

EQUALITY CALIFORNIA

FINANCIAL STATEMENTS

December 31, 2020 and 2019



EQUALITY CALIFORNIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Equality California
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Equality California (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditors' 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 auditors' 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 audit 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, 2020 and 2019, 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.

Prior Period Financial Statements

The financial statements of Equality California as of and for the year ended December 31, 2019, were audited by Rossi LLP, which merged with BPM LLP effective as of November 1, 2020. Rossi LLP's report dated October 6, 2020, expressed an unmodified opinion on those statements.



Long Beach, California
September 9, 2021

EQUALITY CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 677,636	\$ 197,124
Pledges receivable	5,000	38,150
Due from Equality California Institute	376,162	273,828
Prepaid expenses and other current assets	15,353	21,992
Total current assets	1,074,151	531,094
Property and equipment, net	32,111	45,870
Total assets	\$ 1,106,262	\$ 576,964
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 37,342	\$ 8,610
Accrued expenses and other current liabilities	106,121	116,922
Total current liabilities	143,463	125,532
Note payable - Paycheck Protection Program	262,900	-
Note payable - Emergency Injury Disaster Loan	500,000	-
Accrued interest payable	9,165	-
Total long-term liabilities	772,065	-
Total liabilities	915,528	125,532
Net assets:		
Without donor restrictions	115,734	451,432
With donor restrictions	75,000	-
Total net assets	190,734	451,432
Total liabilities and net assets	\$ 1,106,262	\$ 576,964

EQUALITY CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

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

EQUALITY CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Individual and other contributions	\$ 532,123	\$ -	\$ 532,123
Grants from Equality California Institute	250,000	-	250,000
In-kind donations	2,021,127	-	2,021,127
Special events revenue	<u>2,264,889</u>	<u>-</u>	<u>2,264,889</u>
Total public support	5,068,139	-	5,068,139
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	<u>57,658</u>	<u>(57,658)</u>	<u>-</u>
Total public support and revenue	<u>5,125,797</u>	<u>(57,658)</u>	<u>5,068,139</u>
Expenses:			
Program services	3,070,820	-	3,070,820
Supporting services:			
Management and general	373,212	-	373,212
Fundraising	888,845	-	888,845
Costs of direct benefits to donors	<u>935,980</u>	<u>-</u>	<u>935,980</u>
Total expenses	<u>5,268,857</u>	<u>-</u>	<u>5,268,857</u>
Change in net assets	(143,060)	(57,658)	(200,718)
Net assets, beginning of year	<u>594,492</u>	<u>57,658</u>	<u>652,150</u>
Net assets, end of year	<u><u>\$ 451,432</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 451,432</u></u>

