



# EQUALITY CALIFORNIA INSTITUTE

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 Institute**

We have audited the accompanying financial statements of Equality California Institute (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 Institute 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.



March 25, 2016  
Long Beach, California

**EQUALITY CALIFORNIA INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**

<i>As of December 31,</i>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 87,435	\$ 241,320
Pledges receivable	35,125	84,500
<b>Total current assets</b>	<b>122,560</b>	<b>325,820</b>
<b>Long-term assets:</b>		
Property and equipment, net	-	280
Deposits	-	53
<b>Total long-term assets</b>	<b>-</b>	<b>333</b>
<b>Total assets</b>	<b>\$ 122,560</b>	<b>\$ 326,153</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 26,003	\$ 8,023
Due to Equality California	723,515	452,363
Accrued expenses and other current liabilities	26,359	16,469
<b>Total current liabilities</b>	<b>775,877</b>	<b>476,855</b>
<b>Net assets:</b>		
Unrestricted	(994,608)	(496,069)
Temporarily restricted	341,291	345,367
<b>Total net assets</b>	<b>(653,317)</b>	<b>(150,702)</b>
<b>Total liabilities and net assets</b>	<b>\$ 122,560</b>	<b>\$ 326,153</b>

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

**EQUALITY CALIFORNIA INSTITUTE**  
**STATEMENT OF ACTIVITIES**

*For the year ended December 31, 2014*

	Unrestricted	Temporarily restricted	Total
<b>Public support and revenue:</b>			
<b>Public support:</b>			
Foundation contributions	\$ 10,000	\$ 356,267	\$ 366,267
Individual and other contributions	150,190	-	150,190
In-kind donations	7,200	-	7,200
Special events, net of \$100,443 of direct costs	113,486	-	113,486
<b>Total public support</b>	280,876	356,267	637,143
<b>Revenue:</b>			
Program service revenue	10,904	-	10,904
Interest income	29	-	29
<b>Total revenue</b>	10,933	-	10,933
<b>Net assets released from restriction:</b>			
Satisfaction of purpose / time restrictions	360,343	(360,343)	-
<b>Total public support and revenue</b>	652,152	(4,076)	648,076
<b>Expenses:</b>			
Program services	1,002,716	-	1,002,716
Management and general	111,981	-	111,981
Fundraising	35,994	-	35,994
<b>Total expenses</b>	1,150,691	-	1,150,691
<b>Change in net assets</b>	(498,539)	(4,076)	(502,615)
<b>Net assets, beginning of year</b>	(496,069)	345,367	(150,702)
<b>Net assets, end of year</b>	\$ (994,608)	\$ 341,291	\$ (653,317)

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

**EQUALITY CALIFORNIA INSTITUTE**  
STATEMENT OF ACTIVITIES

*For the year ended December 31, 2013*

	Unrestricted	Temporarily restricted	Total
<b>Public support and revenue:</b>			
<b>Public support:</b>			
Foundation contributions	\$ 26,207	\$ 618,000	\$ 644,207
Individual and other contributions	150,465	2,363	152,828
In-kind donations	3,000	-	3,000
Special events, net of \$77,318 of direct costs	128,107	-	128,107
<b>Total public support</b>	<b>307,779</b>	<b>620,363</b>	<b>928,142</b>
<b>Revenue:</b>			
Program service revenue	58,000	-	58,000
Interest income	69	-	69
<b>Total revenue</b>	<b>58,069</b>	<b>-</b>	<b>58,069</b>
<b>Net assets released from restriction:</b>			
Satisfaction of purpose / time restrictions	557,155	(557,155)	-
<b>Total public support and revenue</b>	<b>923,003</b>	<b>63,208</b>	<b>986,211</b>
<b>Expenses:</b>			
Program services	1,153,236	-	1,153,236
Management and general	202,160	-	202,160
Fundraising	29,104	-	29,104
<b>Total expenses</b>	<b>1,384,500</b>	<b>-</b>	<b>1,384,500</b>
<b>Change in net assets</b>	<b>(461,497)</b>	<b>63,208</b>	<b>(398,289)</b>
<b>Net assets, beginning of year</b>	<b>(34,572)</b>	<b>282,159</b>	<b>247,587</b>
<b>Net assets, end of year</b>	<b>\$ (496,069)</b>	<b>\$ 345,367</b>	<b>\$ (150,702)</b>

