

EQUALITY FLORIDA INSTITUTE, INC.

Financial Statements

**December 31, 2017 and 2016
(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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017, 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 2016 financial statements and our report dated March 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MAYER HOFFMAN MCCANN P.C.

June 7, 2018
Clearwater, Florida

EQUALITY FLORIDA INSTITUTE, INC.

Statements of Financial Position

December 31, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 1,407,143	794,624
Pledges receivable, net of allowance for uncollectible pledges of \$2,001 and \$6,192 in 2017 and 2016, respectively	35,949	62,609
Grants receivable	68,000	268,000
Other	46,479	150,276
	<u>1,557,571</u>	<u>1,275,509</u>
Total current assets	1,557,571	1,275,509
Fixed assets:		
Computer equipment	10,968	6,277
Less accumulated depreciation	5,730	3,786
	<u>5,238</u>	<u>2,491</u>
Fixed assets, net	5,238	2,491
Total assets	<u>\$ 1,562,809</u>	<u>1,278,000</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable	\$ 73,506	121,008
Accrued payroll and related expenses	72,769	58,121
Due to affiliate	22,309	2,075
Deferred revenue - gala events	107,200	74,436
Other current liabilities	39,928	38,369
	<u>315,712</u>	<u>294,009</u>
Total current liabilities	315,712	294,009
Net assets:		
Unrestricted	1,027,692	518,391
Temporarily restricted	219,405	465,600
	<u>1,247,097</u>	<u>983,991</u>
Total net assets	1,247,097	983,991
Total liabilities and net assets	<u>\$ 1,562,809</u>	<u>1,278,000</u>

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

**Year Ended December 31, 2017
(With Comparative Totals for 2016)**

			Total	
	Unrestricted	Temporarily Restricted	2017	2016
Support and revenue:				
Grants	\$ 684,734	183,456	868,190	811,184
Art auction proceeds	89,644	-	89,644	60,421
In-kind	296,128	-	296,128	171,790
Contributions, net of direct benefits to donors of \$333,253 and \$331,336 in 2017 and 2016, respectively	1,498,575	35,949	1,534,524	2,233,255
Contributions for Pulse Victims Fund	-	-	-	9,396,399
Phone canvass donations	159,256	-	159,256	164,079
Program fees	22,676	-	22,676	151,983
Interest income	3,162	-	3,162	9,491
Other income	15,227	-	15,227	6,633
Net assets released from restrictions	465,600	(465,600)	-	-
Total operating support and revenue	3,235,002	(246,195)	2,988,807	13,005,235
Operating expenses:				
Program services	2,367,229	-	2,367,229	11,820,930
Supporting services	358,472	-	358,472	388,156
Total operating expenses	2,725,701	-	2,725,701	12,209,086
Increase (decrease) in net assets	509,301	(246,195)	263,106	796,149
Net assets, beginning of year	518,391	465,600	983,991	187,842
Net assets, end of year	\$ 1,027,692	219,405	1,247,097	983,991

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Grants	\$ 417,151	394,033	811,184
Art auction proceeds	60,421	-	60,421
In-kind	171,790	-	171,790
Contributions, net of direct benefits to donors of \$331,336	2,160,435	72,820	2,233,255
Contributions for Pulse Victims Fund	9,396,399	-	9,396,399
Phone canvass donations	164,079	-	164,079
Program fees	151,983	-	151,983
Interest income	9,491	-	9,491
Other income	6,633	-	6,633
Net assets released from restrictions	201,148	(201,148)	-
Total operating support and revenue	12,739,530	265,705	13,005,235
Operating expenses:			
Program services	11,820,930	-	11,820,930
Supporting services	388,156	-	388,156
Total operating expenses	12,209,086	-	12,209,086
Increase in net assets	530,444	265,705	796,149
Net assets (deficit), beginning of year	(12,053)	199,895	187,842
Net assets, end of year	\$ 518,391	465,600	983,991

EQUALITY FLORIDA INSTITUTE, INC.

