

EQUALITY CALIFORNIA INSTITUTE

FINANCIAL STATEMENTS

December 31, 2020 and 2019



EQUALITY CALIFORNIA INSTITUTE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 the changes in its net assets and its cash flows for the year 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 Institute 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 INSTITUTE

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,357,154	\$ 941,685
Government grants receivables	367,468	76,465
Pledges receivable	144,288	73,100
	<hr/>	<hr/>
Total current assets	2,868,910	1,091,250
Property and equipment, net	7,651	11,539
	<hr/>	<hr/>
Total assets	<u>\$ 2,876,561</u>	<u>\$ 1,102,789</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,989	\$ 8,571
Due to Equality California	376,162	273,828
Accrued expenses and other current liabilities	97,170	72,605
	<hr/>	<hr/>
Total current liabilities	488,321	355,004
Note payable, Paycheck Protection Program	199,000	-
Note payable, Emergency Injury Disaster Loan	500,000	-
Accrued interest payable	9,165	-
	<hr/>	<hr/>
Total long-term liabilities	708,165	-
	<hr/>	<hr/>
Total liabilities	1,196,486	355,004
Net assets:		
Without donor restrictions	1,097,169	303,191
With donor restrictions	582,906	444,594
	<hr/>	<hr/>
Total net assets	1,680,075	747,785
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,876,561</u>	<u>\$ 1,102,789</u>

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	\$ 1,703,610	\$ 269,464	\$ 1,973,074
Individual and other contributions	600,332	-	600,332
In-kind donations	270,538	-	270,538
Special events revenue	494,409	200,000	694,409
	<u>3,068,889</u>	<u>469,464</u>	<u>3,538,353</u>
Total public support			
Revenue:			
Program service revenue	1,136,605	-	1,136,605
Investment income	288	-	288
	<u>1,136,893</u>	<u>-</u>	<u>1,136,893</u>
Total revenue			
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	331,152	(331,152)	-
	<u>4,536,934</u>	<u>138,312</u>	<u>4,675,246</u>
Total public support and revenue			
Expenses:			
Program services	2,999,043	-	2,999,043
Supporting services:			
Management and general	362,053	-	362,053
Fundraising	285,079	-	285,079
Costs of direct benefits to donors	96,781	-	96,781
	<u>3,742,956</u>	<u>-</u>	<u>3,742,956</u>
Total expenses			
Change in net assets	793,978	138,312	932,290
Net assets, beginning of year	<u>303,191</u>	<u>444,594</u>	<u>747,785</u>
Net assets, end of year	<u>\$ 1,097,169</u>	<u>\$ 582,906</u>	<u>\$ 1,680,075</u>

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	\$ 408,057	\$ 587,000	\$ 995,057
Individual and other contributions	382,169	-	382,169
In-kind donations	335,086	-	335,086
Special events revenue	947,441	-	947,441
Total public support	<u>2,072,753</u>	<u>587,000</u>	<u>2,659,753</u>
Revenue:			
Program service revenue	638,966	-	638,966
Investment income	359	-	359
Miscellaneous income	1,844	-	1,844
Total revenue	<u>641,169</u>	<u>-</u>	<u>641,169</u>
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	<u>620,746</u>	<u>(620,746)</u>	<u>-</u>
Total public support and revenue	<u>3,334,668</u>	<u>(33,746)</u>	<u>3,300,922</u>
Expenses:			
Program services	2,225,051	-	2,225,051
Supporting services:			
Management and general	191,647	-	191,647
Fundraising	174,993	-	174,993
Costs of direct benefits to donors	286,514	-	286,514
Total expenses	<u>2,878,205</u>	<u>-</u>	<u>2,878,205</u>
Change in net assets	456,463	(33,746)	422,717
Net assets, beginning of year	<u>(153,272)</u>	<u>478,340</u>	<u>325,068</u>
Net assets, end of year	<u>\$ 303,191</u>	<u>\$ 444,594</u>	<u>\$ 747,785</u>

