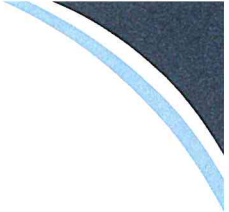




FAMILY EQUALITY COUNCIL

**Financial Statements
December 31, 2016
(With Comparative Totals for 2015)**



FAMILY EQUALITY COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

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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, 2016, 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, 2016, 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
October 11, 2017

FAMILY EQUALITY COUNCIL

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

ASSETS

	2016	2015
<u>Current Assets</u>		
Cash and cash equivalents	\$ 301,206	\$ 266,424
Pledges receivable	221,295	389,278
Accounts receivable	2,300	3,011
Prepaid expenses	80,951	19,330
Inventory	7,633	14,786
Total current assets	613,385	692,829
<u>Property and Equipment</u>		
Equipment	320,174	254,644
Less: accumulated depreciation	(240,645)	(210,011)
Total property and equipment	79,529	44,633
<u>Other Assets</u>		
Security deposits	3,985	29,530
Total other assets	3,985	29,530
<u>Total Assets</u>	\$ 696,899	\$ 766,992

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accrued expenses	\$ 95,871	\$ 147,188
Accrued salaries and benefits	20,127	14,092
Notes payable-current portion	29,327	5,865
Line of credit	96,688	61,798
Deferred event revenue	53,396	240,903
Deferred rent expenses	-	14,133
Total current liabilities	295,409	483,979
<u>Long-term Liabilities</u>		
Notes payable	44,410	-
Total notes payable	44,410	-
<u>Net Assets - as restated</u>		
Unrestricted	101,110	(106,265)
Temporarily restricted	255,970	389,278
Total net assets	357,080	283,013
<u>Total Liabilities and Net Assets</u>	\$ 696,899	\$ 766,992

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Grants and contributions	\$ 1,063,839	\$ 782,902	\$ 1,846,741	\$ 1,572,339
Released from restriction	916,210	(916,210)		
Special events	809,580	-	809,580	831,510
Direct donor benefits	(42,390)	-	(42,390)	(33,781)
In-kind contributions	208,997	-	208,997	445,635
Interest income	29	-	29	40
Other income	3,226	-	3,226	762
Rental income	57,600	-	57,600	62,400
Sales	10,331	-	10,331	11,960
Loss on disposal of equipment	-	-	-	(7,000)
Total support and revenue	<u>3,027,422</u>	<u>(133,308)</u>	<u>2,894,114</u>	<u>2,883,865</u>
<u>Expenses</u>				
Program services	1,549,373	-	1,549,373	1,927,826
Administration	450,743	-	450,743	517,935
Fundraising	819,931	-	819,931	661,704
Total expenses	<u>2,820,047</u>	<u>-</u>	<u>2,820,047</u>	<u>3,107,465</u>
<u>Change in Net Assets</u>	207,375	(133,308)	74,067	(223,600)
<u>Net Assets - Beginning of Year - as restated</u>	<u>(106,265)</u>	<u>389,278</u>	<u>283,013</u>	<u>506,613</u>
<u>Net Assets - End of Year</u>	<u>\$ 101,110</u>	<u>\$ 255,970</u>	<u>\$ 357,080</u>	<u>\$ 283,013</u>