Statement of Functional Expenses

**Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Program Services	Supporting Services			Total	
		Management and General	Development	Total	2017	2016
Salaries	\$ 1,007,178	51,182	63,554	114,736	1,121,914	999,305
Payroll taxes	75,847	3,738	4,678	8,416	84,263	75,403
Employee benefits	152,570	6,845	8,508	15,353	167,923	162,153
	1,235,595	61,765	76,740	138,505	1,374,100	1,236,861
Operating	305,029	13,996	37,276	51,272	356,301	10,292,995
Professional fees	94,462	37,621	1,974	39,595	134,057	73,565
Occupancy	25,414	17,316	1,110	18,426	43,840	40,675
Travel and meeting	296,336	37,842	4,597	42,439	338,775	205,643
Miscellaneous	16,692	8,116	120	8,236	24,928	28,059
Business	204	820	39,235	40,055	40,259	44,224
Contract labor	391,552	1,559	18,385	19,944	411,496	285,093
Total expenses before depreciation	2,365,284	179,035	179,437	358,472	2,723,756	12,207,115
Depreciation	1,945	-	-	-	1,945	1,971
Total expenses - 2017	\$ <u>2,367,229</u>	<u>179,035</u>	<u>179,437</u>	<u>358,472</u>	<u>2,725,701</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>

EQUALITY FLORIDA INSTITUTE, INC.**Statements of Cash Flows****Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 263,106	796,149
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,945	1,971
Loss on disposal of property	-	2,986
Contributed equipment	-	(1,200)
Decrease in pledges receivable	26,660	20,267
Decrease (increase) in grants receivable	200,000	(268,000)
Decrease in due from affiliate	-	1,880
Decrease (increase) in other current assets	103,797	(111,543)
Increase (decrease) in accounts payable	(47,502)	36,354
Increase (decrease) in accrued payroll and related expenses	14,648	(9,023)
Increase in due to affiliate	20,234	2,075
Increase (decrease) in deferred revenue	32,764	(10,564)
Increase in other current liabilities	1,559	24,504
	<u>617,211</u>	<u>485,856</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of fixed assets	<u>(4,692)</u>	<u>-</u>
Net cash used in investing activities	<u>(4,692)</u>	<u>-</u>
Net increase in cash	612,519	485,856
Cash at beginning of year	<u>794,624</u>	<u>308,768</u>
Cash at end of year	<u>\$ 1,407,143</u>	<u>794,624</u>

EQUALITY FLORIDA INSTITUTE, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(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, 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

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 include 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, 2017 and 2016 was approximately \$4,400 and \$4,000, 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, 2016, from which the summarized information was derived.

(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 2017 and 2016 were approximately \$73,000 and \$199,000, respectively. Amounts paid by EFA to the Organization in 2017 include prepayments for estimated 2018 shared costs totaling \$22,309. Prepayments from EFA to the Organization for shared costs at December 31, 2016 were \$2,075.

The Organization and EFA are affiliated through common board membership. EFA is recognized as a tax exempt organizations 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 \$52,000 and \$27,000 for the years ended December 31, 2017 and 2016, respectively. Included in accounts payable in the accompanying statements of financial position are amounts due to this related party of approximately \$52,000 at December 31, 2017.

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 losses in such accounts. As of December 31, 2017, 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.

(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, 2017 and 2016 was approximately \$53,000 and \$54,000, respectively.

(5) Operating Leases

The Organization leases space for four offices. Both offices in Orlando and Wilton Manors are noncancellable operating leases expiring in 2018. Rent expense under operating leases was approximately \$29,000 and \$33,000 in 2017 and 2016, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2017 are as follows:

Year Ending December 31,

2018	\$ <u>17,100</u>
	\$ <u><u>17,100</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pledges receivable, net	\$ 35,949	62,609
Education and training programs	183,456	402,991
	<u>\$ 219,405</u>	<u>465,600</u>

(7) **In-Kind Contributions**

In-kind contributions for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Photography services	\$ -	4,140
Catering, food and beverage	95,686	121,909
Legal services	68,236	28,050
Other materials and services	132,206	17,691
	<u>\$ 296,128</u>	<u>171,790</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. 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, 2016, there were no outstanding borrowings under the line of credit.

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 and EFA 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 services in the accompanying 2016 statement of activities and changes in net assets.

(10) Subsequent Events

The Organization has evaluated subsequent events through June 7, 2018, the date the financial statements were available for issuance.