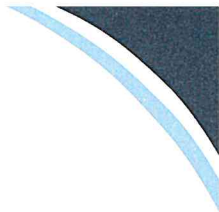


**FAMILY EQUALITY COUNCIL**

**Financial Statements**  
**December 31, 2018**  
**(With Comparative Totals for 2017)**



**FAMILY EQUALITY COUNCIL**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

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To the Board of Directors of  
Family Equality Council  
New York, NY

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, 2018, 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.

**Auditors' 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 auditors' 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, 2018, 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  
May 21, 2019

**FAMILY EQUALITY COUNCIL**

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 1,134,031	\$ 710,771
Pledges receivable (Note 6)	66,153	132,950
Accounts receivable	15,594	1,299
Prepaid expenses	77,403	73,843
Inventory	4,032	3,118
Total current assets	<u>1,297,213</u>	<u>921,981</u>
<b><u>Property and Equipment</u></b>		
Equipment	149,693	146,996
Less: accumulated depreciation	(112,429)	(91,477)
Total property and equipment	<u>37,264</u>	<u>55,519</u>
<b><u>Other Assets</u></b>		
Security deposits (Note 5)	350	850
Total other assets	<u>350</u>	<u>850</u>
<b><u>Total Assets</u></b>	<u>\$ 1,334,827</u>	<u>\$ 978,350</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities</u></b>		
Accrued expenses	\$ 98,097	\$ 60,947
Accrued salaries and benefits	48,826	26,751
Notes payable-current portion (Note 8)	17,427	16,235
Deferred event revenue	124,598	44,980
Total current liabilities	<u>288,948</u>	<u>148,913</u>
<b><u>Long-term Liabilities</u></b>		
Notes payable (Note 8)	10,749	28,176
Total long-term liabilities	<u>10,749</u>	<u>28,176</u>
<b><u>Net Assets</u></b>		
Without donor restrictions	899,409	557,966
With donor restrictions	135,721	243,295
Total net assets	<u>1,035,130</u>	<u>801,261</u>
<b><u>Total Liabilities and Net Assets</u></b>	<u>\$ 1,334,827</u>	<u>\$ 978,350</u>

See accompanying notes and Independent Auditors' Report.

**FAMILY EQUALITY COUNCIL**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>Support and Revenue</u></b>				
Grants and contributions	\$ 2,292,053	\$ 215,155	\$ 2,507,208	\$ 2,372,461
Excess of assets acquired over liabilities	-	-	-	-
in acquisition of Path2Parenthood (Note 12)	61,040	-	61,040	-
Released from restriction (Note 9)	322,729	(322,729)	-	-
Special events	850,305	-	850,305	747,585
Direct donor benefits	(39,045)	-	(39,045)	(37,804)
In-kind contributions	382,039	-	382,039	366,839
Interest income	142	-	142	70
Other income	2,400	-	2,400	220
Realized gain on stock donations	169	-	169	-
Sales	10,065	-	10,065	10,890
Total support and revenue	3,881,897	(107,574)	3,774,323	3,460,261
<b><u>Expenses</u></b>				
Program services	2,617,910	-	2,617,910	1,788,700
Administration	349,303	-	349,303	446,164
Fundraising	573,241	-	573,241	781,216
Total expenses	3,540,454	-	3,540,454	3,016,080
<b><u>Change in Net Assets</u></b>	341,443	(107,574)	233,869	444,181
<b><u>Net Assets - Beginning of Year</u></b>	557,966	243,295	801,261	357,080
<b><u>Net Assets - End of Year</u></b>	\$ 899,409	\$ 135,721	\$ 1,035,130	\$ 801,261

See accompanying notes and Independent Auditors' Report.

