

**GAY AND LESBIAN
VICTORY FUND, INC.**

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Financial Statements

December 31, 2009 and 2008

Gay and Lesbian Victory Fund, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Audited Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8



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Independent Auditors' Report

Board of Directors
Gay and Lesbian Victory Fund, Inc.
Washington, D.C.

We have audited the accompanying Statements of Financial Position of **Gay and Lesbian Victory Fund, Inc. (Victory Fund)** as of December 31, 2009 and 2008 and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of the **Victory Fund's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Victory Fund** as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Berry Group, CPA's

Alexandria, Virginia
March 15, 2010

Gay and Lesbian Victory Fund, Inc.

Statements of Financial Position

<i>December 31,</i>	2009	2008
Assets		
Current assets		
Cash	\$ 487,067	\$ 492,735
Prepaid expenses	1,001	514
Total current assets	488,068	493,249
Property and equipment		
Office equipment	87,324	87,324
Leasehold improvements	51,770	51,770
Less: Accumulated depreciation	(106,861)	(92,825)
Net property and equipment	32,233	46,269
Other assets		
Security deposit	20,659	20,659
Total other assets	20,659	20,659
Total assets	\$ 540,960	\$ 560,177
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 47,851	\$ 84,745
Accrued vacation	11,662	14,970
Total current liabilities	59,513	99,715
Net assets		
Unrestricted		
Undesignated	49,181	31,922
Designated	432,266	428,540
Total unrestricted net assets	481,447	460,462
Total liabilities and net assets	\$ 540,960	\$ 560,177

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Gay and Lesbian Victory Fund, Inc.

Statements of Activities and Changes in Net Assets

<i>Year Ended December 31,</i>	2009	2008
Unrestricted revenue and support		
Personal appeal	\$ 1,133,507	\$ 1,831,716
Events, net of direct expenses of \$83,899 and \$75,669 for 2009 and 2008, respectively	213,029	131,216
Direct marketing	114,148	201,701
Interest	3,827	12,190
Total unrestricted revenue and support	1,464,511	2,176,823
Expenses		
Campaigning services	1,074,944	1,651,644
Candidate marketing	188,308	377,045
Direct marketing	-	29,738
Events	10,858	15,589
Victory cabinet	118,438	168,836
Finance and operations	37,646	37,762
Board expenses	13,332	17,926
Total expenses	1,443,526	2,298,540
Change in unrestricted net assets	20,985	(121,717)
Net assets, beginning of year	460,462	582,179
Net assets, end of year	\$ 481,447	\$ 460,462

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Gay and Lesbian Victory Fund, Inc.

Statements of Cash Flows

<i>Year Ended December 31,</i>	2009	2008
Cash flows from operating activities		
Change in unrestricted net assets	\$ 20,985	\$ (121,717)
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities		
Depreciation	14,036	24,930
(Increase) decrease in:		
Prepaid expenses	(487)	(355)
Increase (decrease) in:		
Accounts payable and accrued vacation	(40,202)	61,499
Net cash (used in) operating activities	(5,668)	(35,643)
Net (decrease) in cash and cash equivalents	(5,668)	(35,643)
Cash and cash equivalents, beginning of year	492,735	528,378
Cash and cash equivalents, end of year	\$ 487,067	\$ 492,735

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Gay and Lesbian Victory Fund, Inc.

Notes to Financial Statements

- 1. Organization and nature of activities** **The Gay and Lesbian Victory Fund, Inc. (Victory Fund)** is a District of Columbia non-profit corporation. It is a political organization exempt from federal taxation under section 527 of the Internal Revenue Code of 1986 as amended and is registered as a political committee, to the extent required by applicable state and/or local law, in those states and localities in which it makes contributions or disbursements.

Victory Fund is recognized as the leading national political organization that identifies and supports openly lesbian, gay, bisexual and transgender candidates. It is the only national organization committed to increasing the number of openly gay and lesbian public officials at federal, state and local levels of government. To win **Victory Fund** support, applicants must meet the **Victory Fund's** stringent criteria and complete an exhaustive screening process to prove they are viable candidates. **Victory Fund** has successfully increased the number of openly gay officials from 49 in 1991 to more than 450 today.

- 2. Summary of significant accounting policies** **Basis of accounting and presentation:** The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Nonprofit Organizations*".

Political contributions received on behalf of candidates and transmitted directly to them are not recorded in the financial statements. For the years ended December 31, 2009 and 2008, **Victory Fund** received and transmitted \$836,771 and \$858,058, respectively, in direct political contributions.

Revenue from direct marketing and fundraising efforts are recorded as received.

Cash and cash equivalents: For purposes of the statements of cash flows, **Victory Fund** considers all unrestricted highly liquid investments with an initial maturity of less than one year to be cash equivalents.

Property and equipment: Property and equipment are recorded at cost if purchased and at fair value if donated. **Victory Fund** follows the practice of capitalizing expenditures for fixed assets in excess of \$5,000. Depreciation is computed using the straight-line method over periods of five to ten years. Leasehold improvements are amortized over the original life of the lease.