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

**EQUALITY CALIFORNIA INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*For the years ended December 31,*

**2014**

**2013**

	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total expenses</b>	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total expenses</b>
Salaries	\$ 635,238	\$ 49,835	\$ 17,218	\$ 702,291	\$ 709,916	\$ 94,304	\$ 17,682	\$ 821,902
Payroll taxes	63,604	4,908	1,708	70,220	65,661	8,747	1,640	76,048
Employee benefits	31,120	2,784	805	34,709	30,794	4,102	769	35,665
Accounting and audit	-	24,693	-	24,693	-	20,000	-	20,000
Bad debt expense on uncollectible pledge	-	-	-	-	-	45,000	-	45,000
Bank charges and merchant fees	3,313	310	3,460	7,083	22,704	3,024	567	26,295
Conferences and meetings	6,007	-	-	6,007	6,401	-	-	6,401
Depreciation and amortization	-	735	-	735	-	5,818	-	5,818
Dues and subscriptions	3,845	186	253	4,284	4,304	573	107	4,984
Insurance	18,380	7,838	461	26,679	19,168	2,554	479	22,201
Legal	7,200	-	-	7,200	3,000	-	-	3,000
Miscellaneous	4,209	229	11	4,449	17,092	1,724	323	19,139
Office expenses and supplies	25,459	3,098	485	29,042	24,031	3,201	600	27,832
Professional and outside services	126,900	9,470	3,904	140,274	153,954	295	4,534	158,783
Recruitment and training	614	52	4	670	2,167	289	54	2,510
Rent - building and equipment	36,080	3,645	883	40,608	24,853	3,311	621	28,785
Repairs and maintenance	2,742	230	111	3,083	2,520	336	63	2,919
Taxes and licenses	1,539	22	3,602	5,163	4,663	621	116	5,400
Travel and entertainment	28,988	3,417	2,850	35,255	47,815	6,370	1,194	55,379
Utilities and communications	7,478	529	239	8,246	14,193	1,891	355	16,439
<b>Total expenses</b>	<b>\$ 1,002,716</b>	<b>\$ 111,981</b>	<b>\$ 35,994</b>	<b>\$ 1,150,691</b>	<b>\$ 1,153,236</b>	<b>\$ 202,160</b>	<b>\$ 29,104</b>	<b>\$ 1,384,500</b>

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

**EQUALITY CALIFORNIA INSTITUTE**  
**STATEMENT OF CASH FLOWS**

<i>For the years ended December 31,</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (502,615)	\$ (398,289)
Adjustments to reconcile change in net assets to net cash provided by (used) operating activities:		
Depreciation	280	3,033
Pledges receivable written off	-	45,000
(Increase) decrease in assets:		
Grants receivable	-	50,000
Pledges receivable	49,375	(74,500)
Due from Equality California	-	48,033
Deposits	53	719
Increase (decrease) in liabilities:		
Accounts payable	17,980	(48,664)
Due to Equality California	271,152	452,363
Accrued expenses and other current liabilities	9,890	7,104
<b>Net cash (used in) provided by operating activities</b>	<b>(153,885)</b>	<b>84,799</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(153,885)</b>	<b>84,799</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>241,320</b>	<b>156,521</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 87,435</b>	<b>\$ 241,320</b>
<b>Supplemental cash flow information:</b>		
Recognition of in-kind contributions and related assets and expenses	\$ 7,200	\$ 3,000

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

*For the years ended December 31, 2014 and 2013*

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**NOTE 1**

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**NATURE OF INSTITUTE AND ACTIVITIES**

The mission of Equality California Institute (the "Institute") is to achieve and maintain full and lasting equality, acceptance, and social justice for all people in our diverse lesbian, gay, bisexual and transgender (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 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.

