Equality Virginia, Inc.

Combined Financial Statements

December 31, 2016

Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

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Henrico, VA 23226

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Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

• Kelli P. Meadows
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Independent Auditor's Report

To the Board of Directors of
Equality Virginia, Inc.

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Equality Virginia, Inc. (a nonprofit organization) and affiliates, which comprise the combined statement of assets, liabilities and net assets as of December 31, 2016, and the related combined statements of support, revenue, expenses, and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Equality Virginia, Inc. and its affiliates as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 11 – 13 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Meadows Urquhart Acree + Cook, LLP

May 15, 2017

Equality Virginia, Inc.

Combined Statement of Assets, Liabilities and Net Assets
December 31, 2016

Assets		
Cash and cash equivalents	$	257,813
Accounts and grants receivable		95,050
Prepaid expenses		8,184
Total current assets		361,047
Deposit		1,000
Property and equipment, net		4,989
Total assets	$	367,036
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	6,666
Unearned revenue		15,670
Funds held as agent		36,725
Total liabilities		59,061
Net assets - unrestricted		168,975
Net assets - temporarily restricted		139,000
Total net assets		307,975
Total liabilities and net assets	$	367,036

See Notes to Combined Financial Statements.

Equality Virginia, Inc.

Combined Statement of Support, Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2016

Changes in unrestricted net assets:	
Revenue and public support	
Contributions/membership	$ 130,310
Special events revenue, net	183,857
Grants received	82,721
Administrative/fundraising income	5,820
Interest	97
Total unrestricted revenue and public support	402,805
Net assets released from restrictions	66,500
Total unrestricted revenue and reclassifications	469,305
Expenses	
Program services	381,701
Fundraising	41,524
Management and general	50,205
Total expenses	473,430
Total decrease in unrestricted net assets	(4,125)
Changes in temporarily restricted net assets:	
Grants received	139,000
Releases from restriction	(66,500)
Total increase in temporarily restricted net assets	72,500
Change in net assets	68,375
Net assets, beginning of year	239,600
Net assets, end of year	$ 307,975

See Notes to Combined Financial Statements.

Equality Virginia, Inc.

Combined Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Fundraising	Management & General	Totals
Salaries	$ 193,249	$ 22,879	$ 31,754	$ 247,882
Payroll tax	14,899	1,764	2,448	19,111
Health benefits	17,147	2,030	2,818	21,995
Retirement	4,979	589	818	6,386
Personnel	230,274	27,262	37,838	295,374
Other	32,372	238	331	32,941
Rent	20,703	2,451	3,402	26,556
Travel	19,230	345	-	19,575
Entertainment & catering	11,886	12	16	11,914
Bank & merchant card fees	8,205	971	1,348	10,524
Advertising and website	7,639	904	1,255	9,798
Fees	7,611	901	1,251	9,763
Professional fees	7,189	851	1,181	9,221
Printing	4,053	3,155	91	7,299
Space rental	6,970	-	-	6,970
Office	4,265	546	622	5,433
Consulting expenses	3,777	447	621	4,845
Business insurance	3,321	393	546	4,260
Stipend	3,660	39	54	3,753
Telephone & internet	2,745	325	451	3,521
Dues & subscriptions	2,534	300	416	3,250
Postage	984	1,877	78	2,939
Board expenses	1,467	174	241	1,882
Depreciation	973	115	160	1,248
Technical support	900	107	148	1,155
Sponsorship	546	64	90	700
Licenses & permits	397	47	65	509
	$ 381,701	$ 41,524	$ 50,205	$ 473,430

See Notes to Combined Financial Statements.

Equality Virginia, Inc.

Combined Statement of Cash Flows
Year Ended December 31, 2016

Cash Flows from Operating Activities	
Change in net assets	$ 68,375
Adjustments to reconcile the change in net assets	
to net cash provided by operating activities:	
Depreciation	1,249
(Increase) decrease in:	
Accounts and grants receivable	(32,165)
Prepaid expenses	631
Increase (decrease) in:	
Accounts payable and accrued expenses	85
Unearned revenue	13,658
Funds held as agent	(16,475)
Net cash provided by operating activities	35,358
Cash Flows from Investing Activities	
Purchases of property and equipment	(1,238)
Net cash used in investing activities	(1,238)
Increase in cash and cash equivalents	34,120
Cash and cash equivalents, beginning of year	223,693
Cash and cash equivalents, end of year	$ 257,813

See Notes to Combined Financial Statements.

