Financial Statements (Unaudited)

December 31, 2019 and 2018 (With Independent Accountant's Review Report Thereon)

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Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of Equality Florida Action, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Subsequent Event

We draw your attention to Note 6, which describes the subsequent event resulting in additional risks and uncertainties impacting the Organization associated with the COVID-19 pandemic. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

MAYER HOFFMAN MCCANN P.C.

June 4, 2020 Clearwater, Florida

Statements of Financial Position

December 31, 2019 and 2018 (Unaudited)

	2019		2018	
Assets				
Current assets:				
Cash	\$	689,157	769,542	
Accounts receivable		6,915	-	
Pledges receivable, net of allowance for uncollectible pledges				
of \$10 and \$160 in 2019 and 2018, respectively		225	2,133	
Prepaid expenses		2,389	100	
Due from affiliate, Equality Florida Institute, Inc.		1,357	13,998	
Total current assets		700,043	785,773	
Total assets	\$	700,043	785,773	
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$	9,934	31,227	
Total current liabilities		9,934	31,227	
Net assets:				
Without donor restrictions		689,470	748,045	
With donor restrictions		639	6,501	
Total net assets		690,109	754,546	
Total liabilities and net assets	\$	700,043	785,773	

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019 (With Comparative Totals for 2018) (Unaudited)

		Without Donor	With Donor	Total		
	-	Restrictions	Restrictions	2019	2018	
Support and revenue:						
Contributions	\$	119,997	2,705	122,702	132,459	
Bequests		231,922	-	231,922	113,681	
Program revenue		-	-	-	380	
Grants		41,585	415	42,000	-	
Other income (loss)		11,915	-	11,915	(2,461)	
Net assets released from restrictions	-	8,982	(8,982)	<u> </u>	-	
Total operating support and revenue		414,401	(5,862)	408,539	244,059	
Operating expenses:						
Program services		456,507	-	456,507	348,652	
Supporting services	-	16,469		16,469	26,138	
Total operating expenses	-	472,976		472,976	374,790	
Decrease in net assets		(58,575)	(5,862)	(64,437)	(130,731)	
Net assets, beginning of year	_	748,045	6,501	754,546	885,277	
Net assets, end of year	\$_	689,470	639	690,109	754,546	

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018 (Unaudited)

		Without Donor Restrictions	With Donor Restrictions	Total
Summark and announce				
Support and revenue: Contributions	\$	124.002	9 266	122 450
	Э	124,093	8,366	132,459
Bequests		113,681	-	113,681
Program revenue		380	-	380
Other loss		(2,461)	-	(2,461)
Net assets released from restrictions		3,089	(3,089)	-
Total operating support and revenue		238,782	5,277	244,059
Operating expenses:				
Program services		348,652	-	348,652
Supporting services		26,138	<u> </u>	26,138
Total operating expenses		374,790		374,790
Increase (decrease) in net assets		(136,008)	5,277	(130,731)
Net assets, beginning of year		884,053	1,224	885,277
Net assets, end of year	\$	748,045	6,501	754,546

Statement of Functional Expenses

Year Ended December 31, 2019 (With Comparative Totals for 2018) (Unaudited)

	Supporting Services			Total			
	_	Program Services	Management and General	Development	Total	2019	2018
Salaries	\$	174,263	2,000	-	2,000	176,263	58,721
Payroll taxes		13,074	-	-	-	13,074	4,301
Employee benefits	_	24,930				24,930	9,945
		212,267	2,000	-	2,000	214,267	72,967
Operating		144,512	662	2,845	3,507	148,019	178,643
Occupancy		2,760	-	-	-	2,760	799
Travel and meeting		28,957	584	200	784	29,741	27,731
Miscellaneous		1,302	894	-	894	2,196	8,074
Business		-	-	8,034	8,034	8,034	6,089
Contract labor	_	66,709	1,020	230	1,250	67,959	80,487
Total expenses	\$_	456,507	5,160	11,309	16,469	472,976	374,790

Statements of Cash Flows

Years Ended December 31, 2019 and 2018 (Unaudited)

	 2019	2018
Cash flows from operating activities:		
Decrease in net assets	\$ (64,437)	(130,731)
Adjustments to reconcile decrease in net assets to net		
cash used in operating activities:		
Decrease (increase) in pledges receivable	1,908	(909)
Increase in accounts receivable	(6,915)	-
Decrease (increase) in prepaid expenses	(2,289)	24,900
Decrease in due from affiliate	12,641	8,311
Increase (decrease) in accounts payable	 (21,293)	1,800
Net cash used in operating activities	 (80,385)	(96,629)
Net decrease in cash	(80,385)	(96,629)
Cash at beginning of year	 769,542	866,171
Cash at end of year	\$ 689,157	769,542

Notes to Financial Statements

December 31, 2019 and 2018 (Unaudited)

(1) <u>Description of Organization and Summary of Significant Accounting Policies</u>

(a) <u>Description of Organization</u>

Equality Florida Action, Inc. ("EFA" or the "Organization") was formed on July 14, 2014 as a Florida not-for-profit corporation. The Organization focuses on advocating for and against new laws that impact the lives of the lesbian, gay, bisexual and transgender (LGBT) community in Florida and mobilizing pro-equality voters. It is the largest civil rights education organization dedicated to full equality for Florida's LGBT community.