EQUALITY CALIFORNIA INSTITUTE

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	Costs of Direct Benefits to Donors	Supporting Services Subtotal		Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Supporting Services Subtotal	
Salaries	\$ 1,206,020	\$ 194,447	\$ 214,948	\$ -	\$ 409,395	\$ 1,615,415	\$ 832,599	\$ 81,275	\$ 125,816	\$ -	\$ 207,091	\$ 1,039,690
Payroll taxes	83,041	7,598	14,057	-	21,655	104,696	68,434	5,809	7,565	-	13,374	81,808
Employee benefits	90,333	9,903	16,935	-	26,838	117,171	67,293	8,176	7,835	-	16,011	83,304
Total personnel expenses	1,379,394	211,948	245,940	-	457,888	1,837,282	968,326	95,260	141,216	-	236,476	1,204,802
Grants to other organizations	493,786	-	-	-	-	493,786	128,734	-	-	-	-	128,734
Communications	474,456	-	421	-	421	474,877	387,901	-	3,558	-	3,558	391,459
Grant to Equality California	310,000	-	-	-	-	310,000	250,000	-	-	-	-	250,000
Office expenses and supplies	88,870	4,229	11,783	-	16,012	104,882	66,572	5,136	5,583	-	10,719	77,291
Special events	-	-	-	96,781	96,781	96,781	-	-	-	286,514	286,514	286,514
Professional and outside services	72,273	1,463	4,893	-	6,356	78,629	63,152	5,350	6,180	-	11,530	74,682
Rent - building and equipment	52,090	6,424	13,068	-	19,492	71,582	63,536	6,016	7,483	-	13,499	77,035
Legal	20,390	33,948	-	-	33,948	54,338	1,000	1,500	-	-	1,500	2,500
Accounting and audit	3,000	46,266	-	-	46,266	49,266	-	37,471	-	-	37,471	37,471
Miscellaneous	28,620	9,218	11	-	9,229	37,849	4,343	47	29	-	76	4,419
Insurance	10,612	11,611	2,694	-	14,305	24,917	11,265	11,578	1,188	-	12,766	24,031
Bank charges and merchant fees	10,292	7,638	2,604	-	10,242	20,534	25,122	6,316	2,815	-	9,131	34,253
Conferences and meetings	18,854	79	-	-	79	18,933	128,462	-	-	-	-	128,462
Travel and entertainment	13,720	3,152	601	-	3,753	17,473	114,134	517	5,285	-	5,802	119,936
Utilities and communications	12,717	543	2,467	-	3,010	15,727	11,162	1,030	1,294	-	2,324	13,486
Recruitment and training	1,168	10,334	451	-	10,785	11,953	1,305	9,352	87	-	9,439	10,744
Taxes and licenses	-	10,561	-	-	10,561	10,561	-	6,364	25	-	6,389	6,389
Dues and subscriptions	4,973	500	-	-	500	5,473	-	1,750	250	-	2,000	2,000
Repairs and maintenance	3,828	251	146	-	397	4,225	37	72	-	-	72	109
Depreciation and amortization	-	3,888	-	-	3,888	3,888	-	3,888	-	-	3,888	3,888
Total expenses	\$ 2,999,043	\$ 362,053	\$ 285,079	\$ 96,781	\$ 743,913	\$ 3,742,956	\$ 2,225,051	\$ 191,647	\$ 174,993	\$ 286,514	\$ 653,154	\$ 2,878,205

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

EQUALITY CALIFORNIA INSTITUTE

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	\$ 932,290	\$ 422,717
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,888	3,888
(Increase) decrease in assets:		
Government grants receivable	(291,003)	(4,846)
Pledges receivable	(71,188)	(12,775)
Prepaid expenses and other current assets	-	65,000
Increase (decrease) in liabilities:		
Accounts payable	6,418	8,445
Due to Equality California	102,334	(322,089)
Accrued expenses and other current liabilities	24,565	17,862
Accrued interest payable	9,165	-
Net cash provided by operating activities	<u>716,469</u>	<u>178,202</u>
Cash flows from financing activities:		
Proceeds from note payable - Paycheck Protection Program	199,000	-
Proceeds from note payable - Emergency Injury Disaster Loan	500,000	-
Net cash provided by financing activities	<u>699,000</u>	<u>-</u>
Net increase in cash and cash equivalents	1,415,469	178,202
Cash and cash equivalents, beginning of year	<u>941,685</u>	<u>763,483</u>
Cash and cash equivalents, end of year	<u>\$ 2,357,154</u>	<u>\$ 941,685</u>
Supplemental disclosure of cash flow information:		
Recognition of in-kind contributions and related assets and expenses	<u>\$ 18,200</u>	<u>\$ -</u>

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Nature of Institute and Activities

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Net Assets

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

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

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Net Assets, continued

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

Revenue and Support Recognition

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

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

EQCAI recognizes program service and public contract revenue in the period when the services have been provided.

