

EQUALITY FLORIDA INSTITUTE, INC.

Financial Statements

**December 31, 2015 and 2014
(With Independent Auditor's Report Thereon)**

EQUALITY FLORIDA INSTITUTE, INC.

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Independent Auditor's Report

To the Board of Directors
Equality Florida Institute, Inc.:

We have audited the accompanying financial statements of Equality Florida Institute, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2015, 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 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 Equality Florida Institute, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Equality Florida, Inc.'s 2014 financial statements and in our report dated April 8, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MAYER HOFFMAN McCANN P.C.

April 7, 2016
Clearwater, Florida

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Financial Position

December 31, 2015 and 2014

| Assets | 2015 | 2014 |
|--|--------------------------|--------------------------|
| | <u> </u> | <u> </u> |
| Current assets: | | |
| Cash | \$ 308,768 | 506,210 |
| Pledges receivable, net of allowance for uncollectible pledges of \$4,362 and \$4,269 in 2015 and 2014, respectively | 82,876 | 81,119 |
| Due from affiliate | 1,880 | 42,093 |
| Other | <u>38,733</u> | <u>18,815</u> |
| Total current assets | 432,257 | 648,237 |
| Fixed assets: | | |
| Vehicle | 5,765 | 5,765 |
| Computer equipment | <u>6,327</u> | <u>6,327</u> |
| | 12,092 | 12,092 |
| Less accumulated depreciation | <u>5,844</u> | <u>3,426</u> |
| Fixed assets, net | <u>6,248</u> | <u>8,666</u> |
| Total assets | \$ <u><u>438,505</u></u> | \$ <u><u>656,903</u></u> |
| Liabilities and Net Assets (Deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 84,654 | 56,374 |
| Accrued payroll and related expenses | 67,144 | 54,771 |
| Due to affiliate | - | 125,510 |
| Deferred revenue - gala events | 85,000 | 162,787 |
| Other current liabilities | <u>13,865</u> | <u>24,048</u> |
| Total current liabilities | 250,663 | 423,490 |
| Net assets (deficit): | | |
| Unrestricted | (12,053) | 152,294 |
| Temporarily restricted | <u>199,895</u> | <u>81,119</u> |
| Total net assets | <u>187,842</u> | <u>233,413</u> |
| Total liabilities and net assets | \$ <u><u>438,505</u></u> | \$ <u><u>656,903</u></u> |

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

**Year Ended December 31, 2015
(With Comparative Totals for 2014)**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
|---|---------------------|-----------------------------------|------------------|------------------|
| | | | <u>2015</u> | <u>2014</u> |
| Support and revenue: | | | | |
| Grants | \$ 310,500 | 220,000 | 530,500 | 115,000 |
| Bequest | - | - | - | 90,000 |
| Art auction proceeds | 77,292 | - | 77,292 | - |
| Get out the vote funding | - | - | - | 40,000 |
| In-kind | 351,481 | - | 351,481 | 906,231 |
| Contributions, net of direct benefits to donors of \$262,975 and \$178,452 in 2015 and 2014, respectively | 1,417,477 | 80,180 | 1,497,657 | 1,439,699 |
| Phone canvass donations | 207,207 | - | 207,207 | 178,098 |
| Program fees | 3,280 | - | 3,280 | - |
| Interest income | 1,012 | - | 1,012 | 205 |
| Other income | 9,956 | - | 9,956 | 6 |
| Net assets released from restrictions | 181,404 | (181,404) | - | - |
| | <u>2,559,609</u> | <u>118,776</u> | <u>2,678,385</u> | <u>2,769,239</u> |
| Total operating support and revenue | | | | |
| Operating expenses: | | | | |
| Program services | 2,328,490 | - | 2,328,490 | 2,360,676 |
| Supporting services | 395,466 | - | 395,466 | 427,997 |
| | <u>2,723,956</u> | <u>-</u> | <u>2,723,956</u> | <u>2,788,673</u> |
| Total operating expenses | | | | |
| Increase (decrease) in net assets | (164,347) | 118,776 | (45,571) | (19,434) |
| Net assets, beginning of year | 152,294 | 81,119 | 233,413 | 252,847 |
| Net assets, end of year | <u>\$ (12,053)</u> | <u>199,895</u> | <u>187,842</u> | <u>233,413</u> |

