

LGBTQ Victory Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2021 and 2020

LGBTQ Victory Institute, Inc.

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
LGBTQ Victory Institute, Inc.

We have audited the accompanying financial statements of LGBTQ Victory Institute, Inc. ("Victory Institute"), which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

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 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 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 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 Victory Institute as of December 31, 2021 and 2020, 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.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia
February 3, 2023

LGBTQ Victory Institute, Inc.Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 2,421,506	\$ 1,362,224
Investments	151,263	-
Contributions receivable	317,657	399,700
Prepaid expenses	9,212	-
Intangible asset, net	18,264	-
Total assets	<u>\$ 2,917,902</u>	<u>\$ 1,761,924</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 269,085	\$ 93,713
Due to Victory Fund	521,273	640,889
Forgivable Loan – Paycheck Protection Program	441,980	235,995
Total liabilities	<u>1,232,338</u>	<u>970,597</u>
Net Assets		
Without donor restrictions:		
Undesignated	787,111	523,001
Board-designated – strategic growth	485,874	60,000
Total without donor restrictions	1,272,985	583,001
With donor restrictions	412,579	208,326
Total net assets	<u>1,685,564</u>	<u>791,327</u>
Total liabilities and net assets	<u>\$ 2,917,902</u>	<u>\$ 1,761,924</u>

See accompanying notes.

LGBTQ Victory Institute, Inc.

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 2,989,454	\$ 545,000	\$ 3,534,454
Training and conferences	93,283	-	93,283
In-kind contributions	115,000	-	115,000
Investment return, net	2,518	-	2,518
Other income	2,167	-	2,167
Released from restrictions	340,747	(340,747)	-
	<u>3,543,169</u>	<u>204,253</u>	<u>3,747,422</u>
Expenses			
Program services:			
Leadership development	1,859,386	-	1,859,386
Training	238,780	-	238,780
Research and communications	381,213	-	381,213
	<u>2,479,379</u>	<u>-</u>	<u>2,479,379</u>
Supporting services:			
Fundraising	317,046	-	317,046
Management and general	56,760	-	56,760
	<u>373,806</u>	<u>-</u>	<u>373,806</u>
Total expenses	<u>2,853,185</u>	<u>-</u>	<u>2,853,185</u>
Change in Net Assets	689,984	204,253	894,237
Net Assets, beginning of year	<u>583,001</u>	<u>208,326</u>	<u>791,327</u>
Net Assets, end of year	<u><u>\$ 1,272,985</u></u>	<u><u>\$ 412,579</u></u>	<u><u>\$ 1,685,564</u></u>

See accompanying notes.

LGBTQ Victory Institute, Inc.

Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 2,419,088	\$ 298,326	\$ 2,717,414
Training and conferences	24,763	-	24,763
In-kind contributions	30,600	-	30,600
Interest income	32	-	32
Other income	1,814	-	1,814
Released from restrictions	140,000	(140,000)	-
Total revenue and support	<u>2,616,297</u>	<u>158,326</u>	<u>2,774,623</u>
Expenses			
Program services:			
Leadership development	1,027,265	-	1,027,265
Training	177,966	-	177,966
Research and communications	277,968	-	277,968
Total program services	<u>1,483,199</u>	<u>-</u>	<u>1,483,199</u>
Supporting services:			
Fundraising	278,248	-	278,248
Management and general	56,879	-	56,879
Total supporting services	<u>335,127</u>	<u>-</u>	<u>335,127</u>
Total expenses	<u>1,818,326</u>	<u>-</u>	<u>1,818,326</u>
Change in Net Assets	797,971	158,326	956,297
Net (Deficit) Assets, beginning of year	<u>(214,970)</u>	<u>50,000</u>	<u>(164,970)</u>
Net Assets, end of year	<u>\$ 583,001</u>	<u>\$ 208,326</u>	<u>\$ 791,327</u>

See accompanying notes.

