

**EQUAL RIGHTS ADVOCATES, INC.**  
**(A Not-for-Profit Corporation)**

**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITORS' REPORT THEREON**

Year Ended March 31, 2018  
(with summarized comparative financial information for the year ended March 31, 2017)

EQUAL RIGHTS ADVOCATES, INC.  
(A Not-for-Profit Corporation)

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## INDEPENDENT AUDITORS' REPORT

To The Board of Directors of  
Equal Rights Advocates  
San Francisco, CA

We have audited the accompanying financial statements of Equal Rights Advocates, Inc. (a nonprofit corporation) (ERA), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities 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 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 audits 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 ERA as of March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Comparative Information***

We have previously audited ERA's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION  
July 12, 2018

**EQUAL RIGHTS ADVOCATES, INC.**

**(A Not-for-Profit Corporation)**

Statement of Financial Position

March 31, 2018

(with comparative financial information as of March 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 852,665	\$ 2,037,734
Bond and equity mutual funds, at fair value	56,310	54,621
Certificates of deposit, at fair value	979,745	-
Accrued interest receivable	2,630	-
Pledges receivable - current portion	47,667	100,850
Grants receivable	10,250	351,250
Attorney awards receivable	26,661	-
Prepaid expenses and other	47,036	44,467
Total current assets	<u>2,022,964</u>	<u>2,588,922</u>
PLEDGES RECEIVABLE, NET	28,475	204,532
FURNITURE AND EQUIPMENT, NET	30,900	5,791
DEPOSIT	<u>26,485</u>	<u>26,485</u>
TOTAL ASSETS	<u>\$ 2,108,824</u>	<u>\$ 2,825,730</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 58,212	\$ 40,676
Accrued payroll and related	89,930	42,485
Deferred revenue	27,519	143,371
Total current liabilities	<u>175,661</u>	<u>226,532</u>
DEFERRED RENT LIABILITY	<u>59,974</u>	<u>72,932</u>
Total liabilities	<u>235,635</u>	<u>299,464</u>
<b>NET ASSETS:</b>		
Unrestricted	1,842,773	2,044,183
Temporarily restricted	30,416	482,083
Total net assets	<u>1,873,189</u>	<u>2,526,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,108,824</u>	<u>\$ 2,825,730</u>

See Independent Auditors' Report and Notes to the Financial Statements.

**EQUAL RIGHTS ADVOCATES, INC.**  
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Statement of Activities

Year Ended March 31, 2018

(with summarized financial information for the year ended March 31, 2017)

	2018		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT:</b>			
Foundations and corporations	\$ 75,500	\$ 15,000	\$ 90,500
Other public support	546,607	30,000	576,607
Attorney fee awards	52,247	-	52,247
Donated services	65,533	-	65,533
Fundraising event:			
Tickets and sponsorships	687,202	-	687,202
Less: Cost of Direct Donor Benefits	(104,970)	-	(104,970)
Net event proceeds	582,232	-	582,232
Net assets released from restriction	496,667	(496,667)	-
Total operating support	1,818,786	(451,667)	1,367,119
<b>REVENUES AND GAINS (LOSSES):</b>			
Interest and dividends	10,309	-	10,309
Net realized and unrealized gains on investments	2,768	-	2,768
Cy Pres awards and fees for services	45,926	-	45,926
Other	7,442	-	7,442
Total operating revenues and gains (losses)	66,445	-	66,445
Total operating support and revenues	1,885,231	(451,667)	1,433,564
<b>EXPENSES:</b>			
Program services	1,253,883	-	1,253,883
Management and general	335,019	-	335,019
Development	497,739	-	497,739
Total operating expenses	2,086,641	-	2,086,641
<b>CHANGE IN NET ASSETS</b>	(201,410)	(451,667)	(653,077)
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,044,183	482,083	2,526,266
<b>NET ASSETS, END OF YEAR</b>	\$ 1,842,773	\$ 30,416	\$ 1,873,189

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**EQUAL RIGHTS ADVOCATES, INC.**  
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Statement of Functional Expenses  
Year Ended March 31, 2018

(with summarized financial information for the year ended March 31, 2017)

