

EQUALITY FLORIDA INSTITUTE, INC.

Financial Statements

**December 31, 2016 and 2015
(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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, 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, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Equality Florida Institute, Inc.'s 2015 financial statements and our report dated April 7, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MAYER HOFFMAN MCCANN P.C.

March 30, 2017
Clearwater, Florida

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Financial Position

December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 794,624	308,768
Pledges receivable, net of allowance for uncollectible pledges of \$6,192 and \$4,362 in 2016 and 2015, respectively	62,609	82,876
Grants receivable	268,000	-
Due from affiliate	-	1,880
Other	<u>150,276</u>	<u>38,733</u>
Total current assets	1,275,509	432,257
Fixed assets:		
Vehicle	-	5,765
Computer equipment	<u>6,277</u>	<u>6,327</u>
	6,277	12,092
Less accumulated depreciation	<u>3,786</u>	<u>5,844</u>
Fixed assets, net	<u>2,491</u>	<u>6,248</u>
Total assets	\$ <u><u>1,278,000</u></u>	<u><u>438,505</u></u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable	\$ 121,008	84,654
Accrued payroll and related expenses	58,121	67,144
Due to affiliate	2,075	-
Deferred revenue - gala events	74,436	85,000
Other current liabilities	<u>38,369</u>	<u>13,865</u>
Total current liabilities	294,009	250,663
Net assets (deficit):		
Unrestricted	518,391	(12,053)
Temporarily restricted	<u>465,600</u>	<u>199,895</u>
Total net assets	<u>983,991</u>	<u>187,842</u>
Total liabilities and net assets	\$ <u><u>1,278,000</u></u>	<u><u>438,505</u></u>

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

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

**Year Ended December 31, 2016
(With Comparative Totals for 2015)**

			Total	
	Unrestricted	Temporarily Restricted	2016	2015
Support and revenue:				
Grants	\$ 417,151	394,033	811,184	530,500
Art auction proceeds	60,421	-	60,421	77,292
In-kind	171,790	-	171,790	351,481
Contributions, net of direct benefits to donors of \$331,336 and \$262,975 in 2016 and 2015, respectively	2,160,435	72,820	2,233,255	1,497,657
Contributions for Pulse Victims Fund	9,396,399	-	9,396,399	-
Phone canvass donations	164,079	-	164,079	207,207
Program fees	151,983	-	151,983	3,280
Interest income	9,491	-	9,491	1,012
Other income	6,633	-	6,633	9,956
Net assets released from restrictions	201,148	(201,148)	-	-
	12,739,530	265,705	13,005,235	2,678,385
Total operating support and revenue				
Operating expenses:				
Program services	11,820,930	-	11,820,930	2,328,490
Supporting services	388,156	-	388,156	395,466
	12,209,086	-	12,209,086	2,723,956
Total operating expenses				
Increase (decrease) in net assets	530,444	265,705	796,149	(45,571)
Net assets (deficit), beginning of year	(12,053)	199,895	187,842	233,413
Net assets, end of year	\$ 518,391	465,600	983,991	187,842

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 310,500	220,000	530,500
Art auction proceeds	77,292	-	77,292
In-kind	351,481	-	351,481
Contributions, net of direct benefits to donors of \$262,975	1,417,477	80,180	1,497,657
Phone canvass donations	207,207	-	207,207
Program fees	3,280	-	3,280
Interest income	1,012	-	1,012
Other income	9,956	-	9,956
Net assets released from restrictions	<u>181,404</u>	<u>(181,404)</u>	<u>-</u>
 Total operating support and revenue	 2,559,609	 118,776	 2,678,385
Operating expenses:			
Program services	2,328,490	-	2,328,490
Supporting services	<u>395,466</u>	<u>-</u>	<u>395,466</u>
 Total operating expenses	 <u>2,723,956</u>	 <u>-</u>	 <u>2,723,956</u>
 Increase (decrease) in net assets	 (164,347)	 118,776	 (45,571)
Net assets, beginning of year	<u>152,294</u>	<u>81,119</u>	<u>233,413</u>
Net assets (deficit), end of year	<u>\$ (12,053)</u>	<u>199,895</u>	<u>187,842</u>

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Functional Expenses

**Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>	
		<u>Management and General</u>	<u>Development</u>	<u>Total</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 861,580	97,942	39,783	137,725	999,305	1,146,850
Payroll taxes	64,909	7,435	3,059	10,494	75,403	85,744
Employee benefits	140,038	14,883	7,232	22,115	162,153	148,576
	<u>1,066,527</u>	<u>120,260</u>	<u>50,074</u>	<u>170,334</u>	<u>1,236,861</u>	<u>1,381,170</u>
Operating	10,232,685	33,404	26,906	60,310	10,292,995	264,162
Professional fees	7,159	65,341	1,065	66,406	73,565	234,747
Occupancy	36,079	1,387	3,209	4,596	40,675	56,384
Travel and meeting	184,719	16,015	4,909	20,924	205,643	278,254
Miscellaneous	16,207	9,860	1,992	11,852	28,059	51,345
Business	5,540	2,564	36,120	38,684	44,224	28,038
Contract labor	270,043	1,816	13,234	15,050	285,093	427,438
	<u>11,818,959</u>	<u>250,647</u>	<u>137,509</u>	<u>388,156</u>	<u>12,207,115</u>	<u>2,721,538</u>
Total expenses before depreciation						
Depreciation	<u>1,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,971</u>	<u>2,418</u>
Total expenses - 2016	<u>\$ 11,820,930</u>	<u>250,647</u>	<u>137,509</u>	<u>388,156</u>	<u>12,209,086</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>