LGBTQ Victory Institute, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Supporting Services			
	Leadership Development	Training	Research and Comm- unications	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and employee benefits	\$ 782,548	\$ 40,250	\$ 201,069	\$ 1,023,867	\$ 229,086	\$ 132,136	\$ 361,222	\$ 1,385,089
Accounting and audit fees	-	-	-	-	-	10,663	10,663	10,663
Professional fees – other	4,865	-	26,555	31,420	-	63,955	63,955	95,375
Office expenses	2,353	679	5,415	8,447	3,559	3,923	7,482	15,929
Travel and meeting	26,719	123	213	27,055	3,787	3,642	7,429	34,484
International partner payments	31,800	-	-	31,800	-	-	-	31,800
Program travel	20,789	5,760	-	26,549	-	-	-	26,549
Space rental/catering	42,290	94,731	-	137,021	-	-	-	137,021
Other program expenses	316,422	50,504	79,384	446,310	11,880	100	11,980	458,290
Events	326,095	-	-	326,095	3,135	-	3,135	329,230
Occupancy costs	90,758	4,528	23,109	118,395	27,251	20,920	48,171	166,566
Information technology	4,945	245	1,642	6,832	1,481	76,074	77,555	84,387
Other expenses	-	-	1,866	1,866	7,817	68,119	75,936	77,802
Management and general allocation	209,802	41,960	41,960	293,722	29,050	(322,772)	(293,722)	-
Total Expenses	\$ 1,859,386	\$ 238,780	\$ 381,213	\$ 2,479,379	\$ 317,046	\$ 56,760	\$ 373,806	\$ 2,853,185

See accompanying notes.

LGBTQ Victory Institute, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Supporting Services			
	Leadership Development	Training	Research and Comm- unications	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and employee benefits	\$ 554,294	\$ 24,800	\$ 149,923	\$ 729,017	\$ 203,900	\$ 174,606	\$ 378,506	\$ 1,107,523
Accounting and audit fees	-	-	-	-	-	29,771	29,771	29,771
Professional fees – other	1,500	7,500	4,210	13,210	-	71,600	71,600	84,810
Office expenses	508	607	6,536	7,651	2,662	976	3,638	11,289
Travel and meeting	4,433	-	172	4,605	2,710	4,660	7,370	11,975
International partner payments	28,500	-	-	28,500	-	-	-	28,500
Program travel	2,602	10,615	-	13,217	87	-	87	13,304
Space rental/catering	-	68,284	-	68,284	-	-	-	68,284
Other program expenses	81,946	20,277	10,050	112,273	-	-	-	112,273
Events	56,107	-	20,000	76,107	1,776	-	1,776	77,883
Occupancy costs	79,764	3,550	22,157	105,471	32,244	21,833	54,077	159,548
Information technology	7,751	431	2,676	10,858	3,042	40,912	43,954	54,812
Other expenses	350	-	20,342	20,692	2,818	34,844	37,662	58,354
Management and general allocation	209,510	41,902	41,902	293,314	29,009	(322,323)	(293,314)	-
Total Expenses	\$ 1,027,265	\$ 177,966	\$ 277,968	\$ 1,483,199	\$ 278,248	\$ 56,879	\$ 335,127	\$ 1,818,326

See accompanying notes.

LGBTQ Victory Institute, Inc.

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 894,237	\$ 956,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	1,736	-
In-kind donation – intangible asset	(15,000)	-
Unrealized and realized gain on investments	(3,454)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	82,043	(163,426)
Prepaid expenses	(9,212)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	175,372	(25,724)
Due to Victory Fund	(119,616)	228,141
Net cash provided by operating activities	<u>1,006,106</u>	<u>995,288</u>
Cash Flows from Investing Activities		
Purchases of intangible asset	(5,000)	-
Proceeds from sales of investments	26,060	235,995
Purchases of investments	(173,869)	-
Net cash (used in) provided by investing activities	<u>(152,809)</u>	<u>-</u>
Cash Flows from Financing Activity		
Proceeds from Paycheck Protection Program	<u>205,985</u>	<u>235,995</u>
Net cash provided by financing activity	<u>205,985</u>	<u>235,995</u>
Net Increase in Cash	1,059,282	1,231,283
Cash, beginning of year	<u>1,362,224</u>	<u>130,941</u>
Cash, end of year	<u><u>\$ 2,421,506</u></u>	<u><u>\$ 1,362,224</u></u>

See accompanying notes.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations

LGBTQ Victory Institute, Inc. (“Victory Institute”) (formerly known as the Gay and Lesbian Victory Institute), is a non-partisan, nonprofit educational organization incorporated in the District of Columbia on March 3, 1993 under Section 501(c)(3) of the Internal Revenue Code (IRC). Victory Institute works to ensure lesbian, gay, bisexual, transgender, and queer (LGBTQ) leaders have the training and resources they need to take on important posts in government and in public, private, and community organizations. Victory Institute provides comprehensive training and education programs focused on connecting and inspiring LGBTQ leaders.