## FAMILY EQUALITY COUNCIL

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Program Services	Administration	Fundraising	Total	Total
Salaries	\$ 1,195,465	\$ 239,296	\$ 152,204	\$ 1,586,965	\$ 1,298,587
Payroll taxes	106,389	21,733	13,552	141,674	110,865
Employee benefits	104,295	21,305	13,286	138,886	116,311
Subtotal	<u>1,406,149</u>	<u>282,334</u>	<u>179,042</u>	<u>1,867,525</u>	<u>1,525,763</u>
Advertising	5,325	59	1,353	6,737	5,813
Bad debt	1,495	-	33,690	35,185	61,460
Bank and credit card charges	3,496	-	48,539	52,035	50,332
Board expenses	-	21,843	-	21,843	18,858
Computer and database support	54,038	4,078	12,886	71,002	53,016
Conferences	4,574	348	1,005	5,927	16,499
Contributions	2,347	164	289	2,800	955
Depreciation and amortization	11,892	3,291	5,769	20,952	24,010
Dues and fees	2,687	105	14,127	16,919	22,577
Employee activities	4,493	1,188	2,200	7,881	17,338
Equipment rental and maintenance	979	270	474	1,723	4,120
Event expense	383,350	110	78,174	461,634	483,892
In-kind event supplies	6,557	-	1,152	7,709	4,294
Insurance	2,276	626	1,103	4,005	7,078
Interest expense	-	2,632	-	2,632	8,882
Marketing	27,996	-	249	28,245	18,942
Miscellaneous	-	990	-	990	8,165
Payroll fees	-	5,693	-	5,693	7,526
Postage and shipping	2,606	455	4,827	7,888	7,692
Printing and copying	5,861	6	27,620	33,487	30,632
Professional fees	246,081	13,180	60,282	319,543	242,627
Recruitment	1,060	132	463	1,655	2,869
Rent (Note 4)	38,554	8,192	14,357	61,103	54,314
Repairs and maintenance	392	-	-	392	-
Special projects	60,000	-	-	60,000	-
Staff development	1,105	8	14	1,127	566
Supplies	13,378	701	5,054	19,133	15,657
Telephone	11,877	1,202	5,677	18,756	19,413
Travel	144,246	1,696	67,891	213,833	163,790
Website and maintenance	175,096	-	7,004	182,100	139,000
Total	<u>\$ 2,617,910</u>	<u>\$ 349,303</u>	<u>\$ 573,241</u>	<u>\$ 3,540,454</u>	<u>\$ 3,016,080</u>

See accompanying notes and Independent Auditors' Report.

**FAMILY EQUALITY COUNCIL**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<b><u>Cash Flows From Operating Activities</u></b>		
Change in net assets	\$ 233,869	\$ 444,181
Less proceeds from acquisition reclassified in investing activities (Note 12)	(61,040)	-
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation and amortization	20,952	24,010
(Increase) decrease in:		
Pledges receivable	66,797	88,345
Accounts receivable	(14,295)	1,001
Prepaid expenses	(3,560)	7,108
Inventory	(914)	4,515
Increase (decrease) in:		
Accrued expenses	37,150	(34,924)
Accrued salaries and benefits	22,075	6,624
Deferred event revenue	79,618	(8,416)
	<b>380,652</b>	<b>532,444</b>
<b><u>Net Cash Provided by Operating Activities</u></b>		
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of equipment	(2,697)	-
Refund of security deposit	500	3,135
Proceeds from acquisition of non-profit (Note 12)	61,040	-
	<b>58,843</b>	<b>3,135</b>
<b><u>Net Cash Provided by Investing Activities</u></b>		
<b><u>Cash Flows From Financing Activities</u></b>		
Payments on notes payable	(16,235)	(29,326)
Repayment of line of credit	-	(96,688)
	<b>(16,235)</b>	<b>(126,014)</b>
<b><u>Net Cash (Used) by Financing Activities</u></b>		
<b><u>Increase in Cash and Cash Equivalents</u></b>	<b>423,260</b>	<b>409,565</b>
<b><u>Cash and Cash Equivalents - Beginning of Year</u></b>	<b>710,771</b>	<b>301,206</b>
<b><u>Cash and Cash Equivalents - End of Year</u></b>	<b>\$ 1,134,031</b>	<b>\$ 710,771</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ 2,632	\$ 8,882
Disposal of fully depreciated fixed assets	\$ -	\$ 173,178

See accompanying notes and Independent Auditors' Report.

## FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

### 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 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. 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.

### 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. Basis of Presentation  
The financial statements of Family Equality Council have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Family Equality Council to report information regarding its financial position and activities according to the following net asset classifications:



**FAMILY EQUALITY COUNCIL**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

**Note 2. Summary of Significant Accounting Policies** (Continued)

b. Basis of Presentation (continued)

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Family Equality Council's management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Family Equality Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

c. Use of Estimates

The presentation of financial statements in conformity with US GAAP 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.

## FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(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 life of the equipment ranges from 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. 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 Organization's control.  
  
Payments received are treated as a liability until the fiscal year in which the event is being held, at which time the payments are reclassified to revenue.
- j. Functional Expenses  
The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, amortization, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.
- k. Contributions  
Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## FAMILY EQUALITY COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

### Note 2. Summary of Significant Accounting Policies (Continued)

i. 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, 2018, in-kind contributions were recorded as follows:

Legal services	\$ 147,253
Consulting	16,450
Website development and design	182,100
Rent	24,000
Travel	4,527
Event supplies	<u>7,709</u>
Total In-Kind	<u>\$ 382,039</u>

m. New Accounting Pronouncement

On August 18, 2016, FASB (Financial Accounting Standards Board) issued ASU (Accounting Standards Updates) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update 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. Family Equality Council has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

n. 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, 2017, 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**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

(Continued)

**Note 4. Leases**

Family Equality Council leases the following office space:

- In New York as a tenant-at-will. Payments of \$2,000 are due monthly.
- In Washington, DC, a one-year lease expiring December 31, 2018. Payments of \$500 are due monthly. Total costs including occasional cubicle rentals were \$6,150 in 2018.
- In Boston, office space was rented for a 3-month period for a total cost of \$2,800 in 2018.
- Rent was paid for storage units on a monthly basis for a total of \$4,153 in 2018.

