EQUALITY CALIFORNIA INSTITUTE

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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EQUALITY CALIFORNIA INSTITUTE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equality California Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Equality California Institute as of December 31, 2022 and 2021, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Equality California Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Equality California Institute's ability to continue as a going concern for one year after the date that the financial statements are issued.

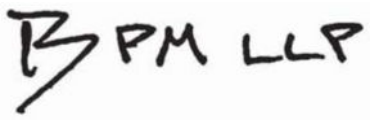
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Equality California Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Equality California Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Long Beach, California
October 25, 2023

EQUALITY CALIFORNIA INSTITUTE

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,490,139	$ 2,842,536
Program service receivables	405,788	365,906
Pledges receivable, current portion	565,500	215,000
Other current assets	1,985	-
Total current assets	3,463,412	3,423,442
Pledges receivable, net of current portion	-	215,000
Property and equipment, net	759	3,763
Total assets	$ 3,464,171	$ 3,642,205
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 160,542	$ 39,075
Due to Equality California	377,893	371,209
Accrued expenses and other current liabilities	80,653	70,639
Note payable - Emergency Injury Disaster Loan, current portion	12,263	8,258
Total current liabilities	631,351	489,181
Note payable - Emergency Injury Disaster Loan, net of current portion	479,478	491,742
Total liabilities	1,110,829	980,923
Net assets:		
Without donor restrictions:		
Undesignated	-	437,045
Board designated	1,524,985	1,100,626
	1,524,985	1,537,671
With donor restrictions	828,357	1,123,611
Total net assets	2,353,342	2,661,282
Total liabilities and net assets	$ 3,464,171	$ 3,642,205

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	$ 1,934,820	$ 442,511	$ 2,377,331
Individual and other contributions	668,138	10,000	678,138
Contributed nonfinancial assets	157,768	-	157,768
Special events revenue	691,814	150,000	841,814
Total public support	3,452,540	602,511	4,055,051
Revenue:			
Program service revenue	1,575,393	-	1,575,393
Miscellaneous income	834	-	834
Total revenue	1,576,227	-	1,576,227
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	897,765	(897,765)	-
Total public support and revenue	5,926,532	(295,254)	5,631,278
Expenses:			
Program services	4,536,667	-	4,536,667
Supporting services:			
Management and general	503,649	-	503,649
Fundraising	587,842	-	587,842
Costs of direct benefits to donors	311,060	-	311,060
Total expenses	5,939,218	-	5,939,218
Change in net assets	(12,686)	(295,254)	(307,940)
Net assets, beginning of year	1,537,671	1,123,611	2,661,282
Net assets, end of year	$ 1,524,985	$ 828,357	$ 2,353,342

EQUALITY CALIFORNIA INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Foundation contributions	$ 1,994,193	$ 215,342	$ 2,209,535
Individual and other contributions	919,476	562,768	1,482,244
Contributed nonfinancial assets	250,539	-	250,539
Special events revenue	720,206	200,000	920,206
Total public support	3,884,414	978,110	4,862,524
Revenue:			
Program service revenue	1,628,029	-	1,628,029
Miscellaneous income	5,710	-	5,710
Total revenue	1,633,739	-	1,633,739
Net assets released from restriction:			
Satisfaction of purpose / time restrictions	437,405	(437,405)	-
Total public support and revenue	5,955,558	540,705	6,496,263
Expenses:			
Program services	4,622,343	-	4,622,343
Supporting services:			
Management and general	478,113	-	478,113
Fundraising	355,773	-	355,773
Costs of direct benefits to donors	257,827	-	257,827
Total expenses	5,714,056	-	5,714,056
Increase in net assets from non-operating activities:			
Forgiveness of debt - Paycheck Protection Program	199,000	-	199,000
Change in net assets	440,502	540,705	981,207
Net assets, beginning of year	1,097,169	582,906	1,680,075
Net assets, end of year	$ 1,537,671	$ 1,123,611	$ 2,661,282

