

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

ooOoo

Financial Statements

December 31, 2010 and 2009

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



PHONE: (703) 838-7611
FAX: (703) 838-7612
WWW.BGCPAS.COM

BERRY GROUP, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
3139 MOUNT VERNON AVENUE
ALEXANDRIA, VIRGINIA 22305


Independent Auditors' Report

The 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, 2010 and 2009 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, 2010 and 2009 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.


Alexandria, Virginia
March 31, 2011

Gay and Lesbian Victory Fund, Inc.

Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets		
Current assets		
Cash	\$ 462,655	\$ 487,067
Due from GLLI	12,983	-
Prepaid expenses	588	1,001
Total current assets	476,226	488,068
Property and equipment		
Office equipment	57,815	87,324
Leasehold improvements	51,770	51,770
Less: Accumulated depreciation	(90,781)	(106,861)
Net property and equipment	18,804	32,233
Other assets		
Security deposit	20,659	20,659
Total other assets	20,659	20,659
Total assets	\$ 515,689	\$ 540,960
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 190,320	\$ 47,851
Accrued vacation	9,948	11,662
Total current liabilities	200,268	59,513
Net assets		
Unrestricted		
Undesignated	49,181	49,181
Designated	266,240	432,266
Total unrestricted net assets	315,421	481,447
Total liabilities and net assets	\$ 515,689	\$ 540,960

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>	2010	2009
Unrestricted revenue and support		
Personal appeal	\$ 1,340,398	\$ 1,133,507
Events, net of direct expenses of \$292,300 and \$83,899 for 2010 and 2009, respectively	224,698	213,029
Direct marketing	98,860	114,148
Interest	1,862	3,827
Total unrestricted revenue and support	1,665,818	1,464,511
Expenses		
Campaigning services	1,261,414	1,074,944
Candidate marketing	372,128	188,308
Events	5,636	10,858
Victory cabinet	136,107	118,438
Finance and operations	40,486	37,646
Board expenses	16,073	13,332
Total expenses	1,831,844	1,443,526
Change in unrestricted net assets	(166,026)	20,985
Net assets, beginning of year	481,447	460,462
Net assets, end of year	\$ 315,421	\$ 481,447

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>	2010	2009
Cash flows from operating activities		
Change in unrestricted net assets	\$ (166,026)	\$ 20,985
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities		
Depreciation	19,442	14,036
(Increase) decrease in:		
Due from GLLI	(12,983)	-
Prepaid expenses	413	(487)
Increase (decrease) in:		
Accounts payable and accrued vacation	140,755	(40,202)
Net cash (used in) operating activities	(18,399)	(5,668)
Cash flows from investing activities		
Purchase of property and equipment	(6,013)	-
Net cash provided by (used in) investing activities	(6,013)	-
Net (decrease) in cash and cash equivalents	(24,412)	(5,668)
Cash and cash equivalents, beginning of year	487,067	492,735
Cash and cash equivalents, end of year	\$ 462,655	\$ 487,067

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 **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 500 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, 2010 and 2009, **Victory Fund** received and transmitted \$555,470 and \$836,771, 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	2010	2009
Federal PAC	\$ 389	\$ -
Non-federal – Arkansas	100	505
Non-federal – Massachusetts	247	1,172
Non-federal – Minnesota	2,046	2,546
Non-federal – New Mexico	100	428
Non-federal – New York	100	559
Non-federal – North Carolina	100	197
Non-federal – Ohio	100	290
Non-federal – Pennsylvania	100	-
Non-federal – Virginia	560	220
Total restricted cash	\$ 3,842	\$ 5,917

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

Description	2010	2009
Office equipment	\$ 57,815	\$ 87,324
Leasehold improvements	51,770	51,770
Total	109,585	139,094
Less: Accumulated depreciation	(90,781)	(106,861)
Net property and equipment	\$ 18,804	\$ 32,233

Depreciation expense for December 31, 2010 and 2009 was \$19,442 and \$14,036, 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, 2010 and 2009 were \$996,500 and \$790,000, respectively. At December 31, 2010 GLLI had a balance due to **Victory Fund** totaling \$12,983. At December 31, 2009, GLLI had no balance due to **Victory Fund**.

- 7. Commitments** **Victory Fund** signed an 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;	Office	Copier	Total
2011	\$83,259	\$7,680	\$90,939
2012	-	7,680	7,680
2013	-	4,480	4,480
Total future minimum lease payments	\$83,259	\$19,840	\$103,099

Total rent and occupancy costs for the year ended December 31, 2010 and 2009 was \$148,490 and \$159,503, respectively. **Victory Fund** is reimbursed by GLLI for its proportionate share in rent and occupancy costs.

- 8. Designation of unrestricted net assets** The Board of Directors has designated \$266,240 and \$432,266 as an operating reserve at December 31, 2010 and 2009, 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 2010 and 2009.

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 2010 and 2009, **Victory Fund** contributed to the defined contribution plan \$37,137 and \$34,736, respectively.