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
	Program Services	Administration	Fundraising	Total	Total
Salaries	\$ 768,792	\$ 120,810	\$ 208,672	\$ 1,098,274	\$ 1,129,323
Payroll taxes	66,825	10,217	18,850	95,892	87,343
Employee benefits	58,391	9,587	19,173	87,151	84,565
Subtotal	<u>894,008</u>	<u>140,614</u>	<u>246,695</u>	<u>1,281,317</u>	<u>1,301,231</u>
Advertising	4,005	570	554	5,129	969
Bad debt	-	92,280	-	92,280	7,258
Bank and credit card charges	-	41,617	-	41,617	45,425
Board expenses	-	13,471	-	13,471	23,841
Computer and database support	51,266	16,112	15,661	83,039	68,834
Conferences	11,280	415	589	12,284	8,066
Contributions	146	27	27	200	2,331
Depreciation	21,444	3,370	5,820	30,634	33,377
Dues and fees	8,242	5,941	4,164	18,347	17,817
Employee activities	1,838	302	604	2,744	13,208
Equipment rental and maintenance	2,127	1,275	1,240	4,642	5,101
Event expense	59,229	-	355,523	414,752	447,544
In-kind materials	1,370	-	-	1,370	8,154
Insurance	3,044	1,825	1,775	6,644	6,449
Interest expense	-	13,467	-	13,467	5,493
Marketing	-	-	-	-	13,000
Miscellaneous	4,322	2,494	2,601	9,417	2,207
Payroll fees	-	4,946	-	4,946	4,945
Postage and shipping	3,774	1,232	9,177	14,183	10,318
Printing and copying	7,336	3,296	22,324	32,956	36,333
Professional fees	198,715	15,152	31,502	245,369	489,787
Recruitment	854	158	154	1,166	3,799
Rent	89,309	53,358	51,867	194,534	234,316
Repairs and maintenance	321	192	187	700	3,125
Special projects	20,184	12,105	11,767	44,056	18,775
Staff development	27	16	17	60	22,864
Supplies	9,794	2,271	2,129	14,194	13,815
Telephone	17,738	6,729	6,386	30,853	35,378
Travel	84,800	17,508	49,168	151,476	170,919
Utilities	-	-	-	-	3,836
Website and maintenance	54,200	-	-	54,200	48,950
Total	<u>\$ 1,549,373</u>	<u>\$ 450,743</u>	<u>\$ 819,931</u>	<u>\$ 2,820,047</u>	<u>\$ 3,107,465</u>

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 74,067	\$ (223,600)
Adjustment to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	30,634	33,377
Loss on disposal of equipment	-	7,000
(Increase) decrease in:		
Pledges receivable	167,983	(48,507)
Accounts receivable	711	(1,205)
Prepaid expenses	(61,621)	165,719
Inventory	7,153	(3,240)
Increase (decrease) in:		
Accrued expenses	(51,317)	(44,052)
Accrued salaries and benefits	6,035	(1,868)
Deferred event revenue	(187,507)	240,903
Deferred rent expenses	(14,133)	12,700
<u>Net Cash Provided (Used) by Operating Activities</u>	(27,995)	137,227
<u>Cash Flows From Investing Activities</u>		
Purchase of equipment	(65,530)	-
Payment of security deposit	25,545	(12,432)
<u>Net Cash (Used) by Investing Activities</u>	(39,985)	(12,432)
<u>Cash Flows From Financing Activities</u>		
Additions to notes payable	96,534	-
Payments on notes payable	(28,662)	(6,086)
Proceeds from line of credit	100,000	65,000
Repayment of line of credit	(65,110)	(66,049)
<u>Net Cash Flows Provided (Used) by Financing Activities</u>	102,762	(7,135)
<u>Increase in Cash and Cash Equivalents</u>	34,782	117,660
<u>Cash and Cash Equivalents - Beginning of Year</u>	266,424	148,764
<u>Cash and Cash Equivalents - End of Year</u>	\$ 301,206	\$ 266,424
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 13,467	5,493
Disposal of fully depreciated fixed assets	\$ 0	\$ 18,821

See accompanying notes and Independent Auditors' Report.

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1. Organization

Family Equality Council (the Organization) 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, Transgender and Queer (LGBTQ) family movement for civil rights and equality for over 35 years.

Family Equality Council's mission, refined in March 2017, is to advance legal and lived equality for LGBTQ families, and for those who wish to form them, through building community, changing hearts and minds and driving policy change.

Family Equality Council pursues its mission through the activities of three organizational departments: Policy, Program and Communications with the support of Development and Finance/Operations. The purpose of these departments is to pursue fulfillment of our mission through work in three key areas.