EQUALITY CALIFORNIA

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2020 and 2019

	2020						2019					
	Supporting Services					Total Expenses	Supporting Services					Total Expenses
Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Supporting Services Subtotal	Program Services		Management and General	Fundraising	Cost of Direct Benefits to Donors	Supporting Services Subtotal		
Salaries	\$ 492,101	\$ 276,258	\$ 324,321	\$ -	\$ 600,579	\$ 1,092,680	\$ 599,511	\$ 184,134	\$ 412,345	\$ -	\$ 596,479	\$ 1,195,990
Payroll taxes	43,531	11,714	31,789	-	43,503	87,034	52,243	7,634	38,637	-	46,271	98,514
Employee benefits	43,265	44,440	35,637	-	80,077	123,342	49,462	-	43,630	-	43,630	93,092
Total personnel expenses	578,897	332,412	391,747	-	724,159	1,303,056	701,216	191,768	494,612	-	686,380	1,387,596
Legal	1,804,346	33,948	56,069	-	90,017	1,894,363	1,540,642	1,500	-	-	1,500	1,542,142
Printing and production	177,893	1,109	8,526	-	9,635	187,528	10,112	1,979	12,474	-	14,453	24,565
Communications	106,962	1,000	55,129	-	56,129	163,091	357,170	-	175,891	-	175,891	533,061
Professional and outside services	140,587	414	13,990	-	14,404	154,991	174,985	5,891	35,080	-	40,971	215,956
Special events	-	-	-	151,519	151,519	151,519	-	-	-	935,980	935,980	935,980
Office expenses and supplies	55,926	47,103	35,630	-	82,733	138,659	48,067	54,932	27,687	-	82,619	130,686
Accounting and audit	-	80,449	-	-	80,449	80,449	-	39,978	-	-	39,978	39,978
Rent - building and equipment	31,491	10,302	26,572	-	36,874	68,365	52,389	5,593	42,160	-	47,753	100,142
Grants	69,000	-	-	-	-	69,000	-	-	-	-	-	-
Travel and entertainment	54,061	7,969	4,414	-	12,383	66,444	75,718	5,858	65,212	-	71,070	146,788
Bank charges and merchant fees	7,168	9,377	6,277	-	15,654	22,822	18,933	6,692	16,323	-	23,015	41,948
Insurance	6,582	6,388	5,659	-	12,047	18,629	10,163	1,684	7,451	-	9,135	19,298
Depreciation and amortization	-	16,185	-	-	16,185	16,185	-	16,991	-	-	16,991	16,991
Polling and research	13,572	-	-	-	-	13,572	2,667	-	-	-	-	2,667
Taxes and licenses	-	11,252	-	-	11,252	11,252	-	11,746	-	-	11,746	11,746
Recruitment and training	1,626	8,256	1,234	-	9,490	11,116	368	22,702	5,937	-	28,639	29,007
Dues and subscriptions	6,507	659	185	-	844	7,351	5,178	1,325	1,187	-	2,512	7,690
Miscellaneous	10,144	324	2,877	-	3,201	13,345	6,409	919	2,275	-	3,194	9,603
Repairs and maintenance	933	1,013	825	-	1,838	2,771	-	-	-	-	-	-
Postage and shipping	594	650	443	-	1,093	1,687	2,566	3,654	2,556	-	6,210	8,776
Conferences and meetings	400	-	-	-	-	400	64,237	-	-	-	-	64,237
Total expenses	<u>\$ 3,066,689</u>	<u>\$ 568,810</u>	<u>\$ 609,577</u>	<u>\$ 151,519</u>	<u>\$ 1,329,906</u>	<u>\$ 4,396,595</u>	<u>\$ 3,070,820</u>	<u>\$ 373,212</u>	<u>\$ 888,845</u>	<u>\$ 935,980</u>	<u>\$ 2,198,037</u>	<u>\$ 5,268,857</u>

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

EQUALITY CALIFORNIA

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (260,698)	\$ (200,718)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	16,185	16,991
(Increase) decrease in assets:		
Pledges receivable	33,150	(1,787)
Due from Equality California Institute	(102,334)	322,089
Prepaid expenses and other current assets	6,639	11,887
Increase (decrease) in liabilities:		
Accounts payable	28,732	7,952
Accrued expenses and other current liabilities	(10,801)	(41,979)
Accrued interest payable	9,165	-
	<u>(279,962)</u>	<u>114,435</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(2,426)</u>	<u>(16,774)</u>
Net cash used in investing activities	<u>(2,426)</u>	<u>(16,774)</u>
Cash flows from financing activities:		
Proceeds from note payable - Paycheck Protection Program	262,900	-
Proceeds from note payable - Emergency Injury Disaster Loan	<u>500,000</u>	<u>-</u>
Net cash provided by financing activities	<u>762,900</u>	<u>-</u>
Net increase in cash and cash equivalents	480,512	97,661
Cash and cash equivalents, beginning of year	<u>197,124</u>	<u>99,463</u>
Cash and cash equivalents, end of year	<u>\$ 677,636</u>	<u>\$ 197,124</u>