Victory Institute’s key programs include:

International LGBTQ Leaders Conference – The annual conference for LGBTQ leaders provides a collegial, informative, and friendly environment for networking, leadership development, and discussion among out LGBTQ public leaders in government, advocacy, politics, and business. Local, state, federal, and international officials gather to exchange ideas and best practices for serving their communities and advancing equality.

Candidate & Campaign Training and Leadership Summits – Victory Institute’s renowned Candidate & Campaign Training provides individuals with the practical and technical skills they need to plan and prepare for a candidacy, on a non-partisan basis, while the Leadership Summits offer out leaders from low- and medium-equality states an opportunity to explore public service opportunities in their communities, including public office. Both training programs are tailored to the realities of running for office and serving in office as an out LGBTQ person.

Victory Congressional Internship – The Victory Congressional Internship program is an internship that matches college students with members of the Congressional LGBTQ Equality Caucus, whose members are committed to achieving full human rights for LGBTQ people. The Congressional interns will have the rare opportunity to work directly with elected leaders on Capitol Hill and also receive 40 hours of professional development training from Victory Institute. The program, previously held each summer, now has three classes per year. Victory Institute’s goal is to expose the interns to the best, most inclusive leaders in public service.

Victory Institute Constituent Engagement – Victory Institute supports and connects a network of LGBTQ elected and appointed officials in the United States and abroad to advance equality by maximizing officials’ impact through education, mentoring, leadership development, and sharing best practices. Victory Institute also keeps a record of every out elected leader in the U.S. at www.outforamerica.org.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations (continued)

Presidential Appointments Initiative – Victory Institute’s Presidential Appointments Initiative works with LGBTQ and other organizational partners to help place qualified LGBTQ leaders into presidential appointment positions. By working with the presidential administration and collecting resumes from interested people, the Initiative is helping build the most LGBTQ-inclusive presidential administration in history.

David Bohnett Leaders Fellowship – Victory Institute, in collaboration with The David Bohnett Foundation, sends outstanding LGBTQ leaders to the Harvard Kennedy School’s Senior Executives in State and Local Government program to help them advance their public service careers.

Victory Empowerment Fellowship – Victory Institute provides a year-long fellowship to LGBTQ leaders of color and/or trans leaders who are interested in running for office or want to be public servants. The fellowship includes mentorship, as well as participation in a Candidate & Campaign Training and attendance at the International LGBTQ Leaders Conference.

Victory International Program – Victory Institute works with local partners around the world to build LGBTQ political participation in countries where LGBTQ elected officials are rare and LGBTQ equality remains elusive. Victory Institute offers trainings and other programs in-country to support out leaders, and every other year holds the Conference of LGBTI Political Leaders of the Americas and Caribbean to bring these leaders together.

2. Summary of Significant Accounting Policies

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

Basis of Accounting and Presentation

Victory Institute’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported as a component of net investment return in the accompanying statements of activities.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are recorded at net realizable value. Contributions due in more than one year are discounted to present value. Contributions receivable are evaluated periodically for collectability based upon evaluation of past loss experience, known or inherent risks, and other factors that could affect collectability. No allowance for doubtful accounts has been recorded at December 31, 2021 and 2020, as management believes that all remaining accounts are deemed to be fully collectible.

Intangible Asset

Intangible asset acquisitions with a cost greater than \$500 and a projected useful life exceeding one year are capitalized and recorded at cost. Victory Institute capitalizes certain costs associated with the development of its website. Amortization is computed using the straight-line method over the estimated useful lives of the assets. Upon disposal of amortizable assets, the cost and related accumulated amortization are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Costs related to the planning stages of development projects, as well as ongoing operating and support costs of the website, are expensed as incurred.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions and appeals are recorded as revenue when received, and as grant revenue when awarded. Victory Institute reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Revenues from trainings and conferences are recognized at the time the events are held, while any amounts received in advance are deferred until that time.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$1,866 and \$5,042 during the years ended December 31, 2021 and 2020, respectively.