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

EQUALITY FLORIDA INSTITUTE, INC.**Statements of Cash Flows****Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 796,149	(45,571)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,971	2,418
Loss on disposal of property	2,986	-
Contributed equipment	(1,200)	-
Decrease (increase) in pledges receivable	20,267	(1,757)
Increase in grants receivable	(268,000)	-
Decrease in due from affiliate	1,880	40,213
Increase in other current assets	(111,543)	(19,918)
Increase in accounts payable	36,354	28,280
Increase (decrease) in accrued payroll and related expenses	(9,023)	12,373
Increase (decrease) in due to affiliate	2,075	(125,510)
Decrease in deferred revenue	(10,564)	(77,787)
Decrease in other current liabilities	24,504	(10,183)
	<u>485,856</u>	<u>(197,442)</u>
Net cash provided by (used in) operating activities		
	485,856	(197,442)
Net increase (decrease) in cash		
	485,856	(197,442)
Cash at beginning of year	<u>308,768</u>	<u>506,210</u>
Cash at end of year	<u>\$ 794,624</u>	<u>308,768</u>

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(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 2013 through 2016.

(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, 2016 and 2015 was approximately \$4,000 and \$26,900, 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, 2015, from which the summarized information was derived.

(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 2016 and 2015 were approximately \$0 and \$42,000, respectively. No amounts were payable to the Organization from EF for shared costs at December 31, 2016 or 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 2016 and 2015 were approximately \$199,000 and \$88,000, respectively. Amounts paid by EFA to the Organization in 2016 include prepayments for estimated 2017 shared costs totaling \$2,075. Additional amounts payable to the Organization from EFA for shared costs at December 31, 2015 were \$1,880.

The Organization, EF and EFA are affiliated through common board membership. EF and EFA are recognized as 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 promotional services purchased from this company were approximately \$27,000 for each of the years ended December 31, 2016 and 2015.

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(2) Related Party Transactions - Continued

During the year ended December 31, 2016, the Organization funded a \$600,000 grant to Equality Florida Action, Inc. in support of its activities. This grant is included in program operating expenses in the accompanying statement of functional expenses.

(3) Credit Risk Concentration

The Organization maintains deposit accounts with what management believes to be high credit quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2016, the uninsured balance was approximately \$10,500. The Organization believes it is not exposed to any significant credit risk on its cash balances.

(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, 2016 and 2015 was approximately \$54,000 and \$40,000, respectively.

(5) Operating Leases

The Organization leases space for three offices. The office in Orlando is a noncancellable operating lease expiring in 2017. Rent expense under operating leases was approximately \$33,000 and \$50,000 in 2016 and 2015, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2016 are as follows:

Year Ending December 31,

2017	\$ <u>2,600</u>
	\$ <u><u>2,600</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Pledges receivable, net	\$ 62,609	82,876
Education and training programs	402,991	117,019
	<u>\$ 465,600</u>	<u>199,895</u>

(7) In-Kind Contributions

In-kind contributions for the years ended December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Photography services	\$ 4,140	4,400
Catering, food and beverage	121,909	60,900
Legal services	28,050	227,337
Other materials and services	17,691	58,844
	<u>\$ 171,790</u>	<u>351,481</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) Line of Credit

During 2016, the Organization executed a \$150,000 revolving line of credit agreement with a bank. The Organization and Equality Florida Action Inc. are co-borrowers under the line of credit. The agreement matures April 18, 2017 and outstanding borrowings accrue interest at the bank's prime rate plus 1% (4.75% at December 31, 2016). The line of credit is secured by all assets of the Organization and of Equality Florida Action, Inc. At December 31, 2016, there were no outstanding borrowings under the line of credit. Terms of the agreement require the Organization to comply with certain non-financial covenants and to have no advances under the line outstanding for at least 30 days each year. At December 31, 2016, the Organization was in compliance with these requirements.

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements - Continued

(9) Pulse Victims Fund

On June 12, 2016, 49 people were killed and 53 others were wounded in a hate crime inside a LGBT nightclub in Orlando, Florida. The Organization collected funds for the victims and their families, and worked with the National Center for Victims of Crime (NCVC) to establish protocols for victim identification and eligibility determination, and to develop a methodology for the distribution of funds to eligible recipients. NCVC distributed the funds in accordance with these established protocols. Total funds collected during 2016 were approximately \$9,400,000. Amounts distributed were approximately \$9,450,000 which is included in program operating expenses in the accompanying statement of functional expenses.

(10) Commitments and Contingencies

The Organization is subject to asserted and unasserted claims arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management believes the final outcome will not have a materially adverse effect on the Organization's financial condition.

(11) Subsequent Events

The Organization has evaluated subsequent events through March 30, 2017, the date the financial statements were available for issuance.