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Organization and Activities

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

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

Since 2000, EQCA has had an extensive legislative program in the California Legislature that has helped to win passage of more than 150 laws that improve the lives of LGBTQ people. EQCA’s legislative work has helped give California the most comprehensive LGBTQ civil rights protections of any state in the nation. EQCA also engages in governmental budget advocacy at the federal and state levels to ensure that government resources reach LGBTQ people in need.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Net Assets

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

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

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 8 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Revenue and Support Recognition

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

Contributed Goods and Services

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

During the years ended December 31, 2020 and 2019, the values of contributed services included as in-kind donations in the accompanying financial statements were \$1,982,385 and \$1,872,003, respectively. The in-kind services consisted primarily of pro bono legal services.

During the years ended December 31, 2020 and 2019, the value of contributed goods included as in-kind donations which were related to special events and travel in the accompanying financial statements were \$0 and \$149,124, respectively.

Cash and Cash Equivalents

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

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Pledges Receivable

EQCA records pledges receivable which represent unconditional promises to give as revenue when the promise is received. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. EQCA believes all pledges receivable at December 31, 2020 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

EQCA has a conditional promise to receive \$100,000, due in the year ending December 31, 2021. Payment is contingent upon meeting certain performance obligations and are not recorded as pledges receivable in the accompanying statement of financial position.

Property and Equipment

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

Income Taxes

EQCA is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. EQCA does not believe that during the years ended December 31, 2020 and 2019, it had any unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

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

Concentration of Credit Risk

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

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

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

Fair Value of Financial Instruments

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

Advertising Expenses

Equality California incurred non-direct response advertising costs that were expensed during the years ended December 31, 2020 and 2019, totaling \$15,073 and \$86,169, respectively, which were charged to program expenses as they directly promote programs and education events provided to the community EQCA serves.

Reclassifications

Certain reclassifications were made to the 2019 financial statements herein to conform to the 2020 presentation. These reclassifications had no effect on the total net assets or the total change in net assets for 2019.

New Accounting Standards Not Yet Adopted

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

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

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

3. Liquidity and Availability of Financial Assets

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

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 677,636	\$ 197,124
Pledges receivable	5,000	38,150
Due from Equality California Institute	376,162	273,828
Total financial assets available	1,058,798	509,102
Less amounts not available to be used within one year:		
Net assets with donor restrictions	75,000	-
Less net assets with time or purpose restrictions to be met in less than a year	(75,000)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,058,798	\$ 509,102

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

In December 2020, EQCA established a board-designated operating reserve policy to ensure the stability of EQCA's mission, programs, employment, and ongoing operations of EQCA. 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 starting in 2021.

4. Property and Equipment, Net

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

	2020	2019
Computer, software and equipment	\$ 53,049	\$ 50,623
Furniture and fixtures	40,007	40,007
Subtotal	93,056	90,630
Less: accumulated depreciation	(60,945)	(44,760)
Property and equipment, net	\$ 32,111	\$ 45,870

Depreciation expense for the years ended December 31, 2020 and 2019 were \$16,185 and \$16,991, respectively.

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

5. Note Payable – Paycheck Protection Program

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

6. Note Payable – Emergency Injury Disaster Loan

In April 2020, the Company obtained a loan under the SBA Economic Injury Disaster Loan (“EIDL”) assistance program, because of the impact of the COVID-19 pandemic on EQCA’s operations. The principal amount of the loan is \$500,000, with proceeds used for working capital purposes. Installment payments of principal and interest, with interest accruing at the rate of 2.75% per annum, due monthly commencing April 22, 2022 through April 22, 2051 with payments applied to accrued interest first and then towards the outstanding principal. As of December 31, 2020, accrued interest payable was \$9,165.

