DIVERSITY RICHMOND, INC.

Financial Statements

December 31, 2019 and 2018

doing business as

Diversity Richmond

Diversity Thrift

1407 Sherwood Avenue
Richmond, Virginia 23220
(804) 622-4646
www.diversityrichmond.org

Index

Steve Walls & Associates, PLLC
11541 Nuckols Rd., Ste. A, Glen Allen, VA 23059

Independent Auditor's Report

To the Board of Directors
Diversity Richmond, Inc.
Richmond, Virginia

We have audited the accompanying financial statements of Diversity Richmond, Inc. (the "Organization"), which are comprised of the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of cash flows for the years then ended and the related notes to the financial statements (collectively hereafter the "financial statements").

Management's Responsibility for the Financial Statements

Management of the Organization 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.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on the 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Steve Wells & Associates, PLLC

August 14, 2020

Diversity Richmond, Inc.

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 532,921	$ 352,626
Cash and cash equivalents - Board designated	51,853	51,154
Total cash and cash equivalents (Notes 2 and 5)	584,774	403,780
Investments - Board designated (Notes 2 and 3)	256,595	250,209
Accounts receivable	3,550	3,648
Thrift store inventory	82,072	69,353
Total current assets	926,991	726,990
Property and equipment, net (Note 4)	1,677,013	1,675,787
Other assets	12,144	14,906
Total assets	$ 2,616,148	$ 2,417,683
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 30,841	$ 35,276
Deposits held	11,879	13,487
Current portion of long-term debt (Note 5)	71,983	73,666
Total current liabilities	114,703	122,429
Long-term liabilities		
Long-term portion of debt (Note 5)	727,354	760,214
Total liabilities	842,057	882,643
Net assets		
Without donor restrictions	1,720,528	1,508,723
With donor restrictions (Note 8)	53,563	26,317
Total net assets	1,774,091	1,535,040
Total liabilities and net assets	$ 2,616,148	$ 2,417,683

See accompanying notes to financial statements.

Diversity Richmond, Inc.

Statements of Activities and Changes in Net Assets
Years ended December 31, 2019 and 2018

	2019	2018
Change in Net Assets Without Donor Restrictions		
Revenues		
Thrift store sales, net	$ 1,111,873	$ 938,687
Contributions	96,017	81,144
Program revenue	239	632
Interest income	12,490	1,634
Other income	1,683	2,250
Rental income - Billboard (Notes 5 and 7)	98,945	79,622
Rental income - Events Hall (Note 5)	56,435	52,625
Rental income - Other (Note 5)	5,545	2,960
Bingo revenues, net of direct expenses	5,725	19,254
Net assets released from donor restrictions	59,754	41,890
Total revenues	1,448,706	1,220,698
Expenses		
Program services	1,103,784	954,327
Management and general	102,330	87,212
Fundraising	30,787	29,078
Total expenses	1,236,901	1,070,617
Change in net assets without donor restrictions	211,805	150,081
Change in Net Assets With Donor Restrictions		
Contributions (Note 8)	87,000	40,000
Net assets released from donor restrictions (Note 8)	(59,754)	(41,890)
Change in net assets with donor restrictions	27,246	(1,890)
Change in net assets	239,051	148,191
Net assets, beginning of year	1,535,040	1,386,849
Net assets, end of year	$ 1,774,091	$ 1,535,040

See accompanying notes to financial statements.

Diversity Richmond, Inc.

Statement of Functional Expenses
Year ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 499,032	$ 48,190	$ 16,381	$ 563,603
Payroll taxes	37,633	3,671	1,244	42,548
Employee benefits and other	57,653	5,624	1,906	65,183
Total compensation	594,318	57,485	19,531	671,334
Advertising	7,301	497	-	7,798
Conferences and meetings	4,776	1,457	298	6,531
Depreciation (Note 2)	72,225	3,842	768	76,835
Events	60,730	3,945	75	64,750
Grants and contributions	72,142	-	-	72,142
Insurance	14,173	1,370	466	16,009
Interest (Notes 5 and 6)	66,323	3,528	705	70,556
Maintenance and repairs	36,863	9,701	1,940	48,504
Merchant account fees	24,196	-	950	25,146
Office and supplies	12,314	11,844	4,117	28,275
Other	8,199	793	269	9,261
Professional fees	21,890	2,116	719	24,725
Taxes and licenses (Note 4)	17,497	931	186	18,614
Utilities	71,713	3,814	763	76,290
Vehicle	19,124	1,007	-	20,131
Total functional expenses	$ 1,103,784	$ 102,330	$ 30,787	$ 1,236,901

See accompanying notes to financial statements.

