

NATIONAL CENTER FOR TRANSGENDER EQUALITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2016

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Financial Statements

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Center for Transgender Equality

We have audited the accompanying financial statements of National Center for Transgender Equality (the Center), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 auditors consider 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 National Center for Transgender Equality 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
July 20, 2017

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Statement of Financial Position

December 31, 2016

Assets

Cash and cash equivalents	\$ 950,104
Grants, contributions and sponsorships receivable	267,180
Property and equipment, net	13,096
Prepaid expenses and deposits	<u>26,387</u>

Total assets \$ 1,256,767

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 83,494
Accrued vacation	<u>32,233</u>

Total liabilities 115,727

Net Assets

Unrestricted	534,495
Temporarily restricted	<u>606,545</u>

Total net assets 1,141,040

Total liabilities and net assets \$ 1,256,767

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants, contributions and sponsorships	\$ 1,097,700	\$ 975,300	\$ 2,073,000
Event income	52,424	-	52,424
Speaking and training income	18,530	-	18,530
Other income	125	-	125
Net assets released from restrictions:			
Satisfaction of purpose restrictions	466,610	(466,610)	-
Expiration of time restrictions	403,147	(403,147)	-
Total revenue and support	<u>2,038,536</u>	<u>105,543</u>	<u>2,144,079</u>
Expenses			
Program services	1,275,047	-	1,275,047
Supporting services:			
Management and general	263,574	-	263,574
Fundraising	172,831	-	172,831
Total supporting services	<u>436,405</u>	<u>-</u>	<u>436,405</u>
Total expenses	<u>1,711,452</u>	<u>-</u>	<u>1,711,452</u>
Change in Net Assets	327,084	105,543	432,627
Net Assets, beginning of year	<u>207,411</u>	<u>501,002</u>	<u>708,413</u>
Net Assets, end of year	<u>\$ 534,495</u>	<u>\$ 606,545</u>	<u>\$ 1,141,040</u>

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Statement of Cash Flows

Year Ended December 31, 2016

Cash Flows from Operating Activities	
Change in net assets	\$ 432,627
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,851
Change in operating assets and liabilities:	
Increase in grants, contributions and sponsorships receivable	(118,111)
Decrease in prepaid expenses and deposits	21
Increase in accounts payable and accrued expenses	54,532
Increase in accrued vacation	21,943
	<u>400,863</u>
Net cash provided by operating activities	
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(4,884)</u>
Net cash used in investing activities	<u>(4,884)</u>
Net Increase in Cash and Cash Equivalents	395,979
Cash and Cash Equivalents, beginning of year	<u>554,125</u>
Cash and Cash Equivalents, end of year	<u>\$ 950,104</u>

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Notes to Financial Statements

December 31, 2016

1. Nature of Operations

National Center for Transgender Equality (the Center) is a nonprofit national social justice organization devoted to ending discrimination and violence against transgender people through education and advocacy on national issues of importance to transgender people. By empowering transgender people and allies to educate and influence policymakers and others, the Center facilitates a strong and clear voice for transgender equality in the nation's capital and around the country. The Center funds its program and supporting services primarily through grants, contributions and sponsorships from various foundations, corporations and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Grants, Contributions and Sponsorships Receivable

Grants, contributions, and sponsorships receivable represents amounts due from the Center's various grantors, contributors and sponsors. There was no allowance or discount recorded at December 31, 2016 as the entire balance has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Direct costs incurred during the application stage of the development of the Center's website are capitalized and amortized over an estimated useful life of three years. Expenditures for minor and routine repairs and maintenance are expensed as incurred.

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Notes to Financial Statements

December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Center's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Center or the passage of time.

Revenue Recognition

Unconditional grants, contributions and sponsorships are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. 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 statement of activities as net assets released from restrictions. Temporarily restricted revenues are reported as unrestricted revenue if the restrictions are met in the same period received. Revenue from all other sources is recognized when earned.

Donated Services

Donated services are recognized as contributions if the services received create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. The Center received \$49,550 of donated legal services during the year ended December 31, 2016 and is included in grants, contributions and sponsorships revenue in the accompanying statement of activities.

Advertising Costs

Advertising costs are expensed as incurred. Advertising activities are typically conducted for the purpose of promoting the activities and delivering messages of the Center. Advertising expenses for the year ended December 31, 2016 was \$76,461.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain management and staff expenses have been allocated to program and supporting services on the basis of time spent.