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

For the year ending December 31:		
2024	\$	5,980
2025		12,210
Thereafter		481,810
	\$	500,000

7. Related Party Transactions

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

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

	2020	2019
Salaries, payroll taxes and benefits	\$ 1,362,528	\$ 889,015
Direct special events expense	5,254	282,836
Other expenses	96,781	186,459
Travel and entertainment	252,200	28,946
Office expenses and supplies	10,810	17,770
Total	\$ 1,727,573	\$ 1,405,026

EQUALITY CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

7. Related Party Transactions, continued

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

	2020	2019
Salaries payroll taxes and benefits	\$ 49,740	\$ 65,894

EQCA received grants from EQCAI of \$310,000 and \$250,000 during the years ended December 31, 2020 and 2019, respectively. EQCA had a receivable from EQCAI of \$376,162 and \$273,828 at December 31, 2020 and 2019, respectively, for allocated expenses invoiced and grant revenue.

8. Net Assets With Donor Restrictions

From time to time, EQCA receives contributions subject to donor restrictions. Those contributions received with restrictions are released from restriction when expenses are incurred, the purpose has been fulfilled, or through passage of time. As of December 31, 2020 and 2019, net assets with donor restrictions totaled \$75,000 and \$0, respectively, and relate to general support for future periods that will be released from restrictions through passage of time.

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 year ended December 31, 2020 was \$0 and are as follow for the year ended December 31, 2019:

Purpose restrictions accomplished:	
Nevada Silver State Equality Program	\$ 26,181
Public Advocacy	24,757
Subtotal	50,938
Time restriction expired:	
Wine	6,720
Subtotal	6,720
Total	\$ 57,658

9. Commitments and Contingencies

Leases

Effective May 1, 2017, EQCA entered into a sixty (60) month noncancelable operating lease for its Los Angeles headquarters with monthly lease payments of \$8,812 starting May 2017, with an annual escalation clause of 3%. The lease also provides for certain rent concessions to EQCA that are not material to the financial statements. As of December 31, 2020 and 2019, EQCA reported deferred rent of \$14,452 and \$21,854, respectively, which is included with “accrued expenses and other current liabilities” on the accompanying statements of financial position.

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9. Commitments and Contingencies, continued

Leases, continued

EQCA also leases an office in Sacramento under the terms of an operating lease agreement effective through March 31, 2022, with monthly lease payments of \$1,425.

In addition, EQCA leases storage on a month-to-month basis.

Future minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2020 were as follows:

For the year ending December 31:	
2021	\$ 136,038
2022	137,237
2023	43,753
Thereafter	<u>-</u>
	<u>\$ 317,028</u>

Total rent expense under operating leases for the years ended December 31, 2020 and 2019 was \$68,365 and \$100,142, respectively, net of rent expense of \$68,883 and \$73,516, respectively, allocated to EQCAI.

Legal Contingencies

From time to time, EQCA participates as a plaintiff or petitioner in lawsuits related to equality issues. If EQCA did not prevail in these lawsuits, the defendants could seek an award of allowable costs against EQCA and other plaintiffs in certain cases. It is not possible to estimate the amount of costs defendants might seek reimbursement for in the event that they prevail and accordingly, EQCA has not recorded a liability for such an event as of December 31, 2020 or 2019.

Risks and Uncertainties

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

Concentrations

In-kind Donations

For the year ended December 31, 2020, EQCA received 68% of pro-bono services from one donor and for the year ended December 31, 2019, EQCA received 80% of pro-bono services from two donors.

Pledges Receivable

As of December 31, 2020, 95% of pledges receivable was due from one donor and as of December 31, 2019, 89% of pledges receivable were due from six donors.

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10. 401(k) Plan

Equality California maintains a 401(k) plan. The Plan covers all employees who are 21 or older and have completed 1,000 hours of service within the 12 months following an employee's commencement of employment. EQCA may make discretionary matching contributions. There were \$13,737 and \$8,347 employer contributions made during the years ended December 31, 2020 and 2019, respectively.

11. Subsequent Events

Subsequent events have been evaluated through September 9, 2021, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in such financial statements other than the following.

On April 28, 2021, both the PPP loan and corresponding accrued interest was fully forgiven in accordance with the terms of the CARES Act.