Diversity Richmond, Inc.

Statement of Functional Expenses
Year ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 447,894	$ 47,596	$ 15,350	$ 510,840
Payroll taxes	36,025	3,792	1,222	41,039
Employee benefits and other	62,495	5,820	4,273	72,588
Total compensation	546,414	57,208	20,845	624,467
Advertising	5,028	246	-	5,274
Conferences and meetings	1,425	2,294	355	4,074
Depreciation (Note 2)	57,926	3,080	616	61,622
Events	44,889	-	-	44,889
Grants and contributions	40,955	-	-	40,955
Insurance	14,873	1,910	226	17,009
Interest (Notes 5 and 6)	25,033	1,332	266	26,631
Maintenance and repairs	30,743	8,038	1,608	40,389
Merchant account fees	20,950	-	-	20,950
Office and supplies	17,977	3,374	3,229	24,580
Other	8,084	921	186	9,191
Professional fees	36,559	4,154	831	41,544
Taxes and licenses (Note 4)	20,948	1,114	223	22,285
Utilities	65,155	3,466	693	69,314
Vehicle	17,368	75	-	17,443
Total functional expenses	$ 954,327	$ 87,212	$ 29,078	$ 1,070,617

See accompanying notes to financial statements.

Diversity Richmond, Inc.

Statements of Cash Flows
Years ended December 31, 2019 and 2018

		2019		2018
Cash Flows From Operating Activities				
Change in net assets	$	239,051	$	148,191
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation (Note 2)		76,835		79,952
Amortization of deferred loan fees		373		373
Interest income on investments		(6,391)		(209)
Fair market value adjustment for interest rate swap agreement (Note 6)		33,381		(13,544)
(Increase) decrease in operating assets:				
Accounts receivable		98		9,667
Thrift store inventory		(12,719)		(4,596)
Other assets		2,762		(8,342)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		(4,435)		621
Bingo prizes payable		-		(2,543)
Deposits held		(1,608)		950
Net cash provided by operating activities		327,347		210,520
Cash Flows From Investing Activities				
Purchase of investments		-		(250,000)
Purchases of property and equipment		(78,056)		(27,920)
Net cash used by investing activities		(78,056)		(277,920)
Cash Flows From Financing Activities				
Principal payments on long-term debt		(68,297)		(81,378)
Net cash used by financing activities		(68,297)		(81,378)
Increase (decrease) in cash and cash equivalents		180,994		(148,778)
Cash and cash equivalents, beginning of year		403,780		552,558
Cash and cash equivalents, end of year	$	584,774	$	403,780

See accompanying notes to financial statements.

Note 1—Purpose of the Organization

Diversity Richmond, Inc. (the "Organization") is a non-profit corporation established under the laws of the Commonwealth of Virginia. The Organization is nonpartisan and its mission is to improve the lives of LGBTQ+ individuals. The Organization raises funds through the operation of a thrift store (doing business as *Diversity Thrift*) and rental activities at its facilities in Richmond, Virginia. Through July 2018, the Organization operated bingo games available to the general public (doing business as *Diversity Bingo*). Subsequent to July 2018, the Organization holds bingo games for invited guests for fundraising purposes.

The Organization is an Accredited Charity by the Better Business Bureau and meets the Better Business Bureau's twenty (20) standards for charity accountability in all categories: (a) governance, (b) measuring effectiveness, (c) finances and (d) fundraising and information. The Organization's accreditation expires in December 2020.

Pursuant to the Organization's Bylaws, the Organization is governed by a Board of Directors comprised of at least seven (7) but no more than thirty (30) individuals. At December 31, 2019, the Board of Directors consisted of sixteen (16) members, all of whom were independent of the Organization. In addition to Board and Committee service, the Organization is the grateful recipient of financial contributions from 100% of its Board of Directors and Executive Management.

