



# **EQUALITY CALIFORNIA**

FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Equality California (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT**  
*(continued)*

***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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Rossi LLP*

Long Beach, California  
October 1, 2019

**EQUALITY CALIFORNIA**  
**STATEMENTS OF FINANCIAL POSITION**

<i>As of December 31,</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 99,463	\$ 90,911
Pledges receivable	36,363	6,875
Due from Equality California Institute	595,917	582,447
Prepaid expenses and other current assets	33,879	70,250
<b>Total current assets</b>	<b>765,622</b>	<b>750,483</b>
<b>Long-term assets:</b>		
Property and equipment, net	46,087	55,693
<b>Total assets</b>	<b>\$ 811,709</b>	<b>\$ 806,176</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 658	\$ 44,849
Accrued expenses and other current liabilities	158,901	47,621
<b>Total current liabilities</b>	<b>159,559</b>	<b>92,470</b>
<b>Net assets:</b>		
Without donor restrictions	594,492	671,877
With donor restrictions	57,658	41,829
<b>Total net assets</b>	<b>652,150</b>	<b>713,706</b>
<b>Total liabilities and net assets</b>	<b>\$ 811,709</b>	<b>\$ 806,176</b>

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

**EQUALITY CALIFORNIA**  
**STATEMENTS OF ACTIVITIES**

*For the year ended December 31, 2018*

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue:</b>			
<b>Public support:</b>			
Individual and other contributions	\$ 1,097,516	\$ 93,150	\$ 1,190,666
Grants from Equality California Institute	240,000	-	240,000
In-kind donations	1,383,880	43,320	1,427,200
Special events revenue	1,428,963	-	1,428,963
<b>Total public support</b>	<b>4,150,359</b>	<b>136,470</b>	<b>4,286,829</b>
<b>Net assets released from restriction:</b>			
Satisfaction of purpose / time restrictions	120,641	(120,641)	-
<b>Total public support and revenue</b>	<b>4,271,000</b>	<b>15,829</b>	<b>4,286,829</b>
<b>Expenses:</b>			
Program services	2,790,414	-	2,790,414
Costs of direct benefits to donors	741,209	-	741,209
Supporting services			
Management and general	351,409	-	351,409
Fundraising	465,353	-	465,353
<b>Total expenses</b>	<b>4,348,385</b>	<b>-</b>	<b>4,348,385</b>
<b>Change in net assets</b>	<b>(77,385)</b>	<b>15,829</b>	<b>(61,556)</b>
<b>Net assets, beginning of year</b>	<b>671,877</b>	<b>41,829</b>	<b>713,706</b>
<b>Net assets, end of year</b>	<b>\$ 594,492</b>	<b>\$ 57,658</b>	<b>\$ 652,150</b>

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

**EQUALITY CALIFORNIA**  
**STATEMENTS OF ACTIVITIES - CONTINUED**

*For the year ended December 31, 2017*

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue:</b>			
<b>Public support:</b>			
Foundation contributions	\$ -	\$ 150,000	\$ 150,000
Individual and other contributions	474,200	-	474,200
Grants from Equality California Institute	245,000	-	245,000
In-kind donations	1,012,645	110,888	1,123,533
Special events revenue	1,354,330	-	1,354,330
<b>Total public support</b>	3,086,175	260,888	3,347,063
<b>Net assets released from restriction:</b>			
Satisfaction of purpose / time restrictions	259,523	(259,523)	-
<b>Total public support and revenue</b>	3,345,698	1,365	3,347,063
<b>Expenses:</b>			
Program services	1,998,170	-	1,998,170
Costs of direct benefits to donors	687,467	-	687,467
Supporting services			
Management and general	232,193	-	232,193
Fundraising	365,550	-	365,550
<b>Total expenses</b>	3,283,380	-	3,283,380
<b>Change in net assets</b>	62,318	1,365	63,683
<b>Net assets, beginning of year</b>	609,559	40,464	650,023
<b>Net assets, end of year</b>	\$ 671,877	\$ 41,829	\$ 713,706