EQUALITY CALIFORNIA INSTITUTE

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2022 and 2021

	2022						2021					
		Supporting Services						Supporting Services				
	Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Supporting Services Subtotal	Total Expenses	Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Supporting Services Subtotal	Total Expenses
Salaries	$ 1,614,395	$ 125,785	$ 323,483	$ -	$ 449,268	$ 2,063,663	$ 1,656,511	$ 84,512	$ 255,121	$ -	$ 339,633	$ 1,996,144
Payroll taxes	115,244	14,119	21,128	-	35,247	150,491	116,072	8,061	15,327	-	23,388	139,460
Employee benefits	120,181	5,952	21,499	-	27,451	147,632	114,669	7,314	18,735	-	26,049	140,718
Total personnel expenses	1,849,820	145,856	366,110	-	511,966	2,361,786	1,887,252	99,887	289,183	-	389,070	2,276,322
Grants to other organizations	1,034,168	-	-	-	-	1,034,168	1,499,795	-	-	-	-	1,499,795
Communications	442,766	113	1,538	-	1,651	444,417	233,025	-	21,673	-	21,673	254,698
Grant to Equality California	400,000	-	-	-	-	400,000	400,000	-	-	-	-	400,000
Special events	-	-	-	311,060	311,060	311,060	-	-	-	257,827	257,827	257,827
Professional and outside services	175,679	10,323	11,138	-	21,461	197,140	162,507	10,533	6,891	-	17,424	179,931
Travel and entertainment	149,795	2,452	30,975	-	33,427	183,222	123,566	2,479	6,120	-	8,599	132,165
Office expenses and supplies	135,680	8,624	17,702	-	26,326	162,006	157,994	12,325	12,377	-	24,702	182,696
Miscellaneous	17,685	3,019	124,095	-	127,114	144,799	59,190	350	373	-	723	59,913
Legal	44,613	75,996	107	-	76,103	120,716	-	141,674	-	-	141,674	141,674
Recruitment and training	14,344	83,407	2,724	-	86,131	100,475	1,426	43,785	291	-	44,076	45,502
Rent - building and equipment	79,324	3,902	16,505	-	20,407	99,731	63,081	8,749	11,172	-	19,921	83,002
Polling and research	93,750	-	-	-	-	93,750	-	-	-	-	-	-
Conferences and meetings	57,932	14,932	9,970	-	24,902	82,834	3,208	31,889	-	-	31,889	35,097
Accounting and audit	-	67,326	-	-	67,326	67,326	-	63,098	-	-	63,098	63,098
Bank charges and merchant fees	-	33,741	-	-	33,741	33,741	-	16,557	-	-	16,557	16,557
Insurance	13,395	13,793	2,935	-	16,728	30,123	11,919	14,113	2,732	-	16,845	28,764
Dues and subscriptions	11,399	5,082	1,941	-	7,023	18,422	625	4,573	2,216	-	6,789	7,414
Repairs and maintenance	9,365	7,678	645	-	8,323	17,688	6,048	3,183	681	-	3,864	9,912
Interest	-	13,680	-	-	13,680	13,680	-	13,810	-	-	13,810	13,810
Utilities and communications	6,952	1,359	1,457	-	2,816	9,768	12,607	1,146	2,064	-	3,210	15,817
Taxes and licenses	-	9,362	-	-	9,362	9,362	100	6,074	-	-	6,074	6,174
Depreciation	-	3,004	-	-	3,004	3,004	-	3,888	-	-	3,888	3,888
Total expenses	$ 4,536,667	$ 503,649	$ 587,842	$ 311,060	$ 1,402,551	$ 5,939,218	$ 4,622,343	$ 478,113	$ 355,773	$ 257,827	$ 1,091,713	$ 5,714,056

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

EQUALITY CALIFORNIA INSTITUTE

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (307,940)	$ 981,207
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Forgiveness of debt - Paycheck Protection Program	-	(199,000)
Depreciation	3,004	3,888
(Increase) decrease in assets:		
Program service receivables	(39,882)	1,562
Pledges receivable	(135,500)	(285,712)
Other current assets	(1,985)	-
Increase (decrease) in liabilities:		
Accounts payable	121,467	24,086
Due to Equality California	6,684	(4,953)
Accrued expenses and other current liabilities	10,014	(30,224)
Accrued interest payable	-	(5,472)
Net cash (used in) provided by operating activities	(344,138)	485,382
Cash flows from financing activities:		
Principal payments on note payable - Emergency Injury Disaster Loan	(8,259)	-
Net cash used in financing activities	(8,259)	-
Net change in cash and cash equivalents	(352,397)	485,382
Cash and cash equivalents, beginning of year	2,842,536	2,357,154
Cash and cash equivalents, end of year	$ 2,490,139	$ 2,842,536
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 17,373	$ 19,282

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, and the San Francisco Bay Area in California; Las Vegas, Nevada; 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 ("IRC") 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.