The Organization's Treasurer is an employee of Truist (formerly SunTrust Bank), the commercial bank utilized by the Organization for its depository accounts and its mortgage loan payable. At December 31, 2019, Truist held approximately $568,000 of the Organization's cash and cash equivalents and also held an outstanding commercial real estate mortgage loan in the amount of $780,323. The Organization believes the terms of its business activities with Truist are consummated at fair value.

Note 2—Summary of Significant Accounting Policies

Financial statement presentation: The Organization's financial statements are presented under accounting principles generally accepted in the United States of America ("GAAP") and follow the Financial Accounting Standards Board Accounting Standards Codification ("Codification") Topic 958, *Not-for-Profit Entities* ("Topic 958"). Pursuant to the Codification, the Organization reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as the contributions were received are reported as net assets without donor restrictions in the statements of activities and changes in net assets.

Contributions: Each year, the Organization receives pledges from donors for specific program purposes. Generally speaking, the form and content of these pledge agreements do not meet the criteria established by Topic 958 to record these pledge agreements as receivables. Accordingly, such pledge agreements are recorded upon receipt as revenues in the accompanying statements of activities and changes in net assets. As of December 31, 2019 and 2018, the Organization maintained $53,563 and $26,317, respectively, in net assets with donor restrictions to be used for program purposes (see Note 8).

Note 2—Summary of Significant Accounting Policies (continued)

Thrift store inventory: The Organization receives contributions of goods (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. GAAP requires that contributions received be recognized as revenues in the period received and as assets or decreases of liabilities or expenses depending on the form of the benefits received. Pursuant to Topic 958, contributions are required to be measured at their estimated fair value.

The Organization believes that the inventory of contributed goods does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the Organization's value-added processes that prepare the donated inventory for sale that the donated inventory derives its value. Accordingly, inventory quantities are valued at year-end and the difference between year-end inventory valuations is included in the statements of activities and changes in net assets in "Thrift store sales, net".

Cash and cash equivalents: The Organization considers all investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2019 and 2018, the Board has designated $51,853 and $51,154, respectively, of the Organization's cash and cash equivalents to fund building renovations and for operating contingencies. These funds are reported in the accompanying financial statements as net assets without donor restrictions as the designation is made solely at the discretion of the Organization's Board of Directors. As discussed in Note 5, the Organization's cash and cash equivalents have been pledged as collateral under a mortgage note payable to its commercial bank.

Investments: The Organization's certificates of deposit are recorded at cost. Due to the short-term nature of these instruments, cost is deemed to approximate fair value. Interest income is recorded on the accrual basis using contractual interest rates in effect during the term of each instrument. The Organization's certificates of deposit are subject to early withdrawal penalties; such matters have not been reflected in the accompanying financial statements as management believes the likelihood of early withdrawal is remote. As of December 31, 2019 and 2018, the Board has designated the Organization's certificates of deposit to fund building renovations and for operating contingencies.

Property and equipment: Property and equipment are stated at cost. The Organization capitalizes assets with an original cost over $500. Depreciation is computed on the straight-line method over the useful lives of the assets ranging from three to 40 years. Depreciation expense for the years ended December 31, 2019 and 2018, was $76,835 and $79,952, respectively. For financial statement purposes, depreciation totaling $18,330 has been reclassified to "Bingo revenues, net of direct expenses" on the accompanying statement of activities and changes in net assets for the year ended December 31, 2018.

Advertising costs: Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were $7,798 and $5,274, respectively.

Note 2—Summary of Significant Accounting Policies (continued)

Concentrations of credit risk: At various times during the years ended December 31, 2019 and 2018, the Organization maintained cash balances on deposit with its commercial bank in excess of federally insured limits. Management of the Organization has evaluated this matter and does not believe the Organization is exposed to undue credit risk.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications: Certain amounts previously presented in the Organization's 2018 financial statements have been reclassified to conform to presentations adopted in 2019.

Subsequent events: Management has evaluated events occurring subsequent to the date of the financial statements through August 14, 2020 (the date which the financial statements were available for issuance) for matters that would require adjustment to, or disclosure in, the financial statements and has determined that there are no events warranting adjustment or disclosure other than the matters discussed in Notes 13 and 14.

Fair value disclosures: Except as disclosed in Notes 4 and 6, for purposes of fair value disclosures required pursuant to GAAP, the Organization's financial assets and liabilities are short-term in nature and cost is deemed to approximate fair value.