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

**EQUALITY CALIFORNIA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	2018					2017				
	Program services	Management and general	Fundraising	Supporting services subtotal	Total expenses	Program services	Management and general	Fundraising	Supporting services subtotal	Total expenses
Legal	\$ 1,228,170	\$ 12,422	\$ -	\$ 12,422	\$ 1,240,592	\$ 830,351	\$ 6,018	\$ -	\$ 6,018	\$ 836,369
Salaries	593,434	166,045	235,636	401,681	995,115	557,136	108,432	200,442	308,874	866,010
Printing and production	308,047	3,005	36,968	39,973	348,020	18,245	1,126	4,770	5,896	24,141
Professional and outside services	237,132	8,142	24,097	32,239	269,371	322,885	8,818	44,476	53,294	376,179
Rent - building and equipment	59,772	34,641	29,800	64,441	124,213	55,277	6,038	22,804	28,842	84,119
Travel and entertainment	54,408	15,267	52,779	68,046	122,454	39,134	2,321	27,328	29,649	68,783
Communications	117,109	-	322	322	117,431	23,791	205	-	205	23,996
Payroll taxes	50,785	6,681	24,707	31,388	82,173	43,976	13,680	20,661	34,341	78,317
Employee benefits	51,139	5,763	25,257	31,020	82,159	29,627	10,555	12,578	23,133	52,760
Office expenses and supplies	40,574	9,602	13,239	22,841	63,415	39,854	13,233	17,236	30,469	70,323
Accounting and audit	-	34,179	-	34,179	34,179	-	23,122	-	23,122	23,122
Bank charges and merchant fees	19,065	5,185	9,045	14,230	33,295	16,842	5,715	7,306	13,021	29,863
Insurance	7,822	4,524	4,040	8,564	16,386	7,192	767	3,222	3,989	11,181
Postage and shipping	8,406	1,755	5,760	7,515	15,921	1,626	858	777	1,635	3,261
Recruitment and training	1,129	13,064	976	14,040	15,169	3,269	12,473	1,338	13,811	17,080
Depreciation and amortization	-	14,368	-	14,368	14,368	-	8,842	-	8,842	8,842
Miscellaneous	500	8,742	-	8,742	9,242	212	-	316	316	528
Taxes and licenses	1,341	7,614	-	7,614	8,955	-	8,435	-	8,435	8,435
Repairs and maintenance	3,467	410	1,807	2,217	5,684	1,375	475	664	1,139	2,514
Dues and subscriptions	4,189	-	920	920	5,109	6,822	1,080	1,632	2,712	9,534
Polling and research	2,500	-	-	-	2,500	-	-	-	-	-
Conferences and meetings	1,425	-	-	-	1,425	556	-	-	-	556
<b>Total expenses</b>	<b>\$ 2,790,414</b>	<b>\$ 351,409</b>	<b>\$ 465,353</b>	<b>\$ 816,762</b>	<b>\$ 3,607,176</b>	<b>\$ 1,998,170</b>	<b>\$ 232,193</b>	<b>\$ 365,550</b>	<b>\$ 597,743</b>	<b>\$ 2,595,913</b>

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

**EQUALITY CALIFORNIA**  
**STATEMENTS OF CASH FLOWS**

<i>For the years ended December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (61,556)	\$ 63,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	14,368	8,842
Donated property and equipment	-	(11,768)
(Increase) decrease in assets:		
Pledges receivable	(29,488)	(4,375)
Due from Equality California Institute	(13,470)	45,004
Prepaid expenses and other current assets	36,371	(45,510)
Increase (decrease) in liabilities:		
Accounts payable	(44,191)	2,748
Accrued expenses and other current liabilities	111,280	3,559
<b>Net cash provided by operating activities</b>	<b>13,314</b>	<b>62,183</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(4,762)	(45,252)
<b>Net cash used in investing activities</b>	<b>(4,762)</b>	<b>(45,252)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,552</b>	<b>16,931</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>90,911</b>	<b>73,980</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 99,463</b>	<b>\$ 90,911</b>
<b>Supplemental cash flow information:</b>		
Recognition of in-kind contributions and related assets and expenses	\$ 1,427,200	\$ 1,123,533

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

***As of and for the years ended December 31, 2018 and 2017***

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**NOTE 1**

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**NATURE OF ORGANIZATION AND ACTIVITIES**

Equality California is made up of two separate organizations working together to advance civil rights and social justice, which 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 is comprised of Equality California (the "Organization") and Equality California Institute (the "Institute"). The Organization is an I.R.C. 501(c)(4) organization that utilizes electoral, advocacy, and mobilization programs to achieve its mission. The Organization also manages multiple affiliated political action committees. The Institute is an I.R.C. 501 (c)(3) organization that utilizes advocacy, education, and mobilization programs to achieve its mission. The Organization and the Institute share a common mission and executive director but have separate governing boards.