(b) <u>Cash and Cash Equivalents</u>

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) <u>Basis of Accounting</u>

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require the Organization report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Donor imposed restrictions are temporary in nature and will be met either by the passage of time or the accomplishment of a purpose restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. At December 31, 2019 and 2018, net assets with donor restrictions were restricted for specific programs of the Organization and totaled \$639 and \$6,501, respectively.

(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*.

Notes to Financial Statements - Continued (Unaudited)

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

(e) <u>Pledges Receivable</u>

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions.

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.

(f) Income Taxes

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(4) 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, *Income Taxes*, relating to 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 tax filings are generally open for examination by taxing authorities for three years after the date of filing.

(g) <u>Contributions</u>

All contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Notes to Financial Statements - Continued (Unaudited)

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

(h) **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 specialized 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.

(i) **Functional Allocation of Expenses**

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on the Organization's square footage analysis for all indirect occupancy-related costs.

(j) 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.

(k) <u>New Accounting Pronouncement</u>

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange-type transaction. Exchange-type transactions would by accounted for using revenue recognition standards. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under governmental grants and contracts. Conditional contributions have different revenue recognition criteria when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable being recorded, as applicable.

Notes to Financial Statements - Continued (Unaudited)

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

(k) New Accounting Pronouncement - Continued

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of 2019. Adoption of the new standard did not have material impact on 2019 results. In evaluating the effects of the change, contributions in process as of the date of adoption were considered. As such no disclosures have been provided on the effect on the 2019 financial statements.

(l) Advertising and Promotion

Advertising and promotion costs are expensed as incurred.

(m) <u>Comparative Financial Information</u>

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, 2018, from which the summarized information was derived.

(2) <u>Related Party Transactions</u>

The Organization shares certain costs with Equality Florida Institute, Inc. ("EFI"), an affiliated notfor-profit entity. Shared costs include personnel, contract labor and office space. Personnel and contract labor costs are allocated based on estimated time dedicated to the Organization and office space is allocated based on estimated space usage. The amount paid by the Organization to EFI for shared personnel costs (salaries, wages, payroll taxes and benefits), contract labor and office space during 2019 and 2018 was approximately \$365,000 and \$111,000 respectively. Amounts paid by the Organization to EFI in 2019 include prepayments for estimated 2020 shared costs totaling \$1,357. Amounts paid by the Organization to EFI in 2018 include prepayments for estimated 2019 shared costs totaling \$13,998.

The Organization and EFI are affiliated through common board membership. EFI is recognized as a tax exempt organization under section 501(c)(3) of the Internal Revenue code and focuses its efforts on educating the public, elected officials, and the business community on issues relating to equal rights for the Florida LGBT community. The Organization is recognized as a tax exempt organization under section 501(c)(4) of the Internal Revenue code and focuses on advocating for and against new laws that impact the lives of the LGBT community in Florida and mobilizing proequality voters.

Notes to Financial Statements - Continued (Unaudited)

(2) <u>Related Party Transactions - Continued</u>

The Organization purchases promotional services from a company owned by a board member. Total promotional services purchased from this company were approximately \$8,800 for the year ended December 31, 2019.

During the years ended December 31, 2019 and 2018, the Organization contributed \$75,000 and \$70,000, respectively, to Equality Florida Action PAC, Inc. in support of its activities.

(3) Liquidity and Availability of Resources

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Organization's primary source of liquidity is its cash balances.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as activities conducted to support those programs to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies sources and uses of the Organization's cash.

As of December 31, 2019 and 2018, the Organization's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

	 2019	2018
Financial assets:		
Cash	\$ 689,157	769,542
Pledges and accounts receivable, net	 7,140	2,133
Total financial assets	696,297	771,675
Less amounts unavailable for general expenditure		
within the next 12 months due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted for specific purposes or time	 (639)	(6,501)
Financial assets available to meet cash needs for		
general expenditures for the next 12 months	\$ 695,658	765,174

Notes to Financial Statements - Continued (Unaudited)

(4) 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, 2019, the Organization's deposit balances were fully covered by federal deposit insurance.

(5) **Operating Leases**

The Organization generally leases office and other space on a month-to-month or other short-term basis. Rent expense under these operating leases during 2019 and 2018 was approximately \$2,800 and \$800, respectively.

The cost of these leases is shared with EFI.

(6) <u>Subsequent Events</u>

The Organization has evaluated subsequent events through June 4, 2020, the date the financial statements were available for issuance.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations and activities. As of the date of issuance of the financial statements, the Organization's operations have been significantly impacted by government-mandated stay-home orders and travel limitations. The Organization continues to monitor the situation and has implemented cost reductions and other measures to mitigate future financial impact, while shifting the majority of its programming activities to a virtual format. No impairments were recorded as of the statement of financial position date as no triggering events or changes in circumstances had occurred as of that date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.