


FAMILY EQUALITY COUNCIL

Financial Statements
December 31, 2014
(With Comparative Totals for 2013)



FAMILY EQUALITY COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

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GONZALEZ & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Family Equality Council
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying financial statements of Family Equality Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 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 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 Family Equality Council as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


GONZALEZ, & ASSOCIATES, P.C.
Certified Public Accountants

Stoughton, Massachusetts
August 10, 2015

FAMILY EQUALITY COUNCIL

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

ASSETS

	2014	2013
<u>Current Assets</u>		
Cash and cash equivalents	\$ 148,764	\$ 203,286
Pledges receivable	340,771	417,074
Accounts receivable	1,806	803
Prepaid expenses	185,049	37,078
Inventory	11,546	14,710
Total current assets	687,936	672,951
<u>Property and Equipment</u>		
Equipment	273,465	256,443
Less: accumulated depreciation	(188,455)	(145,524)
Total property and equipment	85,010	110,919
<u>Other Assets</u>		
Deposits	17,098	17,148
Total other assets	17,098	17,148
<u>Total Assets</u>	\$ 790,044	\$ 801,018

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accrued expenses	\$ 191,240	\$ 137,309
Accrued vacation	15,960	18,172
Capital lease	11,951	
Line of credit	62,847	87,194
Deferred rent expenses	1,433	5,732
Total current liabilities	283,431	248,407
<u>Net Assets</u>		
Unrestricted	115,842	56,473
Temporarily restricted	390,771	496,138
Total net assets	506,613	552,611
<u>Total Liabilities and Net Assets</u>	\$ 790,044	\$ 801,018

See Accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Grants and contributions	\$ 1,313,613	\$ 416,271	\$ 1,729,884	\$ 1,946,589
Released from restriction	521,638	(521,638)		
Special events	784,380		784,380	749,458
Direct donor benefits	(30,965)		(30,965)	(26,845)
In-kind contributions	515,742		515,742	284,755
Interest income	20		20	123
Other income	746		746	4,744
Sales	7,253		7,253	7,319
Total support and revenue	3,112,427	(105,367)	3,007,060	2,966,143
<u>Expenses</u>				
Program services	2,003,240		2,003,240	1,813,108
Management and general	379,994		379,994	365,696
Fundraising	669,824		669,824	791,047
Total expenses	3,053,058		3,053,058	2,969,851
<u>Change in Net Assets</u>	59,369	(105,367)	(45,998)	(3,708)
<u>Net Assets - Beginning of Year</u>	56,473	496,138	552,611	556,319
<u>Net Assets - End of Year</u>	\$ 115,842	\$ 390,771	\$ 506,613	\$ 552,611

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013	
	Program Services	Administration	Fundraising	Total	Total
Salaries	\$ 818,238	\$ 145,714	\$ 156,922	\$ 1,120,874	\$ 1,225,500
Payroll taxes	63,771	11,357	12,230	87,358	105,697
Employee benefits	65,372	11,642	12,536	89,550	118,317
Subtotal	<u>947,381</u>	<u>168,713</u>	<u>181,688</u>	<u>1,297,782</u>	<u>1,449,514</u>
Advertising	3,996			3,996	96
Bad debt		22,793		22,793	23,137
Bank and credit card charges		48,148		48,148	54,399
Board expenses		18,044		18,044	22,622
Computer and database support	34,380	11,758	9,387	55,525	52,364
Conferences	2,758	585	492	3,835	4,079
Contributions	206			206	5,300
Depreciation	31,340	5,581	6,010	42,931	39,292
Dues and fees	10,054	3,879	4,572	18,505	16,799
Equipment rental and maintenance	2,473	1,094	856	4,423	4,642
Event expense	87,535	3,033	323,549	414,117	344,816
Inkind materials	11,926			11,926	2,793
Insurance	4,716	2,087	1,632	8,435	4,912
Marketing	2,057	31	420	2,508	5,943
Miscellaneous		3,203		3,203	150
Payroll fees		4,892		4,892	5,091
Postage and shipping	5,782	1,601	3,248	10,631	8,510
Printing and copying	27,667	15,114	27,790	70,571	132,779
Professional fees	433,035	32,925	36,457	502,417	226,969
Recruitment	2,438	289	226	2,953	1,977
Rent	123,158	21,932	23,620	168,710	138,472
Repairs and maintenance	6,623	2,931	2,292	11,846	12,982
Special projects					51,223
Staff development	7,534	1,786	1,397	10,717	1,311
Supplies	10,394	1,452	1,428	13,274	11,613
Telephone	31,186	5,554	5,981	42,721	29,137
Travel	98,579	656	37,283	136,518	126,918
Utilities	4,322	1,913	1,496	7,731	8,899
Website and email	113,700			113,700	183,112
Total	<u>\$ 2,003,240</u>	<u>\$ 379,994</u>	<u>\$ 669,824</u>	<u>\$ 3,053,058</u>	<u>\$ 2,969,851</u>

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (45,998)	\$ (3,708)
Adjustment to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	42,931	39,292
(Increase) decrease in:		
Pledges receivable	76,303	(228,483)
Accounts receivable	(1,003)	(803)
Prepaid expenses	(147,971)	21,167
Inventory	3,164	(3,895)
Increase (decrease) in:		
Accrued expenses	53,931	67,095
Accrued salaries and benefits	(2,212)	623
Deferred rent	(4,299)	3,705
	<u>(25,154)</u>	<u>(105,007)</u>
<u>Cash Flows From Investing Activities</u>		
Donated website costs		(30,628)
Purchase of equipment	(17,022)	(9,022)
Payment of security deposit	(50)	(975)
	<u>(17,072)</u>	<u>(40,625)</u>
<u>Net Cash (Used) by Investing Activities</u>		
<u>Cash Flows From Financing Activities</u>		
Loan proceeds	17,022	87,194
Payments on capital lease	(4,971)	
Repayment of line of credit	(24,347)	
	<u>(12,296)</u>	<u>87,194</u>
<u>Net Cash Flows (Used) Provided by Financing Activities</u>		
<u>(Decrease) in Cash and Cash Equivalents</u>	(54,522)	(58,438)
<u>Cash and Cash Equivalents - Beginning of Year</u>	203,286	261,724
<u>Cash and Cash Equivalents - End of Year</u>	\$ 148,764	\$ 203,286