Functional allocation of expenses: For purposes of the statements of functional expenses, direct expenses that are able to be allocated using the specific identification method are reported accordingly. Indirect expenses are allocated using an allocation model based on an analysis of time and effort expended by each staff member for program, management and general, and fundraising purposes. This analysis resulted in an allocation model as follows for each of the years ended December 31, 2019 and 2018:

Program	94%
Management and General	5%
Fundraising	1%

Recent accounting pronouncements: Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* ("ASU 2018-08") was issued in June 2018 and will be effective for the Organization's 2020 calendar year. ASU 2018-08 clarifies existing rules to enable not-for-profit entities to determine whether revenue transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchanges (reciprocal transactions) within the scope of Topic 606, *Revenues from Contracts with Customers*. ASU 2018-08 also provides guidance to assist not-for-profit entities to determine whether a contribution is unconditional or conditional. The Organization has not assessed the impact of implementing ASU 2018-08 but does not expect it to materially affect the Organization's financial statements.

Note 2—Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued Accounting Standards Update 2016-02, Topic 842, *Leases*, ("ASU 2016-02") regarding the accounting for and disclosure of lease arrangements. Implementation of ASU 2016-02 will be effective for the Organization's 2022 calendar year. The stated purpose of ASU 2016-02 is to increase transparency and comparability among all entities by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The Organization intends to implement ASU 2016-02 in 2022 and expects the impact of ASU 2016-02 to be immaterial as the Organization's leasing activities have historically been insignificant.

Management is unaware of any additional accounting standards that have been issued or proposed by the FASB (or any other applicable standards-setting bodies) that are expected to have an impact on the Organization's financial statements.

Note 3—Investments

As of December 31, 2019 and 2018, the Organization held two domestic certificates of deposit through a retail brokerage firm, as follows:

	2019	2018
Certificate of deposit, Bank of China New York City, matured March 2020, bearing interest at 1.80%	$ 247,000	$ -
Certificate of deposit, Santander Bank N.A., matured March 2020, bearing interest at 1.75%	9,000	-
Certificate of deposit, Zions Bancorporation National Association, matured June 2019, bearing interest at 2.45%	-	125,000
Certificate of deposit, State Bank India, matured December 2019, bearing interest at 2.80%	-	125,000
Money market account bearing interest at 1.03%	595	209
	$ 256,595	$ 250,209

The aforementioned certificates of deposit are fully insured by the FDIC and are subject to early withdrawal penalties.

Note 4—Property and Equipment

The Organization's property and equipment as of December 31, 2019 and 2018, was as follows:

	2019	2018
Land	$ 251,000	$ 251,000
Land improvements	35,910	20,319
Building and building improvements	2,032,814	1,974,002
Vehicle	32,529	32,529
Furniture and fixtures	96,024	106,556
	2,448,277	2,384,406
Less: accumulated depreciation	(771,264)	(708,619)
Property and equipment, net	$ 1,677,013	$ 1,675,787

For real estate tax purposes, the Organization's building qualifies for a rehabilitation credit from the City of Richmond which amounted to $7,206 and $6,822 for the years ended December 31, 2019 and 2018, respectively. The rehabilitation credit was originally issued in 2009 and expires in 2023. As discussed in Note 5, all of the Organization's property and equipment have been pledged as collateral under a mortgage note payable to its commercial bank.

For purposes of fair value disclosures, the City of Richmond's ("the City") assessment utilized for the City's January 2020 real estate tax assessment valued the Organization's real property at $2,246,000. Due to the methodologies utilized by the City for real estate assessment purposes, this amount may be suggestive (but not necessarily indicative) of fair value determined on an open market.

Note 5—Indebtedness

The Organization's indebtedness as of December 31, 2019 and 2018, was as follows:

	2019	2018
Variable rate mortgage loan payable to bank, due monthly at $8,758, including interest at one month LIBOR plus 2.20% (3.91% and 4.66% at December 31, 2019 and 2018, respectively), due 2028. Secured by deed of trust on real estate, assignment of rents and funds on deposit with the bank	$ 780,323	$ 848,620
Interest rate swap instrument converting above mortgage loan payable from variable rate to fixed rate, expiring 2028 (see Note 6)	22,371	(11,010)
Deferred loan fees	(3,357)	(3,730)
	799,337	833,880
Less: current portion	(71,983)	(73,666)
Long-term portion of debt	$ 727,354	$ 760,214

For purposes of the statements of cash flows, interest payments totaled $36,802 and $39,802 for the years ended December 31, 2019 and 2018, respectively.