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|-----------------------|-----------------------------------|----------------------|
| Support and revenue: | | | |
| Grants | \$ 115,000 | - | 115,000 |
| Bequest | 90,000 | - | 90,000 |
| Get out the vote funding | 40,000 | - | 40,000 |
| In-kind | 906,231 | - | 906,231 |
| Contributions, net of direct benefits to donors of \$178,452 | 1,358,580 | 81,119 | 1,439,699 |
| Phone canvass donations | 178,098 | - | 178,098 |
| Interest income | 205 | - | 205 |
| Other income | 6 | - | 6 |
| Net assets released from restrictions | <u>23,693</u> | <u>(23,693)</u> | <u>-</u> |
| Total operating support and revenue | 2,711,813 | 57,426 | 2,769,239 |
| Operating expenses: | | | |
| Program services | 2,360,676 | - | 2,360,676 |
| Supporting services | <u>427,997</u> | <u>-</u> | <u>427,997</u> |
| Total operating expenses | <u>2,788,673</u> | <u>-</u> | <u>2,788,673</u> |
| Increase (decrease) in net assets | (76,860) | 57,426 | (19,434) |
| Net assets, beginning of year | <u>229,154</u> | <u>23,693</u> | <u>252,847</u> |
| Net assets, end of year | <u>\$ 152,294</u> | <u>81,119</u> | <u>233,413</u> |

See accompanying independent auditor's report and notes to financial statements.

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Functional Expenses

**Year Ended December 31, 2015
(With Comparative Totals for 2014)**

| | <u>Program Services</u> | <u>Supporting Services</u> | | | <u>Total</u> | |
|------------------------------------|-----------------------------|-----------------------------------|--------------------|----------------|------------------|------------------|
| | | <u>Management and General</u> | <u>Development</u> | <u>Total</u> | <u>2015</u> | <u>2014</u> |
| Salaries | \$ 875,899 | 110,287 | 160,664 | 270,951 | 1,146,850 | 872,525 |
| Payroll taxes | 65,486 | 8,246 | 12,012 | 20,258 | 85,744 | 67,236 |
| Employee benefits | 121,131 | 14,246 | 13,199 | 27,445 | 148,576 | 113,085 |
| | <u>1,062,516</u> | <u>132,779</u> | <u>185,875</u> | <u>318,654</u> | <u>1,381,170</u> | <u>1,052,846</u> |
| Operating | 226,211 | 5,777 | 32,174 | 37,951 | 264,162 | 345,325 |
| Professional fees | 233,828 | 377 | 542 | 919 | 234,747 | 752,053 |
| Occupancy | 47,965 | 4,204 | 4,215 | 8,419 | 56,384 | 33,082 |
| Travel and meeting | 267,685 | 2,667 | 7,902 | 10,569 | 278,254 | 240,611 |
| Miscellaneous | 49,014 | 801 | 1,530 | 2,331 | 51,345 | 23,364 |
| Business | 21,721 | 1,838 | 4,479 | 6,317 | 28,038 | 21,737 |
| Contract labor | 417,704 | 2,570 | 7,164 | 9,734 | 427,438 | 316,646 |
| | <u>2,326,644</u> | <u>151,013</u> | <u>243,881</u> | <u>394,894</u> | <u>2,721,538</u> | <u>2,785,664</u> |
| Total expenses before depreciation | | | | | | |
| Depreciation | <u>1,846</u> | <u>233</u> | <u>339</u> | <u>572</u> | <u>2,418</u> | <u>3,009</u> |
| Total expenses - 2015 | <u>\$ 2,328,490</u> | <u>151,246</u> | <u>244,220</u> | <u>395,466</u> | <u>2,723,956</u> | |
| Total expenses - 2014 | <u>\$ 2,360,676</u> | <u>181,553</u> | <u>246,444</u> | <u>427,997</u> | | <u>2,788,673</u> |

See accompanying independent auditor's report and notes to financial statements.

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|----------------|
| Cash flows from operating activities: | | |
| Decrease in net assets | \$ (45,571) | (19,434) |
| Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,418 | 3,009 |
| Increase in pledges receivable | (1,757) | (57,426) |
| Decrease in grants receivable | - | 49,500 |
| Decrease (increase) in due from affiliate | 40,213 | (42,093) |
| Increase in other current assets | (19,918) | (15,215) |
| Increase in accounts payable | 28,280 | 27,067 |
| Increase in accrued payroll and related expenses | 12,373 | 15,628 |
| Increase (decrease) in due to affiliate | (125,510) | 125,510 |
| Increase (decrease) in deferred revenue | (77,787) | 130,887 |
| Increase (decrease) in other current liabilities | (10,183) | 24,048 |
| | <u>(197,442)</u> | <u>241,481</u> |
| Net increase (decrease) in cash | (197,442) | 241,481 |
| Cash at beginning of year | <u>506,210</u> | <u>264,729</u> |
| Cash at end of year | <u>\$ 308,768</u> | <u>506,210</u> |

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) **Description of Organization and Summary of Significant Accounting Policies**

(a) **Description of Organization**

Equality Florida Institute, Inc. (“EFI” or the “Organization”) was formed on June 3, 1997 as a Florida not-for-profit corporation. The Organization focuses on educating the public, elected officials, and businesses about issues of importance to the lesbian, gay, bisexual and transgender (LGBT) community. It is the largest civil rights education organization dedicated to full equality for Florida’s LGBT community.

(b) **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(c) **Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

(d) **Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance was incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

(e) **Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on historical experience and management’s analysis of specific promises made.

