EQUALITY FLORIDA INSTITUTE, INC.

Financial Statements

December 31, 2018 and 2017
(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, 2018 and 2017, 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, 2018, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2018 and 2017, 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, 2018, 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 2017 financial statements and our report dated June 7, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MAYER HOFFMAN MCCANN P.C.

July 12, 2019
Clearwater, Florida

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Financial Position

December 31, 2018 and 2017

		2018	2017
Assets			
Current assets:			
Cash	$	1,646,527	1,407,143
Pledges receivable, net of allowance for uncollectible pledges of $1,643 and $2,001 in 2018 and 2017, respectively		14,651	35,949
Grants receivable		283,521	68,000
Other		46,999	46,479
Total current assets		1,991,698	1,557,571
Restricted cash - endowment		321,770	-
Fixed assets:			
Computer equipment		10,608	10,968
Office furniture and equipment		3,658	-
		14,266	10,968
Less accumulated depreciation		6,684	5,730
Fixed assets, net		7,582	5,238
Total assets	$	2,321,050	1,562,809
Liabilities and Net Assets (Deficit)			
Current liabilities:			
Accounts payable	$	38,421	73,506
Accrued payroll and related expenses		94,251	72,769
Due to affiliate		13,998	22,309
Deferred revenue - gala events		69,800	107,200
Other current liabilities		46,913	39,928
Total current liabilities		263,383	315,712
Net assets:			
Without donor restrictions		1,282,277	1,027,692
With donor restrictions		775,390	219,405
Total net assets		2,057,667	1,247,097
Total liabilities and net assets	$	2,321,050	1,562,809

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Support and revenue:				
Grants	$ 712,456	438,969	1,151,425	868,190
Art auction proceeds	76,901	-	76,901	89,644
In-kind	427,417	-	427,417	296,128
Contributions, net of direct benefits to donors of $400,261 and $333,253 in 2018 and 2017, respectively	1,899,480	336,421	2,235,901	1,534,524
Phone canvass donations	163,790	-	163,790	159,256
Program fees	17,187	-	17,187	22,676
Interest income	5,069	-	5,069	3,162
Other income	33,460	-	33,460	15,227
Net assets released from restrictions	219,405	(219,405)	-	-
Total operating support and revenue	3,555,165	555,985	4,111,150	2,988,807
Operating expenses:				
Program services	2,944,786	-	2,944,786	2,367,229
Supporting services	355,794	-	355,794	358,472
Total operating expenses	3,300,580	-	3,300,580	2,725,701
Increase in net assets	254,585	555,985	810,570	263,106
Net assets, beginning of year	1,027,692	219,405	1,247,097	983,991
Net assets, end of year	$ 1,282,277	775,390	2,057,667	1,247,097

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2017

		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:				
Grants	$	684,734	183,456	868,190
Art auction proceeds		89,644	-	89,644
In-kind		296,128	-	296,128
Contributions, net of direct benefits to donors of $333,253		1,498,575	35,949	1,534,524
Phone canvass donations		159,256	-	159,256
Program fees		22,676	-	22,676
Interest income		3,162	-	3,162
Other income		15,227	-	15,227
Net assets released from restrictions		465,600	(465,600)	-
Total operating support and revenue		3,235,002	(246,195)	2,988,807
Operating expenses:				
Program services		2,367,229	-	2,367,229
Supporting services		358,472	-	358,472
Total operating expenses		2,725,701	-	2,725,701
Increase (decrease) in net assets		509,301	(246,195)	263,106
Net assets, beginning of year		518,391	465,600	983,991
Net assets, end of year	$	1,027,692	219,405	1,247,097

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Functional Expenses

Year Ended December 31, 2018
(With Comparative Totals for 2017)

		Supporting Services			Total Expenses	
	Program Services	Management and General	Development	Total	2018	2017
Salaries	$ 1,479,357	82,730	25,331	108,061	1,587,418	1,121,914
Payroll taxes	109,480	6,089	1,907	7,996	117,476	84,263
Employee benefits	229,049	12,978	2,729	15,707	244,756	167,923
	1,817,886	101,797	29,967	131,764	1,949,650	1,374,100
Operating	171,425	17,162	20,040	37,202	208,627	356,301
Professional fees	202,360	66,971	-	66,971	269,331	134,057
Occupancy	48,850	8,090	804	8,894	57,744	43,840
Travel and meeting	412,486	44,964	926	45,890	458,376	338,775
Miscellaneous	16,715	7,948	1,125	9,073	25,788	24,928
Business	4,563	2,227	36,020	38,247	42,810	40,259
Contract labor	267,919	3,736	14,017	17,753	285,672	411,496
Total expenses before depreciation	2,942,204	252,895	102,899	355,794	3,297,998	2,723,756
Depreciation	2,582	-	-	-	2,582	1,945
Total expenses - 2018	$ 2,944,786	252,895	102,899	355,794	3,300,580	
Total expenses - 2017	$ 2,367,229	179,035	179,437	358,472		2,725,701

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	$ 810,570	263,106
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,582	1,945
Endowment contribution	(321,770)	-
Changes in operating assets and liabilities:		
Decrease in pledges receivable	21,298	26,660
Decrease (increase) in grants receivable	(215,521)	200,000
Decrease (increase) in other current assets	(520)	103,797
Decrease in accounts payable	(35,085)	(47,502)
Increase in accrued payroll and related expenses	21,482	14,648
Increase (decrease) in due to affiliate	(8,311)	20,234
Increase (decrease) in deferred revenue	(37,400)	32,764
Increase in other current liabilities	6,985	1,559
Net cash provided by operating activities	244,310	617,211
Cash flows from investing activities:		
Restricted cash deposit	(321,770)	-
Purchases of fixed assets	(4,926)	(4,692)
Net cash used in investing activities	(326,696)	(4,692)
Cash flows from financing activities:		
Endowment contribution	321,770	-
Net cash provided by financing activities	321,770	-
Net increase in cash	239,384	612,519
Cash at beginning of year	1,407,143	794,624
Cash at end of year	$ 1,646,527	1,407,143

(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 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. Certain 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 statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(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*.

