Equality California Institute

Financial Statements
As of and For The Years Ended
December 31, 2016 and 2015

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Rossi LLP rossillp.com
Certified Public Accountants
Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Equality California Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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

Long Beach, California
November 15, 2017

EQUALITY CALIFORNIA INSTITUTE
STATEMENTS OF FINANCIAL POSITION

As of December 31,	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 987,058	$ 975,632
Pledges receivable	55,250	21,348
Prepaid expenses and other current assets	60,000	6,052
Total current assets and total assets	$ 1,102,308	$ 1,003,032
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 88,090	$ 6,176
Due to Equality California	627,451	519,435
Accrued expenses and other current liabilities	30,345	25,428
Total current liabilities	745,886	551,039
Net assets:		
Unrestricted	(569,735)	(622,089)
Temporarily restricted	926,157	1,074,082
Total net assets	356,422	451,993
Total liabilities and net assets	$ 1,102,308	$ 1,003,032

The accompanying notes are an integral part of these financial statements

For the year ended December 31, 2016

	Unrestricted	Temporarily restricted	Total
Public support and revenue:			
Public support:			
Foundation contributions	$ 208,318	$ 1,542,841	$ 1,751,159
Individual and other contributions	302,097	-	302,097
In-kind donations	440,360	100,000	540,360
Special events, net of $173,759 of direct costs	210,091	-	210,091
Total public support	1,160,866	1,642,841	2,803,707
Revenue:			
Investment income	245	-	245
Miscellaneous income	3,210	-	3,210
Total revenue	3,455	-	3,455
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	1,790,766	(1,790,766)	-
Total public support and revenue	2,955,087	(147,925)	2,807,162
Expenses:			
Program services	2,606,842	-	2,606,842
Management and general	179,645	-	179,645
Fundraising	116,246	-	116,246
Total expenses	2,902,733	-	2,902,733
Change in net assets	52,354	(147,925)	(95,571)
Net assets, beginning of year	(622,089)	1,074,082	451,993
Net assets, end of year	$ (569,735)	$ 926,157	$ 356,422

The accompanying notes are an integral part of these financial statements

For the year ended December 31, 2015

	Unrestricted	Temporarily restricted	Total
Public support and revenue:			
Public support:			
Foundation contributions	$ 6,590	$ 1,529,176	$ 1,535,766
Individual and other contributions	583,264	-	583,264
In-kind donations	77,883	25,000	102,883
Special events, net of $89,277 of direct costs	169,791	-	169,791
Total public support	837,528	1,554,176	2,391,704
Revenue:			
Program service revenue	24,066	-	24,066
Investment income	767	-	767
Total revenue	24,833	-	24,833
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	821,385	(821,385)	-
Total public support and revenue	1,683,746	732,791	2,416,537
Expenses:			
Program services	1,084,559	-	1,084,559
Management and general	160,140	-	160,140
Fundraising	66,528	-	66,528
Total expenses	1,311,227	-	1,311,227
Change in net assets	372,519	732,791	1,105,310
Net assets, beginning of year	(994,608)	341,291	(653,317)
Net assets, end of year	$ (622,089)	$ 1,074,082	$ 451,993

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31,	**2016**				**2015**			
	Program services	**Management and general**	**Fundraising**	**Total expenses**	**Program services**	**Management and general**	**Fundraising**	**Total expenses**
Salaries	$ 757,456	$ 78,911	$ 96,352	$ 932,719	$ 355,390	$ 82,043	$ 53,472	$ 490,905
Professional and outside services	371,719	4,201	3,986	379,906	50,891	1,237	4,951	57,079
Grant to Equality California	255,000	-	-	255,000	199,000	-	-	199,000
Grants to other organizations	238,500	-	-	238,500	205,000	-	-	205,000
Legal	218,000	-	-	218,000	68,683	-	-	68,683
Polling and research	188,923	-	-	188,923	25,000	-	-	25,000
Communications	165,917	-	-	165,917	36,964	636	22	37,622
Travel and entertainment	98,692	3,451	6,504	108,647	42,289	5,988	597	48,874
Payroll taxes	63,300	9,170	2,527	74,997	31,138	7,967	2,009	41,114
Office expenses and supplies	62,480	5,063	960	68,503	5,144	7,191	1,407	13,742
Rent - building and equipment	52,350	5,120	1,759	59,229	23,483	4,234	1,261	28,978
Employee benefits	50,315	5,135	1,725	57,175	14,458	3,502	781	18,741
Accounting and audit	-	36,065	-	36,065	-	28,603	-	28,603
Insurance	17,351	10,702	647	28,700	1,382	11,044	977	13,403
Bank charges and merchant fees	19,644	2,443	641	22,728	10,297	2,963	475	13,735
Conferences and meetings	16,361	35	-	16,396	3,919	-	-	3,919
Utilities and communications	10,944	1,410	299	12,653	3,956	1,014	231	5,201
Taxes and licenses	-	11,373	350	11,723	78	2,493	-	2,571
Dues and subscriptions	9,330	840	170	10,340	3,347	609	218	4,174
Miscellaneous	4,025	4,011	-	8,036	2,871	247	39	3,157
Repairs and maintenance	3,895	463	215	4,573	1,063	299	78	1,440
Recruitment and training	2,640	1,252	111	4,003	206	70	10	286
Total expenses	$ 2,606,842	$ 179,645	$ 116,246	$ 2,902,733	$ 1,084,559	$ 160,140	$ 66,528	$ 1,311,227