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 \$252,338 and \$335,086, respectively. The in-kind services consisted primarily of pro bono legal services and communications support.

During the years ended December 31, 2020 and 2019, the value of contributed goods included as in-kind donations which were related to travel vouchers in the accompanying financial statements were \$18,200 and \$0, respectively.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

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

Government Grants Receivable and Grant Revenue

Government grants receivable represent amounts awarded by various government agencies. Government grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible government grants receivable based on current economic conditions, historical trends, and current and past experience with the government agency awarding the grant. EQCAI determined that no allowance was necessary for government grants at December 31, 2020 and 2019.

Pledges Receivable

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

Grants Expense

EQCAI, after review and approval of management, awards grants to tax-exempt organizations. Grant expense is recorded when EQCAI makes an unconditional promise to give. Conditional promises to give are recorded as grant expense in the period in which the recipient meets the terms of the conditions imposed. There were no conditional grants at December 31, 2020 and 2019. Grant cancellations and unspent funds are recorded in the year cancelled or the funds returned.

Property and Equipment

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

Income Taxes

EQCAI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California and Revenue Taxation Code, whereby only unrelated business income as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. EQCAI does not believe that during the years ended December 31, 2020 and 2019 that it had any unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

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

Concentration of Credit Risk

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

Functional Allocation of Expenses

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

Fair Value of Financial Instruments

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

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. EQCAI is currently evaluating the provisions of ASU 2016-02 to determine the effect, if any; ASU 2016-02 will have on its financial statements.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, continued

New Accounting Standards Not Yet Adopted, continued

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. EQCAI is currently evaluating the impact of the pending adoption of ASU 2020-07 on these financial statements.

3. Liquidity and Availability of Financial Assets

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

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,357,154	\$ 941,685
Government grant receivables	367,468	76,465
Pledges receivable	144,288	73,100
Total financial assets available	<u>2,868,910</u>	<u>1,091,250</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	582,906	444,594
Less net assets with time or purpose restrictions to be met in less than a year	<u>(582,906)</u>	<u>(331,152)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,868,910</u>	<u>\$ 1,204,692</u>

At December 31, 2020 and 2019, EQCAI had \$2,868,910 and \$1,204,692, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. As part of the EQCAI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, EQCAI reviews its funding levels on an on-going basis to ensure they are adequate. In July 2021, EQCAI entered into an agreement for a line of credit with a financial institution, which provides for \$300,000 of financing (Note 12).

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

3. Liquidity and Availability of Financial Assets, continued

In December 2020, EQCAI established a board-designated operating reserve policy to ensure the stability of EQCAI's mission, programs, employment, and ongoing operations of the Organization. The operating reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expense, unanticipated loss in funding, uninsured losses, and one-time, nonrecurring expenses that will build long-term capacity. The annual targeted minimum amount of the operating reserve is four months of average operating costs that is based on the annual budget approved by the Board and will be funded with surplus operating funds without donor restrictions starting in 2021.

4. Conditional Contributions

At December 31, 2020 and 2019, EQCAI has conditional contributions of approximately \$3,000,000 and \$1,450,000, respectively, from government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met. EQCAI will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

5. Property and Equipment

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

	2020	2019
Computer, software and equipment	\$ 25,049	\$ 25,049
Donated furniture and fixtures	11,768	11,768
Leasehold improvements	3,200	3,200
Equipment	-	-
Subtotal	40,017	40,017
Less: accumulated depreciation	(32,366)	(28,478)
Property and equipment, net	<u>\$ 7,651</u>	<u>\$ 11,539</u>

Depreciation and amortization expenses totaled \$3,888 for the years ended December 31, 2020 and 2019, respectively.

6. Paycheck Protection Program

In April 2020, EQCAI received a loan in the original principal amount of \$199,000 under the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The United States Small Business Administration ("SBA") administers the PPP loan program. Under the terms of the CARES Act, PPP loan recipients can apply for, and the SBA can grant forgiveness of all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, as set forth in the CARES Act. Subsequent to December 31, 2020, EQCAI applied for and received \$199,000 in PPP loan forgiveness on June 16, 2021, in accordance with the terms of the CARES Act.