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

Note 1. Organization

Family Equality Council (FEC) was incorporated in June 1982 under the Nonprofit Corporation Act of the District of Columbia and has been at the forefront of the lesbian, gay, bisexual and transgender (LGBT) family movement for civil rights and equality for over 30 years. The mission of FEC is to ensure equality for LGBT families by building community, changing hearts and minds, and advancing social justice for all families. FEC's administrative office is located in Boston, MA. FEC also has offices in Michigan, Wisconsin, New York City, and Washington D.C.

Rainbow Families merged with Family Equality Council in May 2008. Rainbow Families was founded in 1998 in Minnesota with a mission to build a safe, just and affirming world for lesbian, gay, bisexual and transgender parents and their children.

Family Equality Council focuses its work in three primary areas:

Community Building:

- Help parents and families come together to share information and provide social support to one another
- Help parents gain access to necessary resources concerning LGBT issues

Visibility and Education:

- Educate the public about LGBT families
- Ensure that LGBT families are represented fairly and consistently in the media
- Educate LGBT families about issues important to them

Advocacy and System Change:

- Influence and support laws, policies and regulations establishing abilities to create and protect LGBT families
- Create safe and inclusive educational environments for children for LGBT families
- Promote positive workplace policies that protect LGBT families
- Ensure and support underserved LGBTQ headed families with projects like our legal clinics.

FEC's programs and services include local and national advocacy, development of and support for almost 200 local parenting groups, a regional conference in the Midwest, a monthly e-newsletter reaching approximately 55,000 contacts, an informative website, family events and ongoing collaborative with other national and statewide advocacy groups including both LGBT and other allied groups.

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

b. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Un-restricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2014 or 2013 and accordingly, these financials do not reflect any activity related to this class of net assets for 2014 or 2013.

c. Use of Estimates

The presentation 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 disclosures 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.

d. Fixed Assets

These assets are stated at cost, when purchased, or if donated, at their estimated fair value at date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repair, maintenance and betterments that materially prolong the useful lives of assets are capitalized.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, Family Equality Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

f. Inventory

The inventory consists of merchandise and marketing materials which were either bought or published by the organization for programmatic purposes and are stated at cost.

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- g. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. The estimated useful lives of the asset are as follows:
- | | |
|-----------|-----------|
| Equipment | 3-5 years |
|-----------|-----------|
- h. Promises To Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- i. Allocation of Expenses
Expenses by function have been allocated among program and supporting services classifications directly or on the basis of time records and estimates made by the Organization's management.
- j. Restricted and Unrestricted Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a 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 Statement of Activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same accounting period in which the contribution was pledged are reported as unrestricted support.
- k. Donated Goods and Services
In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

At December 31, 2014, in kind contributions were recorded as follows:

Legal services	\$ 345,040
Website development and design	113,700
Event supplies	<u>57,002</u>
Total In-Kind	<u>\$ 515,742</u>

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- I. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Note 3. Tax Status

Family Equality Council is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Family Equality Council, Inc.'s federal exempt organization tax returns for years ended December 31, 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally three years after they are filed.

Note 4. Leases

Family Equality Council leases office space in Boston under a lease which commenced March 1, 2011 for a six-year period. The base rent is \$8,000 per month, subject to annual CPI increases of approximately 4%.

In November 2012 the Organization entered into a lease agreement for office space in Washington, DC under a fourteen-month lease at \$2,820 per month. The lease expires December 31, 2014.

In addition, the Organization received in-kind rent with a value of \$30,000 for fiscal year 2014.

Occupancy expense for the year ended December 31, 2014 totaled \$168,710.

Minimum lease payments for the years ended December 31 are as follows:

2015	\$	105,312
2016		107,944
2017		27,152

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following:

Program restricted	\$	50,000
Time restricted 2014		340,771
Total temporarily restricted net assets	\$	<u>390,771</u>

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(Continued)

Note 6. Deposits

Deposits at December 31, 2014 consist of the following:

Office rental deposits	\$ 16,200
Utility and phone	<u>898</u>
Total	<u>\$ 17,098</u>

Note 7. Pledges Receivable

Pledges receivable at December 31, 2014 are due to be collected in 2015.

Note 8. Line of Credit

The Organization signed a Line of Credit agreement with a local bank. The agreement states that the organization can withdraw up to \$100,000 at an interest rate of 3.5%. At December 31, 2014 the balance due was \$62,847.

Note 9. Subsequent Events

Subsequent events were evaluated through August 10, 2015 which is the date the financial statements were available to be issued.

August 10, 2015

To the Board of Directors
Family Equality Council
225 Franklin Street, Suite 2660
Boston, Massachusetts 02110

We have audited the financial statements of Family Equality Council for the year ended December 31, 2014, and have issued our report thereon dated August 10, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Family Equality Council are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allocation of salaries and related expenses.

Management's estimate of the allocation of salaries and related expenses is based on job assignments and time studies. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of misstatements detected as a result of audit procedures and corrected by management were material either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of Family Equality Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



GONZALEZ & ASSOCIATES, P.C.
Certified Public Accountants

STOUGHTON, MA
August 10, 2015