Future principal payments are as follows:

Years Ending December 31:	Amount
2020	$ 71,983
2021	75,246
2022	78,655
2023	82,220
2024	85,945
Thereafter	386,274
Total	$ 780,323

Note 5—Indebtedness (continued)

In 2016, the Organization entered into an interest rate swap agreement (see Note 6) and incurred loan fees in the amount of $4,476 which are being amortized over the life of the agreement (12 years) using the straight-line method (which approximates the level yield method). Amortization expense for these deferred loan fees amounted to $373 for each of the years ended December 31, 2019 and 2018.

A summary of the components of interest expense for the years ended December 31, 2019 and 2018 follows:

	2019	2018
Interest payments	$ 36,802	$ 39,802
Amortization of deferred loan fees	373	373
Fair value adjustment for interest rate swap instrument	33,381	(13,544)
Total	$ 70,556	$ 26,631

The Organization maintains a credit card to facilitate incidental and web-based purchases with a $26,000 credit limit. As of December 31, 2019 and 2018, the available balance on the credit card was $22,472 and $20,933, respectively.

Note 6—Interest Rate Swap Agreement

Effective December 2, 2016, the Organization entered into an interest rate swap agreement accounted for as a fair value hedge to convert the interest payments on its variable rate mortgage loan payable (see Note 5) to a fixed rate. The interest rate swap agreement converts interest payments to a fixed rate of 4.44% and expires in 2028.

For the years ended December 31, 2019 and 2018, the fair value of the interest rate swap instrument (decreased) increased by ($33,381) and $13,544, respectively. Pursuant to criteria established by the Codification, the change in fair value of fair value hedge transactions is reflected in operations as income or expense; accordingly, an expense of $33,381 and income of $13,544 is reported in the accompanying statements of functional expenses as an adjustment to "Interest" for the years ended December 31, 2019 and 2018, respectively.

The fair value of the Organization's interest rate swap instrument has been calculated by discounting anticipated future cash flows of both the fixed rate and variable rate interest payments. The discount rate was derived from a yield curve created by a major financial institution. The fair value of the interest rate swap as of December 31, 2019 and 2018, was ($22,371) and $11,010, respectively, and is reported in the accompanying statements of financial position in "Long-term portion of debt".

Note 7—Operating Leases

In 2011, the Organization, as lessor, entered into a 20-year operating lease for a specific parcel of real property to an independent third party to utilize for billboard advertising purposes. This operating lease stipulates base rental income of $25,000 per year plus 20% of annual billings (in excess of base rental) as percentage rent. During the years ended December 31, 2019 and 2018, the Organization collected $98,945 and $79,622, respectively, in rental income under this operating lease agreement. As discussed in Note 4, this rental income is pledged as collateral under the Organization's mortgage note payable.

Note 8— Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, were restricted as follows:

	2019	2018
Performances and events	$ 25,267	$ 21,317
Executive Director's discretionary fund	-	5,000
Race relations	8,296	-
Iridian Art Gallery	2,000	-
Potential PRIDE merger (see Note 14)	18,000	-
	$ 53,563	$ 26,317

During the years ended December 31, 2019 and 2018, net assets with donor restrictions were received and used, as follows:

	Amount
Balance, January 1, 2018	$ 28,207
Expenditures from Executive Director's discretionary fund	(5,000)
Grant received for performances and associated events	40,000
Costs incurred for performances and associated events	(36,390)
Black Pride/LGBTQ+ awareness	(500)
Balance, December 31, 2018	26,317
Expenditures from Executive Director's discretionary fund	(5,000)
Grant received for performances and associated events	40,000
Costs incurred for performances and associated events	(36,050)
Grant received for potential VA PRIDE merger	20,000
Costs incurred for potential VA PRIDE merger	(2,000)
Contributons for Iridian Art Gallery	2,000
Grant received for race relations	25,000
Costs incurred for race relations	(16,704)
Balance, December 31, 2019	$ 53,563

Note 8— Net Assets with Donor Restrictions (continued)

During 2016, the Organization received a donor restricted contribution in the amount of $15,000 to establish a discretionary fund to be disbursed by the Executive Director for the benefit of LGBTQ+ individuals in need. Pursuant to such restrictions, $5,000 of these funds were to be utilized in each calendar year from 2017 through 2019. In each of the years ended December 31, 2019, and 2018, the Organization received a $40,000 contribution restricted to fund performances and associated events free to the general public.