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of the organization: Equality Virginia Inc., a 501(c)(3) charitable organization, is tasked with providing the research and educational foundation for EV's advocacy and to provide legal analysis and education on issues affecting Gay, Lesbian, Bisexual and Transgender (GLBT) Virginians.

A 501(c)(4) organization, Equality Virginia Advocates strives to be the premier organization for GLBT Virginia advancing a legislative and public policy agenda that will move Virginia towards Equality Virginia's vision.

Equality Virginia PAC, Inc. is a not-for-profit organization and is exempt from federal income tax under Section 527 of the Internal Revenue Code. The PAC was organized to accept contributions and make expenditures for political campaign activities.

A summary of the Organization's significant accounting policies follows:

Principles of combination: The accompanying financial statements of the "Organization" reflect the combined financial statements of Equality Virginia (EV), Equality Virginia Advocates (EVA), and Equality Virginia Political Action Committee, Inc. (PAC). All members of Equality Virginia's Advocate's board also serve on the boards of directors for Equality Virginia and Equality Virginia PAC, Inc. The organizations share common facilities and personnel.

Basis of accounting: The accompanying combined financial statements of the Organization are presented in accordance with the accrual basis of accounting, whereby, revenue and public support is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted amounts are those resources that can be used currently for the general operations of the Organization.

Temporarily restricted net assets include resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations.

Permanently restricted net assets include resources who's use by the Organization is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets.

Cash and cash equivalents: The Organization considers all short-term debt securities purchased with a maturity of three months or less and money market funds to be cash equivalents.

Concentrations of credit risk: The Organization places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to $250,000 of cash held by the Organization in each separate FDIC insured bank and savings institution. From time to time, the Organization may have amounts on deposit in excess of the insured limits.

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying value of financial instruments, including cash equivalents, and receivables approximate fair value due to their short maturities.

Property and equipment: Acquisitions of property and equipment are recorded at cost or at estimated fair value at the date of gift, if donated. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that don't improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the combined statement of support, revenue, expenses and changes in net assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The Organization's policy is to capitalize property and equipment purchased with a cost greater than $500. Depreciation is being provided on a straight-line basis over the following useful lives:

	Years
Furniture and fixtures	5
Donated equipment	3 - 5
Office equipment and computers	3 - 5

Public support and revenue: Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years, if any, are reflected as long-term promises to give and recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for doubtful accounts is provided based on management's evaluation of potential uncollectible promises to give and accounts receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of support, revenue, expenses and changes in net assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets, if any, are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the combined statement of support, revenue, expenses and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services. The allocations are based primarily upon estimates of activities of personnel.

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: The three organizations are exempt from federal and state income taxes as nonprofit organizations. As a result, the accompanying combined financial statements include no provision for income taxes.

Management evaluated the Organization's tax positions and concluded that the Organization had no uncertain tax positions that require adjustment to the combined financial statements to comply with the accounting standard on accounting for uncertainty in income taxes.

Use of estimates: 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Advertising costs: The Organization expenses advertising costs as they are incurred. For 2016, advertising expense was $9,798.

Note 2 – Property and Equipment

Major classes of property and equipment consist of the following:

Furniture and equipment	$	25,452
Less: accumulated depreciation		(20,463)
	$	4,989

Note 3 – Defined Contribution Plan

The Organization has a defined contribution plan for all employees who have attained the age of twenty-one and who have completed six months of service. Participants are fully vested upon entry into the plan. The contribution for each plan year is a 3% safe harbor amount. The Organization's retirement plan contribution expenses were $6,386 for the year ended December 31, 2016.

Note 4 – Lease Commitments

The Organization is obligated under an operating lease for its office. The Organization entered into a 36-month lease for their current location in March 2014. Monthly rent is $1,629 and increases by 3.5% per annum. Additionally, the Organization leases a photocopier with monthly payments of $134 for 39 months. The agreement expires March 2019. Future lease commitments are as follows:

Year	Amount
2017	$ 22,012
2018	22,496
2019	22,033
2020	3,626

The total rent expense for 2015 was $26,556.

Note 5—Subsequent Events

In February 2017, the Organization signed a 36-month lease extension for its office space. Monthly rent is $1,692 and increase 3.5% per annum, which is payable through February 2020. Amounts are included in lease commitments provided in Note 4.