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

(f) **Fixed Assets**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for fixed assets in excess of \$1,000 and with a useful life greater than one year are capitalized. Similarly, donated fixed assets with a fair market value in excess of \$1,000 and a useful life greater than one year at the date of receipt are capitalized.

(g) **Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publically supported organization, and not as a private foundation. The Organization has adopted the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes* and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's open examination periods are from 2012 through 2015.

(h) **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Temporarily restricted net assets consist of contributions subject to a time restriction that will be released upon collection of related pledge receivables.

(i) **Deferred Revenue**

Sponsorships for future events are deferred and recognized when the event takes place.

(j) **Donated Materials and Services**

Donations of materials are recorded as support at their estimated fair value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation or create or enhance nonfinancial assets. In addition, volunteer hours were contributed to the Organization which did not meet the requirements for recognition in the financial statements.

(k) **Functional Allocation of Expenses**

The costs of providing the Organization's various programs have been summarized on a functional basis in a separate statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(l) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 gains, losses, income and expenses during the reporting period. Actual results could differ from those estimates.

(m) Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense for the years ended December 31, 2015 and 2014 was \$26,879 and \$3,176, respectively.

(n) Comparative Financial Information

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

(o) Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the presentation of the 2015 financial statements.

(2) Related Party Transactions

The Organization shares certain costs with Equality Florida, Inc. ("EF") and Equality Florida Action, Inc. ("EFA"), affiliated not-for-profit entities. Shared costs include personnel, contract labor and office space. Amounts paid to the Organization by EF for shared personnel costs (salaries, wages, payroll taxes and benefits), contract labor and office space during 2015 and 2014 were approximately \$42,000 and \$135,000, respectively. Additional amounts payable to the Organization from EF for shared costs at December 31, 2014 were \$42,093. No amounts were payable to the Organization from EF for shared costs at December 31, 2015. Amounts paid to the Organization by EFA for shared personnel costs (salaries, wages, payroll taxes and benefits), contract labor and office space during 2015 and 2014 were approximately \$88,000 and \$210,000, respectively. Amounts paid by EFA to the Organization in 2014 include prepayments for estimated 2015 shared costs totaling \$125,510. Additional amounts payable to the Organization from EFA for shared costs at December 31, 2015 were \$1,880.

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(2) Related Party Transactions - Continued

The Organization, EF and EFA are affiliated through common board membership. EF and EFA are recognized as a tax exempt organizations under section 501(c)(4) of the Internal Revenue Code and focus their efforts on political lobbying and advocating for equal rights for the Florida LGBT community.

The Organization purchases promotional services from a company owned by a board member. Total payments made for promotional services to this company for 2015 and 2014 were approximately \$27,000 and \$10,000, respectively.

(3) Credit Risk Concentration

The Organization maintains deposit accounts with what management believes to be high credit quality financial institutions. The Organization's deposit balances were fully covered by federal deposit insurance at December 31, 2015.

(4) Retirement Plan

The Organization sponsors a defined contribution 403(b) retirement plan (the Plan) which covers all employees who have met certain eligibility requirements. The Organization provides a matching contribution equal to 100% of the employee's elective deferral that does not exceed 2% of the employee's compensation. In addition, the employer may make a supplemental contribution of up to 3% to the Plan at year end. Retirement plan expense for the years ended December 31, 2015 and 2014 was \$40,122 and \$37,269, respectively.

(5) Operating Leases

The Organization leases space for five offices, under noncancellable operating leases expiring at various dates through 2016. Rent expense under these operating leases was approximately \$50,000 and \$31,000 in 2015 and 2014, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2015 are as follows:

Year Ending December 31,

| | |
|------|------------------------|
| 2016 | \$ <u>5,700</u> |
| | \$ <u><u>5,700</u></u> |

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(6) **Temporary Restrictions on Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|-------------------|---------------|
| Pledges receivable, net | \$ 82,876 | 81,119 |
| Education and training programs | <u>117,019</u> | <u>-</u> |
| | <u>\$ 199,895</u> | <u>81,119</u> |

(7) **In-Kind Contributions**

In-kind contributions for the years ended December 31, 2015 and 2014 consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|------------------------------|-------------------|----------------|
| Photography services | \$ 4,400 | 44,100 |
| Catering, food and beverage | 60,900 | 34,884 |
| Legal services | 227,337 | 796,075 |
| Other materials and services | <u>58,844</u> | <u>31,172</u> |
| | <u>\$ 351,481</u> | <u>906,231</u> |

In-kind legal services were entirely program related and supported the Organization's marriage equality advocacy and education efforts. Other in-kind contributions were primarily provided in connection with the Organization's "Gala Events" held at various locations around the state of Florida for purposes of educating the public regarding LGBT equality.

(8) **Subsequent Events**

The Organization has evaluated subsequent events through April 7, 2016, the date the financial statements were available for issuance.