The Institute was founded in 1999. The Institute conducts public education programs for members of the LGBT community and the general public, as well as for healthcare workers, educators and public policymakers. In 2014, the Institute launched a number of programs to address LGBT health and wellbeing disparities. Health Happens with Equality is focused on educating the LGBT community about healthcare options through the Affordable Care Act and Medi-Cal, as well as offering enrollment assistance to thousands of eligible Californians. The program reaches stakeholders through town halls, social media platforms, direct outreach at Pride festivals, through our field and phone canvass teams, and through outreach to our 800,000 members. In addition, Health Happens with Equality conducts extensive education programs to inform healthcare professionals in California's Central Valley about the specific needs of the LGBT community, and especially those of the Valley's substantial population of LGBT undocumented immigrants. The Institute offers a four-week fellowship program in Sacramento for to give college students first-hand

experience working with legislators on state policy. Also in 2014, the Institute launched its "Fair Share for Equality" convening of leaders from the LGBT community and community organizations, educators, social service agencies, and policymakers. Equality California Institute created the Fair Share for Equality initiative to help educate our community and policymakers on how best to advance the health and wellbeing of California's LGBT community.

The Institute is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Institute has made an election under Internal Revenue Code, Section 501(h), which permits limited expenditures to influence legislation.

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

**NOTE 2**

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**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.

The Institute 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

***For the years ended December 31, 2014 and 2013***

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the existence or absence of donor-imposed restrictions.

The Institute 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.

*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. The Institute has no permanently restricted net assets.

In preparing these financial statements, the Organization evaluated the period from January 1, 2014 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. The Institute recognizes program service and public contract revenue in the period when the services have been provided.

***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.

***For the years ended December 31, 2014 and 2013***

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***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.

***Property and equipment:***

Property and equipment acquired is recorded at cost. Donated property and equipment is recorded at estimated fair value at the date of donation. Property and equipment, which is donated or acquired with resources restricted for such acquisition, is considered to be unrestricted when placed into service. 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. There were no contributed goods during the years ended December 31, 2014 and 2013.

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 \$7,200 and \$3,000, respectively, and consisted primarily of legal services.

***Functional allocation of expenses:***

The costs of providing the various program services and other activities of the Institute 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 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.

***Concentration of credit risk:***

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

In 2014 and 2013, the Institute derived 38% and 61% of its public support from one and two donors, respectively.

At December 31, 2014 and 2013, 81% and 85% of promises to give were due from one and three donors, respectively.

**For the years ended December 31, 2014 and 2013**

**Income taxes:**

The Institute follows the provisions of FASB ASC 740-10, *Income Taxes* and related subsections. Accordingly, the Institute 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 Institute 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 Institute 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.

**NOTE 3**

**PLEDGE RECEIVABLE**

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

<i>As of December 31,</i>	<b>2014</b>	<b>2013</b>
Due within one year	\$ 35,125	\$ 84,500
	\$ 35,125	\$ 84,500

There was no bad debt expense during the year ended December 31, 2014.

The Organization wrote off pledges receivable in the amount of \$45,000 during the year ended December 31, 2013.

**NOTE 4**

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>As of December 31,</i>	<b>2014</b>	<b>2013</b>
Equipment	\$ 2,222	2,222
Computer and software	15,165	15,165
Leasehold improvements	3,200	3,200
	20,587	20,587
Less: accumulated depreciation	(20,587)	(20,307)
	\$ -	\$ 280

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$735 and \$5,818, respectively. In 2014 and 2013, \$455 and \$2,785 of depreciation expense was reimbursed to Equality California, respectively.

**NOTE 5**

**RELATED PARTY TRANSACTIONS**

The Institute shares personnel, office space and various overhead costs with Equality California. Equality California generally allocates costs to the Institute based on the time spent by personnel and by other reasonable methods of allocations. The impact on either organization's viability should the costs not be shared has not been determined.

**EQUALITY CALIFORNIA INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

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***For the years ended December 31, 2014 and 2013***

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The Institute was invoiced by Equality California for the following shared expenses for the years ended December 31, 2014 and 2013:

<b><i>For the years ended December 31,</i></b>	<b>2014</b>	<b>2013</b>
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
	<b>\$ 1,069,017</b>	<b>\$ 1,177,075</b>

As of December 31, 2014 and 2013, the Institute had a balance payable to Equality California of \$723,514 and \$452,363 for allocated expenses, respectively.

**NOTE 6**

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**TEMPORARILY RESTRICTED NET ASSETS**

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

<b><i>As of December 31,</i></b>	<b>2014</b>	<b>2013</b>
California Endowment	\$ 216,749	\$ 223,755
Comcast Fellowship Program	46,000	60,000
Kors Pub Advocate	35,500	35,500
Various Other Projects	43,042	26,112
	<b>\$ 341,291</b>	<b>\$ 345,367</b>