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

(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 net assets without 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 net assets with donor 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) 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, 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.

(h) Contributions

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.

(i) Deferred Revenue

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

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

(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 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.

(k) 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 indirect costs.

(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, 2018 and 2017 was approximately $6,700 and $4,400, 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, 2017, from which the summarized information was derived.

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

(o) New Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted this ASU as of and for the year ended December 31, 2018. As a result, the Organization changed the presentation of its net assets classes and expanded its footnote disclosures as required by the ASU.

(2) Related Party Transactions

The Organization shares certain costs with Equality Florida Action, Inc. ("EFA"), an affiliated not-for-profit entity. Shared costs include personnel, contract labor and office space. Amounts paid to the Organization by EFA for shared personnel costs (salaries, wages, payroll taxes and benefits), contract labor and office space during 2018 and 2017 were approximately $111,000 and $73,000, respectively. Amounts paid by EFA to the Organization in 2018 include prepayments for estimated 2019 shared costs totaling $13,998. Prepayments from EFA to the Organization for shared costs at December 31, 2017 were $22,309.

The Organization and EFA are affiliated through common board membership. EFA is recognized as a tax exempt organization under section 501(c)(4) of the Internal Revenue Code and focuses its 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 $0 and $52,000 for the years ended December 31, 2018 and 2017, respectively. Included in accounts payable in the accompanying statements of financial position are amounts due to this related party of $0 and approximately $52,000 at December 31, 2018 and 2017, respectively.

The Organization receives in-kind legal services from a law firm in which a member of the board of directors serves in a leadership role. Total contributed in-kind legal services received from this firm were approximately $254,000 and $44,000 for the years ended December 31, 2018 and 2017, respectively.

(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 has various sources of liquidity at its disposal, including cash and cash equivalents.

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 and cash equivalents.

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

Financial assets:		
Cash and cash equivalents	$	1,646,527
Pledges receivable, net		14,651
Grants receivable, net		283,521
Restricted cash - endowment		321,770
Total financial assets		2,266,469
Less amounts unavailable for general expenditure within the next 12 months due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted for specific purposes, specific time periods or in perpetuity		(775,390)
Financial assets available to meet cash needs for general expenditures for the next 12 months	$	1,491,079

(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 losses in such accounts. As of December 31, 2018, the Organization's deposit balances were fully covered by federal deposit insurance. The Organization believes it is not exposed to any significant credit risk on its cash balances.

(5) 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, 2018 and 2017 was approximately $67,000 and $53,000, respectively.

(6) Operating Leases

The Organization leases space for five offices. Both offices in Orlando and Wilton Manors are noncancellable operating leases expiring in 2019. Rent expense under operating leases was approximately $49,000 and $29,000 in 2018 and 2017, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2018 is as follows:

Year Ending December 31,		
2019	$	22,092

(7) Donor Restrictions on Net Assets

Donor restricted net assets consist of the following at December 31, 2018 and 2017:

		2018	2017
Pledges receivable, net	$	14,651	35,949
Education and training programs		438,969	183,456
Endowment fund, earnings to fund operations		321,770	-
	$	775,390	219,405

(8) Endowment

The Organization's endowment consists of one donor-restricted endowment fund established to support the operations of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As of December 31, 2018, the Board of Directors of the Organization has not completed its interpretation of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as it relates to the net asset classification of its donor-restricted endowment fund or of its ability to spend from underwater endowment funds. That evaluation process is ongoing.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment fund. Endowment assets are temporarily invested in a fixed income insured sweep account.

Spending Policy: The Organization has a policy of generally appropriating all of the current earnings on its endowment.

Endowment net assets were considered to be permanently restricted at December 31, 2018. Endowment fund activity in 2018 consisted of contributions of $321,770 and investment income of $563, all of which was appropriated for expenditure.

(9) In-Kind Contributions

In-kind contributions for the years ended December 31, 2018 and 2017 consisted of the following:

		2018	2017
Catering, food and beverage	$	132,978	95,686
Legal services		253,863	68,236
Other materials and services		40,576	132,206
	$	427,417	296,128

In-kind legal services were 80% program related and supported the Organization's LGBT advocacy and education efforts. The other 20% of in-kind legal services consists of general administrative consultation and advice. 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.

(10) 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. were co-borrowers under the line of credit. The agreement matured April 18, 2017 and outstanding borrowings accrued interest at the bank's prime rate plus 1%. The line of credit was secured by all assets of the Organization and of Equality Florida Action, Inc. The Organization did not renew this line of credit when it matured in 2017. At December 31, 2017, there were no outstanding borrowings under the line of credit.

(11) Subsequent Events

The Organization has evaluated subsequent events through July 12, 2019, the date the financial statements were available for issuance.