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Notes to Financial Statements

December 31, 2016

2. Summary of Significant Accounting Policies (continued)

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 certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Concentration of Credit Risk

The Center maintains cash deposits with various financial institutions that may, from time to time, exceed insurable limits. The Center has not experienced any losses on its cash and cash equivalents and management believes that the risk of any loss is minimal.

4. Property and Equipment

The Center held the following property and equipment at December 31, 2016:

Furniture and equipment	\$	51,707
Website		<u>20,968</u>
Total property and equipment		72,675
Less: accumulated depreciation		<u>(59,579)</u>
Property and equipment, net	\$	<u><u>13,096</u></u>

5. Commitments

Operating Leases

In August 2015, the Center entered into an office occupancy lease agreement commencing on September 1, 2015 and expiring on February 28, 2017. This lease converted to a month-to-month lease after the expiration of the original period. The minimum lease payment for the year ending December 31, 2017 and in aggregate for the lease is \$14,400. Rent expense for the year ended December 31, 2016 was \$86,400 and is included in the accompanying supplemental schedule of functional expenses.

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Notes to Financial Statements

December 31, 2016

5. Commitments (continued)

Employment Agreement

In April 2015, the Center entered into an employment agreement with one of its officers with a term from April 15, 2015 to March 31, 2018. The agreement provides a specific pension contribution in addition to a pension plan available to all employees, and the officer is eligible for bonuses during the contract term, paid at the discretion of the Board of Directors. It also provides one time sabbatical leave for four months which needs to be completed no later than October 31, 2017 and a termination obligation of up to 15 weeks of the current salary and benefits.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following at December 31, 2016:

Survey	\$	78,618
Public Education		48,927
Policy Counsel		45,000
Communications		34,764
Passports		10,000
TransLegal Fiscal Sponsor		8,403
Time restricted – 2017		<u>380,833</u>
Total temporarily restricted net assets	\$	<u>606,545</u>

7. Program Services

Program service expenses consisted of the following for the years ended December 31, 2016:

General program	\$	363,054
Survey		287,056
Outreach		193,900
Public Education and Familiarization		151,073
Communications Project		140,236
State Administrative Policies		82,338
Lobbying		31,260
Pennsylvania Initiative		12,459
TransLaw		11,831
Health Policy		<u>1,840</u>
Total program service expenses	\$	<u>1,275,047</u>

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Notes to Financial Statements

December 31, 2016

8. Pension Plan

The Center maintains a SIMPLE IRA plan (the Plan) for all eligible employees. Participants may make voluntary contributions up to the maximum amount allowable by law. The Center contributes up to 3% of an employee's annual salary for all eligible employees. The Center contributed \$19,677 to the Plan during the year ended December 31, 2016.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Center is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2016, as the Center had no taxable net unrelated business income.

The Center follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Center performed an evaluation of uncertain tax positions for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At December 31, 2016, the statute of limitations for the tax years ended December 31, 2013 to 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

10. Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through July 20, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.

SUPPLEMENTAL INFORMATION

NATIONAL CENTER FOR TRANSGENDER EQUALITY

Schedule of Functional Expenses

Year Ended December 31, 2016

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries and benefits	\$ 810,600	\$ 202,107	\$ 112,213	\$ 314,320	\$ 1,124,920
Consultants	135,729	1,128	625	1,753	137,482
Rent	62,231	15,631	8,538	24,169	86,400
Advertising expenses	76,248	137	76	213	76,461
Travel and meals	47,487	1,833	4,180	6,013	53,500
Legal	25,176	24,374	-	24,374	49,550
Conferences, events and meetings	16,642	118	29,228	29,346	45,988
Accounting	27,218	9,872	3,771	13,643	40,861
Telecommunications	14,826	3,359	1,926	5,285	20,111
Printing and publications	5,403	116	6,801	6,917	12,320
Bank fees	9,201	141	1,505	1,646	10,847
Grants and sponsorships	10,595	-	-	-	10,595
Interns	10,000	-	-	-	10,000
Depreciation	7,155	1,572	1,124	2,696	9,851
Supplies	4,324	418	227	645	4,969
Website	2,978	125	62	187	3,165
Dues and subscriptions	2,519	226	125	351	2,870
Insurance	631	1,949	87	2,036	2,667
Other expenses	6,084	468	2,343	2,811	8,895
Total Expenses	<u>\$ 1,275,047</u>	<u>\$ 263,574</u>	<u>\$ 172,831</u>	<u>\$ 436,405</u>	<u>\$ 1,711,452</u>