	2018						2017	
	Fundraising						Total	Total
	Program Services	Management and General	Events Excluding Direct Donor Benefits	Other Development	Development	Development		
<b>EXPENSES:</b>								
Salaries	\$ 658,573	\$ 182,259	\$ 1,540	\$ 262,865	\$ 264,405	\$ 1,105,237	\$ 855,459	
Payroll taxes	54,173	14,931	128	20,482	20,610	89,714	67,739	
Employee benefits	107,164	27,888	-	30,687	30,687	165,739	93,670	
	<u>819,910</u>	<u>225,078</u>	<u>1,668</u>	<u>314,034</u>	<u>315,702</u>	<u>1,360,690</u>	<u>1,016,868</u>	
Donated legal services	65,533	-	-	-	-	65,533	65,597	
Other professional services and honoraria	60,392	29,040	13,601	11,757	25,358	114,790	218,801	
Legal advocacy	-	-	-	-	-	-	33,250	
Grants made	-	-	-	-	-	-	12,000	
Advertising and promotion	-	-	-	-	-	-	6,797	
Supplies	43,712	8,636	2,811	14,391	17,202	69,550	47,039	
Events	17,137	-	25,284	-	25,284	42,421	-	
Telecommunications	8,731	3,064	84	3,062	3,146	14,941	9,890	
Postage and shipping	558	50	935	1,855	2,790	3,398	4,158	
Equipment rental and maintenance	-	-	-	-	-	-	23,019	
Bank fees	-	-	-	-	-	-	10,408	
Printing and production	27,638	118	9,664	6,189	15,853	43,609	38,015	
Occupancy	97,545	26,081	-	39,687	39,687	163,313	175,715	
Travel and related	54,504	2,748	2,618	9,824	12,442	69,694	23,524	
Depreciation	2,098	1,045	-	1,128	1,128	4,271	4,856	
Insurance	9,193	2,343	547	3,799	4,346	15,882	13,193	
Publications and research, dues, and subscriptions	33,295	284	22	19,657	19,679	53,258	27,631	
Other litigation	431	-	-	-	-	431	3,103	
Staff training and development	-	-	-	-	-	-	5,177	
Bad debt	-	30,769	-	-	-	30,769	18,000	
Other	13,206	5,763	7,233	7,889	15,122	34,091	15,895	
	<u>\$ 1,253,883</u>	<u>\$ 335,019</u>	<u>\$ 64,467</u>	<u>\$ 433,272</u>	<u>\$ 497,739</u>	<u>\$ 2,086,641</u>	<u>\$ 1,772,936</u>	

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Statement of Cash Flows  
Year Ended March 31, 2018

(with comparative financial information for the year ended March 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (653,077)	\$ 571,649
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,271	4,856
Bad debt expense	30,769	18,000
Realized and unrealized gains on investments	(2,768)	(3,890)
Changes from operating accounts:		
Receivables	510,180	(35,149)
Prepaid expenses and deposits	(2,569)	20,271
Accounts payable	4,578	2,288
Accrued vacation	47,445	1,807
Deferred revenue	(115,852)	15,050
Net cash provided by (used in) operating activities	<u>(177,023)</u>	<u>594,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of capital assets	(29,380)	(3,284)
Proceeds from sales and maturities of investments	-	2,424
Purchases of certificates of deposit	(978,666)	(1,099)
Net cash provided by (used in) investing activities	<u>(1,008,046)</u>	<u>(1,959)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,185,069)</b>	<b>592,923</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>2,037,734</b></u>	<u><b>1,444,811</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>\$ 852,665</b></u></u>	<u><u><b>\$ 2,037,734</b></u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for:		
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Independent Auditors' Report and Notes to the Financial Statements



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Notes to Financial Statements

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**1. DESCRIPTION OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

***The Organization***

Equal Rights Advocates, Inc. (ERA) is a nonprofit legal organization dedicated to protecting and expanding economic and educational access and opportunities for women and girls. ERA is primarily funded through individual and corporate donations (including through an annual fundraising event), grants from foundations, and attorney fees resulting from legal work. It operates the following programs:

*Legal Representation and Advocacy* - ERA represents clients in informal negotiations, administrative proceedings, and civil legal actions to promote equal rights and opportunities for women and girls and others involved in gender equity issues. ERA also works closely with other community-based and civil and human rights organizations toward this end. ERA also engages in education and outreach to support public policies that protect and expand the rights of its constituents.