2. Summary of Significant Accounting Policies, continued

Net Assets, continued

Board designated net assets: 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 commencing in 2021.

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 10 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 program service 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.

Contributed Nonfinancial Assets

In accordance with Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), contributed nonfinancial assets are presented as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash and other financial assets, and additional qualitative disclosures. EQCAI adopted ASU 2020-07 in 2022, with detailed disclosure in Note 13.

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.

2. Summary of Significant Accounting Policies, continued

Program Service Receivables

Program service receivables represent amounts awarded by various government agencies. Program service receivables are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible program service receivables 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 as of December 31, 2022 and 2021.

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 as of December 31, 2022 will be fully collected. Accordingly, no allowance for doubtful accounts has been recorded by EQCAI as of December 31, 2022 and 2021.

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 as of December 31, 2022 and 2021. 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 IRC 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 IRC, is subject to federal income tax. For the years ended December 31, 2022 and 2021, EQCAI does not believe that it had any unrelated business taxable income and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

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.

2. Summary of Significant Accounting Policies, continued

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.

Recently Adopted Accounting Standards

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02" or "ASC 842"). ASC 842 requires lessees to recognize a right-of-use ("ROU") asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for fiscal years beginning after December 15, 2021 and interim periods beginning the following year. Early application is permitted.

In 2022, EQCAI adopted ASU 2016-02; however, there was no impact to the financial statements, as EQCAI had no existing leases during the year ended December 31, 2022.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, which requires contributed nonfinancial assets to be presented as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash and other financial assets, and additional qualitative disclosures. The ASU 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. In 2022, the EQCAI adopted ASU 2020-07, which resulted in detailed disclosure in Note 13.

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

FASB ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, and related amendments, replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new Current Expected Credit Losses ("CECL") model applies to financial assets at amortized cost, including trade receivables, contract assets and certain off-balance sheet credit exposures, such as loan commitments. The ASU is effective for fiscal years beginning after December 31, 2022. EQCAI is currently evaluating the impact of this standard.

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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 2,490,139	$ 2,842,536
Government grant receivables	405,788	365,906
Pledges receivable, current portion	565,500	215,000
Total financial assets available	3,461,427	3,423,442
Less amounts not available to be used within one year:		
Board designations	(1,524,985)	(1,100,626)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,936,442	$ 2,322,816

As of December 31, 2022 and 2021, EQCAI had $1,936,442 and $2,322,816, 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. EQCAI entered into an agreement for a line of credit with a financial institution, which provides for $300,000 of financing (see Note 8).

4. Conditional Contributions

EQCAI has conditional contributions of approximately $2,425,000 and $2,400,000 as of December 31, 2022 and 2021, 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, Net

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

	2022	2021
Computer, software and equipment	$ 25,049	$ 25,049
Donated furniture and fixtures	11,768	11,768
Leasehold improvements	3,200	3,200
Subtotal	40,017	40,017
Less: accumulated depreciation	(39,258)	(36,254)
Property and equipment, net	$ 759	$ 3,763

Depreciation expense totaled $3,004 and $3,888 for the years ended December 31, 2022 and 2021, respectively.

6. Note Payable – 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. EQCAI received full forgiveness of $199,000 on June 16, 2021, in accordance with the terms of the CARES Act.

7. Note Payable – 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, with payments applied to accrued interest first then towards the outstanding principal. EQCAI commenced interest only payments on April 2021. As of December 31, 2022 and 2021, accrued interest payable was $0 and $3,693, respectively. The loan is scheduled to mature in April 2050.