Subsequent events were evaluated through the date the combined financial statements were available to be issued which was May 15, 2017.

Supplementary Information

Equality Virginia, Inc.

Supplemental Schedule of Assets, Liabilities and Net Assets by Entity
December 31, 2016

	EV	EVA	PAC	Total
Assets				
Cash and cash equivalents	$ 219,750	$ 36,997	$ 1,066	$ 257,813
Accounts receivable	95,050	-	-	95,050
Prepaid expenses	7,064	1,120	-	8,184
Total current assets	321,864	38,117	1,066	361,047
Deposit	1,000	-	-	1,000
Property and equipment, net	4,989	-	-	4,989
Total assets	**$ 327,853**	**$ 38,117**	**$ 1,066**	**$ 367,036**
Liabilities and Net Assets				
Accounts payable and accrued expenses	$ 6,666	$ -	$ -	$ 6,666
Unearned revenue	15,670	-	-	15,670
Funds held as agent	2,125	34,600	-	36,725
Total liabilities	24,461	34,600	-	59,061
Net assets - unrestricted	164,392	3,517	1,066	168,975
Net assets - restricted	139,000	-	-	139,000
Total liabilities and net assets	**$ 327,853**	**$ 38,117**	**$ 1,066**	**$ 367,036**

See Independent Auditor's Report.

Equality Virginia, Inc.

Supplemental Schedule of Support, Revenue, Expenses and Changes in Net Assets by Entity
Year Ended December 31, 2016

	EV	EVA	PAC	Subtotal	Eliminations	Total
Revenue and public support						
Contributions/membership	$ 123,055	$ 7,255	$ -	$ 130,310	$ -	$ 130,310
Special events revenue, net	183,857	-	-	183,857	-	183,857
Grants received	62,175	20,546	-	82,721	-	82,721
Administrative/fundraising income	5,820	-	-	5,820	-	5,820
Interest	97	-	-	97	-	97
	375,004	27,801	-	402,805	-	402,805
Net assets released from restrictions	66,500	-	-	66,500	-	66,500
Total unrestricted revenue and reclassifications	441,504	27,801	-	469,305	-	469,305
Expenses						
Personnel cost	292,864	2,510	-	295,374	-	295,374
Other	32,571	120	250	32,941	-	32,941
Rent	13,278	13,278	-	26,556	-	26,556
Travel	19,458	117	-	19,575	-	19,575
Entertainment & catering	11,872	42	-	11,914	-	11,914
Bank & merchant card fees	10,482	15	27	10,524	-	10,524
Advertising and website	6,259	3,539	-	9,798	-	9,798
Fees	6,503	2,660	600	9,763	-	9,763
Professional fees	9,221	-	-	9,221	-	9,221
Printing	7,258	41	-	7,299	-	7,299
Space rental	5,935	1,035	-	6,970	-	6,970
Office	5,427	6	-	5,433	-	5,433
Consulting expenses	4,845	-	-	4,845	-	4,845
Business insurance	3,205	1,055	-	4,260	-	4,260
Stipend	3,753	-	-	3,753	-	3,753
Telephone & internet	2,046	1,475	-	3,521	-	3,521
Dues & subscriptions	3,250	-	-	3,250	-	3,250
Postage	2,939	-	-	2,939	-	2,939
Board expenses	1,882	-	-	1,882	-	1,882
Depreciation	1,248	-	-	1,248	-	1,248
Technical support	1,155	-	-	1,155	-	1,155
Sponsorship	700	-	-	700	-	700
Licenses & permits	425	84	-	509	-	509
	446,576	25,977	877	473,430	-	473,430
Increase (decrease) in unrestricted net assets	(5,072)	1,824	(877)	(4,125)	-	(4,125)
Increase in temporarily restricted net assets	72,500	-	-	72,500	-	72,500
Increase (decrease) in net assets	$ 67,428	$ 1,824	$ (877)	$ 68,375	$ -	$ 68,375

See Independent Auditor's Report.

Equality Virginia, Inc.

Supplemental Combined Schedule of Special Events
Year Ended December 31, 2016

The results of the Annual Dinner and other special events are as follows:

	Annual Dinner	Other	Total
Revenue	$ 252,478	$ 27,651	$ 280,129
Cost of event	96,272	-	96,272
Net	$ 156,206	$ 27,651	$ 183,857

The event revenues are generated from sponsors and ticket sales. Major expenses are the dinner and entertainment.

See Independent Auditor's Report.