Subsequent Events

In preparing these financial statements, Victory Institute has evaluated and concluded there were no events or transactions for potential recognition or disclosure through February 3, 2023, the date the financial statements were available to be issued.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

3. Liquidity and Availability

Victory Institute has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$450,000.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2021	2020
Cash	\$ 2,421,506	\$ 1,362,224
Investments	151,263	-
Contributions receivable	317,657	399,700
Less: net assets with donor restrictions	(412,579)	(208,326)
Total available for general expenditures	<u>\$ 2,477,847</u>	<u>\$ 1,553,598</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject Victory Institute to significant concentrations of credit risk consist of cash. Victory Institute maintains cash deposit and transaction accounts with various financial institutions that, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Victory Institute has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. In-Kind Contributions

Victory Institute receives contributions in the form of donated items and services, which are reflected in the accompanying statements of activities. The contributions consist primarily of conference materials and specialized consulting services. During the years ended December 31, 2021 and 2020, Victory Institute received contributions of services valued at \$100,000 and \$30,600, respectively. In addition, during 2021, LGBTQ Victory Fund, Inc. ("Victory Fund") gifted Victory Institute a website that was valued at \$15,000 at the time of donation and is included in the accompanying December 31, 2021 statement of activities.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

6. Investments and Fair Value Measurements

Victory Institute follows Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Victory Institute recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, Victory Institute uses quoted prices in active markets for identical assets to determine fair value. Victory Institute has no assets classified as Level 2 or Level 3 inputs. Level 1 assets include money markets, mutual funds, and exchange traded funds which are values using quoted prices for identical securities in active markets.

The following table presents Victory Institute's fair value hierarchy for those investments measured on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 1,744	\$ -	\$ -	\$ 1,744
Mutual funds	128,075	-	-	128,075
Exchange-traded funds	21,444	-	-	21,444
Total	\$ 151,263	\$ -	\$ -	\$ 151,263

Victory Institute held no assets at December 31, 2020 that needed to be included in the fair value hierarchy.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

6. Investments and Fair Value Measurements (continued)

Investment return is made up of the following components for the years ended December 31:

	2021	2020
Interest income	\$ 25	\$ -
Realized and unrealized gain	3,454	-
Less: investment management fees	(961)	-
Investment return, net	<u>\$ 2,518</u>	<u>\$ -</u>

7. Intangible Asset

Intangible asset consists of the following at December 31:

	2021	2020
Website	\$ 20,000	\$ -
Total intangible asset	20,000	-
Less: accumulated amortization	(1,736)	-
Intangible asset, net	<u>\$ 18,264</u>	<u>\$ -</u>

Amortization expense for the remaining life of the website is estimated to be as follows for the years ending December 31:

2022	\$ 3,333
2023	3,333
2024	3,333
2025	3,333
2026	3,333
Thereafter	<u>1,599</u>
Total future amortization	<u>\$ 18,264</u>

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	2021	2020
Time restricted	\$ -	\$ 50,000
Purpose restricted:		
VCF	51,633	-
VCI	212,620	60,000
International program	148,326	98,326
Total net assets with donor restrictions	<u>\$ 412,579</u>	<u>\$ 208,326</u>

9. Paycheck Protection Program

Victory Institute applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which Victory Institute qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The first PPP loan was granted to Victory Institute on May 4, 2020 in the amount of \$235,995. The second PPP loan was granted to Victory Institute on March 12, 2021 in the amount of \$205,985. Victory Institute expects to use the loan proceeds on qualifying expenditures during the covered period. Subsequent to year end, both PPP loans were fully forgiven by the SBA.

10. Related Party Transactions

Victory Fund, a political action committee under the Federal Elections Act of 1971 (PUB L-92-225), has an agreement with Victory Institute whereby Victory Fund provides management services and the use of facilities, and invoices Victory Institute monthly, based on cost allocations and direct costs incurred. Total amounts invoiced from Victory Fund to Victory Institute for the years ended December 31, 2021 and 2020 were \$1,652,512 and \$1,638,720, respectively. At December 31, 2021 and 2020, Victory Institute had a balance due to Victory Fund totaling \$521,273 and \$640,889, respectively, which is included in the accompanying statements of financial position. Victory Institute's president also serves as president and Chief Executive Officer of Victory Fund. Victory Institute neither controls nor has an economic interest in Victory Fund for consolidation reporting purposes.

LGBTQ Victory Institute, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

11. Functionalized 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, and amortization, which are allocated on a square footage basis; 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.

12. Income Taxes

Victory Institute is recognized as a tax-exempt organization under IRC Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no unrelated business taxable income. Contributions to Victory Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated Victory Institute's tax positions, and concluded that Victory Institute's financial statements do not include any uncertain tax positions.