- I. **Existing Family Networks:** Family Equality Council convenes, coordinates, builds curricula and shares practices for these networks, helping parents and families come together to share information and provide social support for one another through local and national networks.
- II. **Storytelling:** Through effective storytelling, Family Equality Council aims to elevate the visibility of LGBTQ families in a national context by highlighting issues important to them to educate the public about LGBTQ families and to ensure that LGBTQ families are presented fairly in the media.
- III. **Family Formation:** Family Equality Council seeks to influence and support laws, policies and regulations establishing pathways to create and protect LGBTQ families whether through surrogacy, reproductive technologies or the Adoption/Foster Care system. Family Equality Council urges the Adoption and Foster Care systems to become more LGBTQ competent and inclusive so that the two million LGBTQ adults waiting to adopt/foster may more easily do so; and that the LGBTQ youth often trapped in these systems may sooner find their forever homes.

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".
- 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:

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

b. Financial Statement Presentation (continued)

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted 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 2016 or 2015 and accordingly, these financials do not reflect any activity related to this class of net assets for 2016 or 2015.

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. Property and Equipment

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.

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
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FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- 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. Deferred event revenue
Payments received by the organization for event sponsorships, ticket purchases and event registrations for an event that takes place in the following fiscal year are considered deferred revenue due to the possibility of an event being cancelled for reasons out of the organizations control.

Payments received are treated as a liability until the event is held, at which time the payments are reclassified to revenue.
- j. Allocation of Expenses
Expenses by function have been allocated among program services, administrating and fundraising directly or on the basis of time records and estimates made by the Organization's management.
- k. 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.
- l. 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.

For the year ended December 31, 2016, in-kind contributions were recorded as follows:

Legal services	\$	97,815
Consulting		17,781
Website development and design		54,200
Rent		31,336
Travel		6,320
Event supplies		1,545
Total In-Kind	\$	<u>208,997</u>

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- m. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative financial 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, 2015, 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).

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%.

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 expired December 31, 2016.

In 2016, the Organization closed the Boston and DC offices and all employees are either working remotely or in the in-kind New York office.

In addition, the Organization received in-kind rent with a value of \$31,336 for fiscal year 2016.

Rent expense for the year ended December 31, 2016 totaled \$194,534.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consists of the following:

Time restricted	\$ 255,970
Total temporarily restricted net assets	<u>\$ 255,970</u>

Note 6. Security Deposits

Deposits at December 31, 2016 consist of the following:

Office rental deposits	\$ 375
Event deposits	2,800
Utility and phone	<u>810</u>
Total	<u>\$ 3,985</u>

FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 7. Pledges Receivable

Pledges receivable at December 31, 2016 are due to be collected in 2017.

Note 8. Notes payable

The Organization purchased equipment and software from three separate businesses in 2016. The equipment was financed as follows:

A note in the amount of \$10,800 beginning January, 2016, with monthly payments of \$644 for 18 months. The interest rate on the note was 13.5% and was repaid in June 2017

A note in the amount of \$25,284 beginning February, 2016, with monthly payments of \$1,507 for 18 months. The interest rate on the note was 13.5% and was repaid in July 2017

A note in the amount of \$65,530 beginning July, 2016, with monthly payments of \$1,572 for 48 months. The interest rate on the note is 7.1%

Notes payable balance at December 31, 2016 totaled \$73,737. Future minimum lease payments are as follows:

FY 2017	\$ 29,127
FY 2018	16,235
FY 2019	17,426
FY 2020	10,949

Note 9. Prior Period Adjustment

The prior year financial statements were restated to reclassify event sponsorships that were received in 2015 for the related 2016 event to deferred event revenue. The adjustment increased deferred revenue by \$231,083, decreased income by \$231,083, and decreased temporarily restricted net assets by \$231,083.

According to ASC 958-605-25-11 "Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional."

Note 10. 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, 2016 the balance due was \$96,688. The balance was repaid in July 2017.

Note 11. Subsequent Events

Subsequent events were evaluated through October 11, 2017, which is the date the financial statements were available to be issued.