The accompanying notes are an integral part of these financial statements

EQUALITY CALIFORNIA INSTITUTE
STATEMENTS OF CASH FLOWS

For the years ended December 31,	2016	2015
Cash flows from operating activities:		
Changes in net assets	$ (95,571)	$ 1,105,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Pledges receivable	(33,902)	13,777
Prepaid expenses and other current assets	(53,948)	(6,052)
Increase (decrease) in liabilities:		
Accounts payable	81,914	(19,827)
Due to Equality California	108,016	(204,080)
Accrued expenses and other current liabilities	4,917	(931)
Net cash provided by operating activities	11,426	888,197
Net increase in cash and cash equivalents	11,426	888,197
Cash and cash equivalents, beginning of year	975,632	87,435
Cash and cash equivalents, end of year	$ 987,058	$ 975,632
Supplemental cash flow information:		
Recognition of in-kind contributions and related assets and expenses	$ 540,360	$ 102,883

The accompanying notes are an integral part of these financial statements

For the years ended December 31, 2016 and 2015

NOTE 1

NATURE OF INSTITUTE AND ACTIVITIES

Equality California ("Equality") is the nation's largest statewide lesbian, gay, bisexual and transgender civil rights organization dedicated to creating a fair and just society. Equality's 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. Equality California's mission includes advancing the health and well-being of LGBT Californians through direct healthcare service advocacy and education. Through advocacy, education and mobilization programs, Equality California strives 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 its goals.

Equality California is made up of Equality California and Equality California Institute (the "Institute" or the "Organization"). The two organizations share a common mission and executive director. However, the two entities have separate governing boards.

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. The Institute has 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 field and phone canvassing teams, and through outreach to its 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 area's substantial population of LGBT undocumented immigrants. The Institute offers a four-week fellowship program in Sacramento to give college students first-hand experience working with legislators on state policy. Also 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 the 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.

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.

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, 2016 and 2015

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 as of December 31, 2016 and 2015.

In preparing these financial statements, the Organization evaluated the period from January 1, 2017 through November 15, 2017, 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.

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. During the years ended December 31, 2016 and 2015, the values of contributed goods included as in-kind donations in the accompanying financial statements were $100,000 and $34,200, 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, 2016 and 2015, the values of contributed services included as in-kind donations in the accompanying financial statements were $440,360 and $68,683, respectively, which consisted primarily of legal services and communication support.

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 at times exceeded 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 2016, the Institute derived 27% of its public support from two donors/grantors. In 2015, the Institute received 44% of its public support from three donors/grantors.

At December 31, 2016, 90% of promises to give were due from one donor. At December 31, 2015, 58% of promises to give were due from one donor.

For the years ended December 31, 2016 and 2015

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PLEDGES RECEIVABLE

Pledges receivable at December 31, 2016 and 2015 consist of unconditional promises to give by certain donors which totaled $55,250 and $21,348, respectively. The pledges receivables are due within one year.

There were no bad debt expenses during the years ended December 31, 2016 and 2015.

NOTE 4

PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

As of December 31,	2016	2015
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)	(20,587)
	$ -	$ -

There were no depreciation and amortization expenses for the years ended December 31, 2016 and 2015.

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.

The Institute was invoiced by Equality California for the following shared expenses for the years ended December 31, 2016 and 2015:

Shared expenses

For the years ended December 31,	2016	2015
Salaries payroll taxes and benefits	$ 1,035,576	$ 532,761
Other expenses	154,919	61,153
Direct special events expense	171,707	89,278
Travel and entertainment	47,092	27,996
Office expenses and supplies	34,353	34,872
	$ 1,443,647	$ 746,060

NOTE 5 – CONTINUED

RELATED PARTY TRANSACTIONS

In addition, the Institute issued grants to Equality California in the amounts of $255,000 and $199,000 during the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Institute had remaining payable balances to Equality California of $627,451 and $519,435, respectively, for allocated expenses and grant expenses.

NOTE 6

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 consist of the following:

As of December 31,	2016	2015
Gilead PrEP Education	$ 277,958	$ -
HIV/AIDS Project	175,666	150,409
Transgender Public Education	125,379	394,355
Various Other Projects	123,443	35,298
Time Restrictions	70,000	-
California Endowment	50,668	382,581
Comcast Fellowship Program	46,919	42,737
Kors Pub Advocate	35,500	35,500
Immigration Reform	20,624	33,202
	$ 926,157	$ 1,074,082

NOTE 7

RETIREMENT PLAN

Equality California has an existing retirement plan. The Plan 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. Equality California may make discretionary matching contributions. There were no employer contributions during the years ended December 31, 2016 and 2015.