Since 2000, Equality California has had an extensive legislative program in the California Legislature that has helped to win passage of more than 142 laws that improve the lives of LGBTQ people. The Organization's legislative work has helped give California the most comprehensive LGBTQ civil rights protections of any state in the nation. The Organization has sponsored legislation to end "panic" defenses in court, where a victim's sexual orientation or gender identity was used to justify violence, to mandate LGBTQ cultural competency training for law enforcement, to

require that death certificates and state identification documents for transgender Californians accurately reflect their authentic identities, to require that the language of California's marriage documents be updated to make sure they respect and include same-sex couples, to modernize birth certificates to accurately reflect LGBTQ parents, and more. The Organization also engages in governmental budget advocacy at the federal and state levels to make sure 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.

**NOTE 2**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting:***

The Organization'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.

In preparing these financial statements, the Organization evaluated the period from December 31, 2018 through October 1, 2019, the date that the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements and notes to the financial statements.

***As of and for the years ended December 31, 2018 and 2017***

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**NOTE 2 – CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

***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:***

During the year ended December 31, 2018, the Organization adopted FASB ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958).

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Organization’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 7 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 the Organization. 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.

**As of and for the years ended December 31, 2018 and 2017**

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**NOTE 2 – CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

During the years ended December 31, 2018 and 2017 the values of contributed goods included as in-kind donations which was related to special events in the accompanying financial statements were \$73,320 and \$122,656, respectively.

During the years ended December 31, 2018 and 2017, the values of contributed services included as in-kind donations in the accompanying financial statements were \$1,353,880 and \$1,000,877, respectively. The in-kind services consisted primarily of pro bono legal services and rebranding support.

***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.

***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 unrestricted when placed into service. Depreciation and amortization is recorded using the straight-line method over the assets' estimated useful lives ranging from five to seven years.

***Income taxes:***

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes* and subsections. Accordingly, the Organization accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities.

The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

***Concentration of credit risk:***

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

***Functional allocation of expenses:***

The costs of providing the various program services and other activities of the Organization are shown on the statement of functional expenses. Expenses that can be identified with a specific activity are allocated directly according to their functional benefit. Personnel related expense allocations are based on the staff time spent on each function. Expenses that cannot be directly identified with a specific function are allocated among program services and the other activities benefited. Certain costs

***As of and for the years ended December 31, 2018 and 2017***

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**NOTE 2 – CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Functional allocation of expenses: - cont.***

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, 2018 and 2017. The total advertising costs of \$117,431 and \$23,996, respectively, were charged to program expenses as they directly promote programs and education events provided to the community the Organization serves.

***New accounting standards not yet adopted:***

***Accounting for leases***

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with GAAP, the recognition, measurement, and presentation of expenses and cashflows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both

types of leases to be recognized on the balance sheet. ASU 2016-02 will take effect for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

***Clarifying the scope and the accounting guidance for contributions received and contributions made***

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. After a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted on the basis of the current definition of the term *donor-imposed restriction*, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date. The amendments in ASU 2018-08 are effective on a modified prospective basis for the fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the pending adoption of ASU 2018-08 on the financial statements.

***Revenue from contracts with customers***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*," which establishes a comprehensive revenue recognition standard in U.S. GAAP. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the effect the adoption of ASU 2014-09 will have on the financial statements.

***As of and for the years ended December 31, 2018 and 2017***

**NOTE 3**

**LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization'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:

<i>As of December 31,</i>	<b>2018</b>	<b>2017</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 99,463	\$ 90,911
Pledges receivable	36,363	6,875
Due from Equality California Institute	595,917	582,447
Total financial assets available	731,743	680,233
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions for specified purposes	(50,938)	(24,757)
Financial assets available to meet cash needs for general expenditures within one year	\$ 680,805	\$ 655,476

At December 31, 2018 and 2017, the Organization had \$680,805 and \$655,476, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. As part of the Organization'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, the Organization reviews its funding level on an on-going basis to ensure they are adequate.

**NOTE 4**

**PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2018 and 2017 consist of unconditional promises to give by certain donors totaled \$36,363 and \$6,875, respectively. Pledges receivable were due within one year and were collected subsequent to year-end.

There was no bad debt expense during the years ended December 31, 2018 and 2017.