*Legal Advocacy* – ERA works closely with community-based and other civil and human rights organizations to promote social justice and equal rights and opportunities for women, including promoting public policies more responsive to ERA’s constituents; supporting and opposing legislative measures based on their anticipated effects on ERA’s constituents; and expressing ERA’s views with regard to judicial nominees.

*Media/Education* – ERA educates the public through its “*Know Your Rights*” brochures on sexual harassment at work, sex discrimination, and family and medical leave and pregnancy discrimination. ERA also conducts “*Know Your Rights*” trainings on employment-related issues, such as sexual harassment. In addition, ERA distributes information about legal and economic issues affecting women via presentations, its website, e-letters, and general brochures, and acts as a resource for the media.

***Basis of Presentation***

ERA presents information regarding its financial position and activities on the accrual basis of accounting. ERA presents information regarding its financial position and activities according to three classes of net assets differentiated by donor restrictions:

*Unrestricted net assets* – represent unrestricted resources available to support ERA’s activities and temporarily restricted resources, which became available for use by the organization in accordance with the intentions of donors.

*Temporarily restricted net assets* - represent contributions whose use is limited by donor-imposed stipulations that either expire with the passage of time or may be satisfied and removed by the actions of the organization according to the terms of the contribution. Upon satisfaction

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of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

*Permanently restricted net assets* – represent contributions with donor-imposed restrictions requiring the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of ERA. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of March 31, 2018.

***Cash Equivalents***

The organization considers money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

***Fair Value Measurements and Investments***

ERA adopted the provisions of Accounting Standards Codification (ASC) 820-10. Under such standard, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

ASC 820-10 establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the organization. Unobservable inputs reflect the organization’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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The values of the ERA's investments in equities and bond funds are categorized as "Level 1" fair value measurements and are reflected at fair value based on quoted market prices in the accompanying financial statements.

***Receivables***

Grants and contributions receivable represent unconditional promises to give by donors and grantor foundations. Current grants and contributions receivable expected to be collected during the next fiscal year are recorded at net realizable value. Long-term grants and contributions receivable expected to be collected subsequent to March 31, 2019 have been discounted at a risk-free rate (two-year treasury constant maturity indexed rate) and are reflected in the financial statements at their net present value.

Accounts receivable are reflected at estimated net realizable value. Any amounts deemed uncollectible are charged to bad debt expense in the period in which the determination is made.

***Fixed Assets***

Fixed assets are stated at cost. ERA capitalizes all fixed asset additions greater than \$1,000. The fair value of donated fixed assets are similarly capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives on the fixed assets or the related lease terms as follows:

Furniture and office equipment	5 – 7 years
Computers, hardware, and software	3 – 5 years
Leasehold improvements	Lesser of five years or lease term

Normal repairs and maintenance are expensed as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

***Compensated Absences***

Accumulated vacation is recorded as an expense and a corresponding liability as benefits accrue to employees. As of March 31, 2018, accrued vacation approximates \$82,856.

***Revenue Recognition***

Promises to give, which include grants and contributions, are recognized as revenue when the promise is unconditionally made. Conditional promises to give are not recognized as revenue until the conditions on which the promise was made are substantially met. As of March 31, 2018, there are no conditional promises to give, including court-awarded settlements in the pipeline.

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Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. There were no donations of in-kind goods made during the years ended March 31, 2018.

Contributed services are reflected in the financial statements at the fair value of the services received only if those services (1) create or enhance nonfinancial assets, and (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. During the years ended March 31, 2018, donated services which met the criteria for income recognition totaled \$65,533. These donated services were primarily for law clerks assisting the organization with legal research and writing, as well as staffing the organization's hotline under attorney supervision.

Contributions and grants to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of such discount is reflected as unrestricted support in the following years.

Revenue from program service fees is recognized when the service is completed.

ERA conducts one annual special event in which a portion of gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the entity. The direct costs of the special events, which ultimately benefit the donor rather than ERA, are recorded as exchange transaction revenue. In addition, monies received for special event tickets and sponsorships related to the subsequent fiscal year's event are considered refundable advances; accordingly, such amounts are included within deferred revenue as of March 31.

All promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

***Functional Allocation of Expenses***

The costs related to programs, development, and management and general have been summarized in the accompanying statement of activities and include direct costs related to those activities, as well as allocations of indirect expenses. Such indirect costs are allocated based on staffing and management judgment.

***Tax-Exempt Status***

The organization is a nonprofit, publicly supported charitable organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions

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of State law. Income, net of expenses, that is unrelated to ERA's exempt purpose, is subject to tax.