Note 9—Contributed Services

The Organization is the grateful recipient of significant services by volunteers who have made invaluable contributions of their time and talent to aid the Organization in its mission. Predominantly, volunteers provide services in the Organization's program services, thrift store operations or as Board or committee members. As the value of such services is not subject to accurate measurement, pursuant to Topic 958 the value of these contributed services is not reflected in the accompanying financial statements.

Note 10— Contingencies

In the normal course of operations, the Organization is subject to litigation from disgruntled customers, employees and various other parties. Management has evaluated all outstanding threatened and/or active litigation and has concluded that such matters are frivolous and/or clearly insignificant to the Organization's accompanying financial statements. In the unlikely event an outstanding matter is unfavorably resolved through the judicial system, mediation or settlement, the Organization maintains adequate general liability insurance to mitigate its risk exposure.

Note 11—Tax Matters

As evidenced by its tax determination letter dated April 26, 2004, the Organization is exempt from Federal income tax under Sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code (the "Code"). The Organization files Form 990, *Return of Organization Exempt from Income Taxes*, and Form 990-T, *Exempt Organization Business Income Tax Return*, on an annual basis.

As a qualifying non-profit organization, the Organization has been issued a Retail Sales and Use Tax Certificate of Exemption from the Commonwealth of Virginia Department of Taxation. This exemption enables the Organization to purchase qualifying tangible personal property without being subject to Virginia sales and use tax. The Organization is unable to accurately quantify the annual tax savings resulting from this exemption. The exemption was renewed in April 2016 and expires in April 2021.

As discussed in Note 4, the Organization's building qualifies for a rehabilitation credit from the City of Richmond for real estate taxes.

Note 11—Tax Matters (continued)

With limited exceptions, the Organization's Forms 990 and 990-T are open to examination by the Internal Revenue Service for its 2017 through 2019 tax years. In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that would require adjustment to or disclosure in the accompanying financial statements.

Note 12—Liquidity

The Organization's financial assets at December 31, 2019 available through the year ending December 31, 2020 are as follows:

Cash and cash equivalents	$ 584,774
Investments	256,595
Accounts receivable	3,550
Total	$ 844,919

As discussed in Note 3, the Organization's certificates of deposit mature in March 2020. The Organization's 2020 operating expenditures are budgeted in the amount of approximately $675,000. Management believes it has sufficient liquidity to meet the Organization's operating needs for the upcoming calendar year (see Note 13).

Note 13—Uncertainty

In early 2020, the World Health Organization declared the COVID–19 (Coronavirus) outbreak to be a pandemic. The United States (U.S.) Government's response to the pandemic included significant limitations on many aspects of Americans' daily lives, including personal mobility and closures of many public facilities. These limitations have caused significant disruption to workflow for U.S. companies and also has negatively impacted the financial markets in the U.S. and around the globe.

Specific impacts to the Organization as a result of the pandemic include closure of its retail thrift store from April 2020 through June 2020 (re-opened on June 18, 2020 with limited hours) and the furlough of approximately 15 employees.

The Organization meets the criteria of Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") regarding its Paycheck Protection Program ("PPP") and the Organization received a PPP loan in the amount of $116,762 from the Small Business Administration in May 2020. The terms of the PPP loan include debt forgiveness upon meeting specific criteria and the Organization believes it will meet the PPP loan forgiveness criteria by December 2020.

The Organization has not made any adjustments herein as a result of this uncertainty.

Note 14 – Potential VA PRIDE Merger

In July 2019, the Organization executed a letter of agreement with Gay Pride Virginia (dba VA PRIDE) to merge effective January 1, 2021, subject to final due diligence by both parties. For legal and reporting purposes, the Organization will be the surviving entity and the merger is expected to be accounted for as a pooling of interests. At June 30, 2020, VA PRIDE held cash and cash equivalents of approximately $222,000 and reported no outstanding liabilities. The proposed terms of the merger include the designation of three (3) board positions for former VA PRIDE board members, restriction as to use of VA PRIDE's cash and cash equivalents for a period of two (2) years and employment of a project manager for VA PRIDE's operating activities.