EQUALITY CALIFORNIA INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. Emergency Injury Disaster Loan

In April 2020, EQCAI obtained a loan under the SBA Economic Injury Disaster Loan (“EIDL”) assistance program, because of the COVID-19 pandemic impact on EQCAI’s operations. The principal amount of the loan is \$500,000, with the proceeds to be used for working capital purposes. Installment payments of principal and interest, with interest accruing at the rate of 2.75% per annum, 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 ended December 31:		
2024		\$ 3,047
2025		12,118
Thereafter		<u>484,835</u>
		<u>\$ 500,000</u>

8. Related Party Transactions

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

EQCAI invoiced EQCA during the years ended December 31, 2020 and 2019 for the following shared expenses:

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

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

	<u>2020</u>	<u>2019</u>
Salaries payroll taxes and benefits	<u>\$ 49,740</u>	<u>\$ 65,894</u>

In addition, EQCAI issued grants to EQCA in the amounts of \$310,000 and \$250,000 during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, EQCAI had a payable balance due to EQCA of \$376,162 and \$273,828, respectively, for allocated expenses and grant expenses.

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NOTES TO FINANCIAL STATEMENTS

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9. Net Assets with Donor Restrictions

From time to time, EQCAI receives contributions subject to donor restrictions. Those contributions received with restrictions are released from restriction when expenses are incurred, the purpose has been fulfilled, or through passage of time.

At December 31, 2020 and 2019, net assets with donor restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Health outreach	\$ 194,464	\$ -
Fellowship program	63,442	93,442
Leadership academy	75,000	64,723
Safe and supportive schools	50,000	50,000
Census outreach	-	211,887
Community engagement	-	24,542
	<u>382,906</u>	<u>444,594</u>
Subject to the passage of time:		
General support for future periods	<u>200,000</u>	<u>-</u>
	<u>200,000</u>	<u>-</u>
Total	<u>\$ 582,906</u>	<u>\$ 444,594</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Census outreach	\$ 211,887	\$ 49,542
Leadership academy	64,723	50,277
Fellowship program	30,000	30,000
Community engagement	24,542	125,458
Health outreach	-	298,904
Public advocacy	-	1,565
	<u>331,152</u>	<u>555,746</u>
Time restrictions expired:		
Travel vouchers	<u>-</u>	<u>65,000</u>
	<u>-</u>	<u>65,000</u>
Total	<u>\$ 331,152</u>	<u>\$ 620,746</u>

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10. Commitments and Contingencies

Legal Contingencies

From time to time, EQCAI participates as a plaintiff or petitioner in lawsuits related to equality issues. If EQCAI did not prevail in these lawsuits, the defendants could seek an award of allowable costs against EQCAI and other plaintiffs in certain cases. It is not possible to estimate the amount of costs defendants could seek in the event of an adverse decision; accordingly, EQCAI has not recorded any liabilities for such an event as of December 31, 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, EQCAI implemented a work from home policy for its employees. While the ultimate impact of COVID-19 on EQCAI's revenue and public support are unknown, EQCAI continues to review its program activities and will make the necessary modifications to its operating plan and programs based on the current health concerns as a result of the pandemic.

Concentrations

Public Support

During 2020, EQCAI derived twenty-eight percent (28%) of its public support from one donor, and during 2019, EQCAI received twenty percent (20%) of its public support from two donors.

Pledges Receivable

At December 31, 2020, eighty-seven percent (87%) of pledges receivable were due from two donors, and at December 31, 2019, sixty-eight percent (68%) of pledges receivable were due from one donor.

11. 401(k) Plan

EQCAI maintains a 401(k) plan that covers all employees who are age 21 or older and have completed 1,000 hours of service within the 12 months following an employee's commencement of employment. EQCAI may make discretionary matching contributions. During the years ended December 31, 2020 and 2019, there were \$4,278 and \$1,846 employer contributions, respectively.

12. 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 July 23, 2021, EQCAI obtained a working capital line of credit with a financial institution for \$300,000. The credit line has an interest rate of 0.75% over prime and expires on July 22, 2022.

On June 16, 2021, both the PPP loan and corresponding accrued interest was fully forgiven in accordance with the terms of the CARES Act.