U.S. GAAP requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years are subject to examinations by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. ERA does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liabilities for penalties or interest.

***Risks and Contingencies***

Financial instruments, which potentially subject the organization to concentrations of risk, consist principally of cash and money market funds, and investments. As of March 31, 2018, ERA's cash and equivalents, as well as certificates of deposit, were diversified and did not exceed the FDIC insured \$250,000 limit by institution. As of March 31, 2018, the organization's investment securities were held by a SIPC-member brokerage firm. SIPC protection extends to losses that may be incurred when a brokerage firm liquidates (up to \$500,000) and does not protect against the decline in value of securities.

Grant awards require the fulfillment of certain conditions as set forth in the respective grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantee. The organization deems this contingency remote since, by accepting the grants on their terms, provision has been made to comply with such conditions. As of March 31, 2018, management is of the opinion that ERA has complied with provisions of the respective grant agreements.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

***Comparative Financial Information***

The financial statements include certain prior year summarized information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ERA's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

***Reclassifications***

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

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***Subsequent Events***

Management has evaluated subsequent events through July 12, 2018, the date on which the financial statements were available to be issued. Based on management's evaluation, there are no further adjustments to, or disclosures in, the financial statements deemed necessary.

**2. INVESTMENTS**

As of March 31, 2018 and 2017, the fair value of investments is comprised as follows:

	<u>2018</u>	<u>2017</u>
Equity mutual funds	\$ 17,514	\$ 17,308
Bond mutual funds	<u>38,796</u>	<u>37,313</u>
	<u>\$ 56,310</u>	<u>\$ 54,621</u>

**3. TEMPORARILY RESTRICTED NET ASSETS**

As of March 31, 2018 and 2017, temporarily restricted net assets are available for the following purposes and/or periods:

<u>Restriction</u>	<u>2018</u>	<u>2017</u>
Time	\$ 13,333	\$ 478,003
To underwrite salaries for specific positions	17,083	-
Other	-	4,000
Total temporarily restricted net assets	<u>\$ 30,416</u>	<u>\$ 482,083</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as follows during the years ended March 31, 2018 and 2017:

<u>Restriction</u>	<u>2018</u>	<u>2017</u>
Time	\$ 426,667	\$ 428,917
Legal projects and initiatives	25,000	87,501
Equal Pay Today	-	20,000
To underwrite salaries for specific positions	45,000	10,000
Other	-	5,000
Total net assets released from restriction	<u>\$ 496,667</u>	<u>\$ 551,418</u>

**4. LEASE COMMITMENTS**

ERA leases office space in San Francisco, California. Under this lease, ERA was entitled to certain free rent periods at the beginning of the lease. Per generally accepted accounting principles, rent expense was straight-lined over the life of the lease and the excess of rent

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expense over rent paid was reflected as a long-term deferred rent liability in the accompanying financial statements.

Future minimum lease commitments under non-cancellable leases for the coming five fiscal years are as follows:

<u>Year</u>	<u>Commitment</u>
2019	\$ 176,707
2020	181,673
2021	168,430
2022	-
2023	-

For the years ended March 31, 2018 and 2017, rent expense was \$160,557 and \$175,715, respectively.

**5. LINE OF CREDIT**

ERA has a \$100,000 bank line of credit with interest at the prime rate plus 2% on outstanding balances, as applicable. As of March 31, 2018, there were no outstanding balances on the line of credit.

**6. RETIREMENT PLAN**

ERA has a defined contribution plan (the Plan) under section 403(b) of the Internal Revenue Code. The Plan covers all employees who age and length of service requirements. ERA is not required to make contributions to the Plan and made no contributions for the year ended March 31, 2018.

**7. PLEDGES RECEIVABLE**

Pledges receivable as of March 31, 2018 are due as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 47,667	\$ 100,850
One to five years (net of discounts of \$4,192 and \$5,468)	48,475	222,532
Less: allowance for doubtful accounts	<u>(20,000)</u>	<u>(18,000)</u>
Total grants and contributions receivable	<u>\$ 76,142</u>	<u>\$ 305,382</u>

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**8. RELATED PARTY TRANSACTIONS**

During the years ended March 31, 2018 and 2017, ERA employed the daughter of a member of the Board of Directors in a senior legal position with compensation approximating \$86,000 annually.