7. Note Payable – Emergency Injury Disaster Loan, continued

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

For the year ended December 31:		
2023	$	12,263
2024		12,604
2025		12,955
2026		13,316
2027		13,687
Thereafter		426,916
	$	491,741

8. Line of Credit

In July 2021, EQCAI obtained a working capital line of credit with a financial institution that has an available borrowing limit of $300,000. The credit line has an interest rate of 0.75% over prime and expires in July 2024. There is no outstanding balance as of December 31, 2022 and 2021.

9. 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.

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

	2022	2021
Salaries payroll taxes and benefits	$ 1,394,615	$ 1,429,062
Other expenses	374,275	390,222
Direct special event expenses	296,882	248,782
Travel and entertainment	126,869	44,974
Rent	96,143	80,106
Office expenses and supplies	16,783	4,734
Total	$ 2,305,567	$ 2,197,880

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

	2022	2021
Salaries payroll taxes and benefits	$ 59,128	$ 54,466

In addition, EQCAI issued grants to EQCA in the amount of $400,000 for both years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, EQCAI had a payable balance due to EQCA of $377,893 and $371,209, respectively, for allocated expenses and grant expenses.

10. 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.

Net assets with donor restrictions were as follows as of December 31:

	2022	2021
Subject to expenditure for specified purposes:		
Health outreach	$ 162,648	$ 226,401
Fellowship program	69,382	58,143
Leadership academy	149,026	124,517
Safe and supportive schools	56,671	71,792
Voter outreach	25,630	12,758
Subtotal	463,357	493,611
Subject to the passage of time:		
General support for future periods	365,000	630,000
Subtotal	365,000	630,000
Total	$ 828,357	$ 1,123,611

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 were as follows for the years ended December 31:

	2022	2021
Purpose restrictions accomplished:		
Health outreach	$ 198,754	$ 196,623
Leadership academy	90,491	35,483
Fellowship program	18,761	5,299
Census outreach	159,638	-
Safe and supportive schools	15,121	-
Subtotal	482,765	237,405
Time restrictions expired:		
General support for future periods	415,000	200,000
Subtotal	415,000	200,000
Total	$ 897,765	$ 437,405

10. Net Assets, continued

Board Designated Net Assets

EQCAI established the board-designated operating reserve in December 2020 to support future operations. As of December 31, 2022 and 2021, board designated operating reserve was $1,524,985 and $1,100,626, respectively.

11. 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 nor were there any such cases that management is aware of as of December 31, 2022 or 2021.

Concentrations

Public Support

During 2022, EQCAI received 52% of its public support from two donors and, during 2021, EQCAI received 43% of its public support from two donors.

Pledges Receivable

As of December 31, 2022, 94% of pledges receivable was due from four donors and, as of December 31, 2021, 100% of pledges receivable was due from one donor.

Concentrations of credit risk

Financial instruments that potentially subject the organization to concentration of credit risk consists principally of cash and cash equivalents. Cash and cash equivalents may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000 throughout the year. As of December 31, 2022, and 2021, the EQCAI had $1,556,009 and $850,626, respectively, in excess of the FDIC insured limit, respectively.

12. 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. For the years ended December 31, 2022 and 2021, employer contributions amounted to $0 and $2,048 , respectively.

13. Contributed Nonfinancial Assets

EQCAI receives contributed nonfinancial assets from donors, including goods and services. EQCAI recognizes contributed nonfinancial assets 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.

Contributed nonfinancial assets are recorded as revenue at fair value. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. For the years ended December 31, 2022 and 2021, the values of contributed services included as in-kind donations in the accompanying financial statements were $157,768 and $250,539, respectively. The in-kind services consisted primarily of pro bono legal services, with the following details:

Valuation Technique and Inputs	Non-financial Contributions Category	Amount Recognized 2022	Amount Recognized 2021	Program/Activity Utilization
Standard industry pricing for similar services	Legal services	$ 71,968	$ 101,739	Program services
Third-party estimates using billing rates	Communications services	50,000	50,000	Program services
U.S. wholesale prices of identical or similar goods	Travel	35,800	98,800	Program services
	Total expenses	$ 157,768	$ 250,539	

14. Subsequent Events

Subsequent events have been evaluated through October 25, 2023, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in such financial statements.