In addition, the Organization received in-kind rent with a value of \$24,000 for fiscal year 2018.

Rent expense for the year ended December 31, 2018 totaled \$61,103.

**Note 5. Security Deposits**

Deposits on December 31, 2018 consist of the following:

Security deposits	\$ 350
Total	<u>\$ 350</u>

**Note 6. Pledges Receivable**

Pledges receivable as of December 31, 2018 are due to be collected in 2019.

**Note 7. Line of Credit**

The Organization has an open Line of Credit agreement with a bank. The agreement states that the Organization can withdraw up to \$100,000 at an interest rate of 6.5%. As of December 31, 2018, the balance due was \$0.

**Note 8. Notes Payable**

Equipment was financed 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, 2018 totaled \$28,176. Future payments are as follows:

FY 2019	\$ 17,427
FY 2020	\$ 10,749

**FAMILY EQUALITY COUNCIL**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

**Note 9. Net Assets**

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Specific Purpose		
Board Travel	\$ 140	\$ 1,571
Jay Deratany ECDF Funds	25,000	
Mini Grant Program	750	
Regional Programming Grants		886
Somerville IFED Contributions		225
Storytelling Project		85,013
Surrogacy Support	10,000	
Technical Assistance	7,176	
Passage of Time		
Contributions receivable	80,085	130,600
Time restricted 2019	12,570	25,000
Total	\$ 135,721	\$ 243,295

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of Purpose Restrictions		
Board Travel	\$ 1,431	\$
Mini Grant Program	1,750	
Outspoken Generations Grant		5,000
Regional Programming Grants		33,100
Research Project	60,000	
SAP/Technical Assistance Grant	17,824	
Somerville IFED Grants		1,262
State of Adoption Grant		100,000
Storytelling Project	85,013	14,987
Satisfaction of Time Restrictions		
Contributions receivable	156,711	120,999
Total	\$ 322,729	\$ 275,348

**FAMILY EQUALITY COUNCIL**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

**Note 10. Available Resources and Liquidity**

The following represents Family Equality Council's financial assets at December 31, 2018:

Financial assets at year-end:	2018
Cash and cash equivalents	\$ 1,134,031
Pledges receivable	66,153
Accounts receivable	15,594
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,215,778</u>

Family Equality Council's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$952,300). Family Equality Council has a \$100,000 line of credit available to meet cash flow needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources.

**Note 11. Concentrations of Credit Risk**

The Organization maintains its cash balances in four financial institutions. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 the Organization's uninsured cash balances at the financial institutions totaled \$576,437. Management believes it is not exposed to any significant credit risks on its cash balances.

**Note 12. Acquisition of Path2Parenthood**

On October 1, 2018 Family Equality Council acquired Path2Parenthood, Inc., a New York based not-for-profit Corporation, whereupon the separate corporate existence of Path2Parenthood, Inc. ceased and Family Equality Council was the surviving corporation. Family Equality Council took over the management and operations of Path2Parenthood, Inc.

The acquisition will provide Family Equality Council with Path2Parenthood, Inc.'s experience in supporting LGBTQ families through their family formation journeys, providing resources and in-person trainings explaining the pathways available through assisted reproduction, adoption, and foster care. With the acquisition complete, the vital work of Path2Parenthood, Inc. will become the family-building platform of Family Equality Council, helping LGBTQ communities across the country navigate their own paths to parenthood.

Since the acquisition occurred between two not-for-profit organizations, there was no consideration paid. At the time of acquisition, there were no known contingent liabilities. The following summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:



**FAMILY EQUALITY COUNCIL**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

**Note 12. Acquisition of Path2Parenthood** (Continued)

Cash	\$	61,551
Accounts receivable		21,765
Accounts payable and accrued expenses		(18,652)
Deferred revenue		<u>(3,624)</u>
Excess of assets acquired over liabilities in acquisition of Path2Parenthood	\$	<u>61,040</u>

**Note 13. Subsequent Events**

Subsequent events were evaluated through May 21, 2019, which is the date the financial statements were available to be issued.