Designation of unrestricted net assets: It is the policy of the Board of Directors of **Victory Fund** to review its plans for future activities and acquisitions from time to time and to designate appropriate sums to assure adequate financing of such activities and acquisitions.

Gay and Lesbian Victory Fund, Inc.

Notes to Financial Statements

- 2. Summary of significant accounting policies (continued)**

Income taxes: Victory Fund is exempt from Federal income tax, except under Internal Revenue Code Section 527, whereby it is subject to income taxes on the lesser of its exempt activity expenditures or investment income.

Reclassification: Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

- 3. Restrictions on cash**
- Victory Fund** is required to maintain cash from political contributions in separate accounts according to applicable federal and state election laws. Balances at December 31 were as follows:

Description	2009	2008
Non-federal – Arkansas	\$ 505	\$ 305
Non-federal – Connecticut	-	84
Non-federal – Massachusetts	1,172	37
Non-federal – Minnesota	2,546	835
Non-federal – New Mexico	428	428
Non-federal – New York	559	250
Non-federal – North Carolina	197	197
Non-federal – Ohio	290	490
Non-federal – Virginia	220	220
Total restricted cash	\$ 5,917	\$ 2,846

- 4. Property and equipment**
- Property and equipment at December 31 was as follows:

Description	2009	2008
Office equipment	\$ 87,324	\$ 87,324
Leasehold improvements	51,770	51,770
Total	139,094	139,094
Less: Accumulated depreciation	(106,861)	(92,825)
Net property and equipment	\$ 32,233	\$ 46,269

Depreciation expense for December 31, 2009 and 2008 was \$14,036 and \$24,930, respectively.

- 5. Concentration of credit risk**
- Victory Fund** maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. **Victory Fund** has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to cash. In January 2009, **Victory Fund** amended its cash policy to require all cash funds be maintained in checking accounts and investment instruments that are within the FDIC limits.

Gay and Lesbian Victory Fund, Inc.

Notes to Financial Statements

6. **Related party transactions** The Gay and Lesbian Leadership Institute (GLLI) is a 501 (c) (3) non-profit organization that was known as the Gay and Lesbian Victory Foundation before April, 2004. GLLI entered into an agreement with **Victory Fund** whereby **Victory Fund** provides management services and use of the facilities and invoices GLLI monthly, based on cost allocations and direct costs incurred. **Victory Fund's** president also serves as president for GLLI. **Victory Fund** reduces its reported expenditures by the cost reimbursed by GLLI.

Total amounts invoiced to GLLI for the year ended December 31, 2009 and 2008 were \$790,000 and \$716,000, respectively. At December 31, 2009 and 2008, GLLI had no balance due to **Victory Fund**.

7. **Commitments** **Victory Fund** signed a new office lease in March 2006 for a period of sixty-six months, which began on July 1, 2006. The operating lease provides for a 2.5% annual rent escalation, and a renewal option for one five-year term. Additionally, **Victory Fund** has a copier lease expiring in 2013.

The following is the future minimum lease payments required for all leases:

Year ending December 31,	Amount
2010	\$ 88,908
2011	90,939
2012	7,680
2013	4,480
Total future minimum lease payments	\$ 192,007

Rent expense for December 31, 2009 and 2008 was \$159,503 and \$153,394, respectively.

8. **Designation of unrestricted net assets** The Board of Directors has designated \$432,266 and \$428,540 as an operating reserve at December 31, 2009 and 2008, respectively.
9. **Non-Qualified tax deferred compensation plan, 457(b)** On December 30, 2008, **Victory Fund** established a section 457(b) plan of the Internal Revenue Code, for the benefit of its Chief Executive Officer. The plan is a non-qualified tax deferred compensation plan, which is effective January 1, 2009. Under this plan, both the employee and employer can contribute to the plan, as determined annually and subject to certain limitations. **Victory Fund** did not make any employer contributions towards this plan in 2009 and 2008.

Gay and Lesbian Victory Fund, Inc.

Notes to Financial Statements

10. Defined contribution plan

During 2007, **Victory Fund** had a 401(k) defined contribution employee plan arrangement covering all employees who are at least 21 years of age. In 2007, the Plan was revised to allow employer contributions equal to 50% of the employee's elective deferral, which is not to exceed 5% of the employee's compensation. Employees become fully vested on the employer's contributions at the end of the third year.

In 2008, **Victory Fund** amended its 401(k) defined contribution plan by adopting the Safe Harbor 401(k) plan provisions. Under the 401(k) Safe Harbor plan, employer contributions to the plan vest 100% when made. The plan provides for the following employer match, which varies depending on employees' contributions as a percentage of their base compensation:

	Employee Contribution %	Employer match %
Percent of base compensation	0 – 3%	Same as employee
Percent of base compensation	4%	3.5%
Percent of base compensation	5%	4%

During 2009 and 2008, **Victory Fund** contributed to the defined contribution plan \$34,736 and \$34,780, respectively.