**NOTE 5**

**PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<i>As of December 31,</i>	<b>2018</b>	<b>2017</b>
Computer, software and equipment	\$ 138,244	\$ 133,619
Furniture and fixtures	36,897	36,760
Leasehold improvements	33,840	33,840
	208,981	204,219
Less: accumulated depreciation	(162,894)	(148,526)
	\$ 46,087	\$ 55,693

A total of \$11,768 of furniture and fixtures were donated during the year ended December 31, 2017.

Depreciation and amortization expenses for the years ended December 31, 2018 and 2017 were \$14,368 and \$8,842, respectively.

**NOTE 6**

**RELATED PARTY TRANSACTIONS**

Equality California shares personnel, office space and various overhead costs with the Institute. Equality California 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.

**As of and for the years ended December 31, 2018 and 2017**

**NOTE 6 - CONTINUED**

**RELATED PARTY TRANSACTIONS**

Equality California invoiced the Institute for the following shared expenses:

<i>For the years ended December 31,</i>	<b>2018</b>	<b>2017</b>
Salaries payroll taxes and benefits	\$ 1,051,751	\$ 765,058
Other expenses	419,779	375,894
Direct special events expense	275,611	188,016
Office expenses and supplies	38,443	32,600
Travel and entertainment	59,960	26,665
	<b>\$ 1,845,544</b>	<b>\$ 1,388,233</b>

The Organization received grants from the Institute for \$240,000 and \$245,000 during the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, Equality California had a remaining receivable from the Institute of \$595,917 and 582,447, respectively, for allocated expenses invoiced and grant revenue

**NOTE 7**

**RESTRICTIONS ON NET ASSETS**

From time to time, the Organization receives contributions subject to donor restrictions. Those contributions received with restrictions are released from restrictions when expenses are incurred, or the purpose has been fulfilled, or through passage of time. At December 31, 2018 and 2017, the net assets subject to donor restrictions were \$57,658 and \$41,829, respectively.

At December 31, 2018 and 2017, net assets with restrictions were as follows:

<i>As of December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Subject to expenditure for specified purposes:</b>		
Nevada Silver State Equality Program	\$ 26,181	\$ -
Public Advocacy	24,757	24,757
<b>Subtotal</b>	<b>50,938</b>	<b>24,757</b>
<b>Subject to passage of time:</b>		
Wine (expires in 2019 and 2018, respectively)	6,720	17,072
<b>Subtotal</b>	<b>6,720</b>	<b>17,072</b>
<b>Grandtotal</b>	<b>\$ 57,658</b>	<b>\$ 41,829</b>

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, 2018 and 2017 are as follows:

<i>For the year ended December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Purpose restrictions accomplished:</b>		
Voter Outreach	\$ 50,000	\$ 150,395
Nevada Silver State Equality Program	16,969	-
<b>Subtotal</b>	<b>66,969</b>	<b>150,395</b>
<b>Time restriction expired:</b>		
Wine	53,672	109,128
<b>Subtotal</b>	<b>53,672</b>	<b>109,128</b>
<b>Grandtotal</b>	<b>\$ 120,641</b>	<b>\$ 259,523</b>

**NOTE 8**

**COMMITMENTS AND CONTINGENCIES**

**Leases:**

Effective May 1, 2017, the Organization entered into a sixty (60) month noncancelable operating lease for its Los Angeles headquarters. This lease was \$8,812 as of May 2017, with an annual escalation clause of 3%. The lease also provided for certain rent concessions to the Organization.

***As of and for the years ended December 31, 2018 and 2017***

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**NOTE 8 – CONTINUED**

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**COMMITMENTS AND CONTINGENCIES**

***Leases: - continued***

The Organization also leases an office under the terms of an operating lease agreement effective through March 31, 2022, with monthly lease payments of \$1,250 through March 31, 2019, increasing to \$1,425 from April 1, 2019 to March 31, 2022.

In addition, the Organization leases certain other offices and 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, 2018 were as follows:

<b><i>For the years ending December 31,</i></b>	<b><i>Amount</i></b>
2019	\$ 132,340
2020	136,038
2021	137,237
2022	43,753
	<u>\$ 449,368</u>

Total rent expense under operating leases for the years ended December 31, 2018 and 2017 was \$124,213 and \$84,119, respectively, net of rent expense of \$68,913 and \$62,087, respectively, allocated to the Institute.

***Legal contingencies:***

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

a liability for such an event as of December 31, 2018 or 2017.

**NOTE 9**

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**401(k) PLAN**

Equality California has an existing 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. The Organization may make discretionary matching contributions. There were \$8,884 and \$7,000 employer contributions made during the years ended December 31, 2018 and 2017.