-------------------|
| Kors Advocacy project | \$ 24,756 | \$ 24,756 |
| Timing restrictions | - | 100,000 |
| | \$ 24,756 | \$ 124,756 |