
OUT & EQUAL

FINANCIAL STATEMENTS

December 31, 2008

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Out & Equal

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Certified Public Accountants

Dedicated to Nonprofit Organizations

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Out & Equal
San Francisco, California

We have audited the accompanying statement of financial position of Out & Equal (a nonprofit California corporation) as of December 31, 2008, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from Out & Equal's December 31, 2007 financial statements and, in our report, dated May 12, 2008; we expressed an unqualified opinion on those statements.

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 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 audit provides 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 Out & Equal as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Crosby & Kaneda

Certified Public Accountants
Oakland, California
June 30, 2009

Out & Equal

Statement of Financial Position December 31, 2008 (With Comparative Totals for December 31, 2007)

Assets	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 648,021	\$ 655,818
Certificates of deposit	339,795	329,553
Accounts receivable, net allowance for doubtful accounts	102,596	246,386
Grants receivable	-	10,000
Prepaid expenses	50,761	34,879
Total Current assets	<u>1,141,173</u>	<u>1,276,636</u>
 Fixed assets (Note 3)	 122,177	 138,101
 Deposits	 <u>19,041</u>	 <u>8,263</u>
Total Assets	<u>\$ 1,282,391</u>	<u>\$ 1,423,000</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 182,179	\$ 167,490
Deferred revenue	<u>85,000</u>	<u>167,500</u>
Total Liabilities	<u>267,179</u>	<u>334,990</u>
 Commitments (Note 4)		
Net Assets		
Unrestricted	1,015,212	1,058,010
Temporarily restricted (Note 6)	<u>-</u>	<u>30,000</u>
Total Net assets	<u>1,015,212</u>	<u>1,088,010</u>
Total Liabilities and Net Assets	<u>\$ 1,282,391</u>	<u>\$ 1,423,000</u>

See Notes to the Financial Statements

Out & Equal

Statement of Activities For the Year Ended December 31, 2008 (With Comparative Totals for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Totals	
			2008	2007
Support and Revenue				
Support				
Sponsorships	\$ 1,904,295	\$ -	\$ 1,904,295	\$ 1,449,168
Foundation grants	41,936	-	41,936	56,700
Contributions	84,726	-	84,726	66,419
In kind contributions (Note 8)	215,207	-	215,207	59,145
Total support	<u>2,246,164</u>	<u>-</u>	<u>2,246,164</u>	<u>1,631,432</u>
Conference fees	1,135,693	-	1,135,693	1,104,146
Fees	77,833	-	77,833	18,775
Exhibitor and program ads	85,813	-	85,813	36,500
Merchandising	4,206	-	4,206	7,214
Interest	23,151	-	23,151	31,549
Loss on investment	(55,247)	-	(55,247)	-
Recovery of bad debt	-	-	-	14,707
Miscellaneous	28,228	-	28,228	538
Total revenue	<u>1,299,677</u>	<u>-</u>	<u>1,299,677</u>	<u>1,213,429</u>
Net assets released from donor restrictions: (Note 6)	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,575,841</u>	<u>(30,000)</u>	<u>3,545,841</u>	<u>2,844,861</u>
Expenses				
Program	2,277,342	-	2,277,342	2,004,593
Management and general	706,807	-	706,807	403,055
Fundraising	634,490	-	634,490	172,129
Total Expenses	<u>3,618,639</u>	<u>-</u>	<u>3,618,639</u>	<u>2,579,777</u>
Change in net assets	<u>(42,798)</u>	<u>(30,000)</u>	<u>(72,798)</u>	<u>265,084</u>
Net Assets, beginning of year				
As previously reported	1,225,510	30,000	1,255,510	822,926
Prior period adjustment (Note 9)	(167,500)	-	(167,500)	-
Balance at beginning of year, as restated	<u>1,058,010</u>	<u>30,000</u>	<u>1,088,010</u>	<u>822,926</u>
Net Assets, end of year	<u>\$ 1,015,212</u>	<u>\$ -</u>	<u>\$ 1,015,212</u>	<u>\$ 1,088,010</u>

See Notes to the Financial Statements

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Statement of Cash Flows
For the Year Ended December 31, 2008
(With Comparative Totals for the Year Ended December 31, 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (72,798)	265,084
Depreciation	49,916	42,121
Loss on investment	55,247	-
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	143,790	(43,957)
Grants receivable	10,000	(10,000)
Prepaid expenses	(15,882)	(12,411)
Deposits	(10,778)	-
Accounts payable and accrued expenses	14,689	36,323
Deferred revenue	(82,500)	167,500
Net cash provided by operating activities	91,684	444,660
Cash flows from investing activities:		
Purchase of certificates of deposit	(10,242)	(329,553)
Purchase of investment	(55,247)	-
Purchase of equipment	(33,992)	(93,127)
Net cash used by investing activities	(99,481)	(422,680)
Net change in cash and cash equivalents	(7,797)	21,980
Cash and cash equivalents, beginning of year	655,818	633,838
Cash and cash equivalents, end of year	\$ 648,021	\$ 655,818

See Notes to the Financial Statements

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Statement of Functional Expenses
Year Ended December 31, 2008
(With Comparative Totals for Year Ended December 31, 2007)

	Program	General and administrative	Fundraising	Total	
				2008	2007
Salaries	\$ 690,959	\$ 298,426	\$ 107,512	\$ 1,096,897	\$ 845,710
Payroll taxes	53,162	20,937	8,324	82,423	70,396
Retirement benefits	42,646	32,232	8,886	83,764	62,463
Other employee benefits	91,986	49,797	20,600	162,383	112,184
	<u>878,753</u>	<u>401,392</u>	<u>145,322</u>	<u>1,425,467</u>	<u>1,090,753</u>
Accounting	-	32,179		32,179	25,341
Advertising	-	48,041	306	48,347	-
Legal	-	10,288		10,288	2,439
Supplies	18,488	15,949	466	34,903	191,858
Telephone and internet	36,284	3,370	2,321	41,975	25,448
Postage and mailing	10,296	1,934	13,224	25,454	37,024
Occupancy	127,931	18,433	9,070	155,434	94,772
Equipment and maintenance	-	11,873	-	11,873	2,005
Printing and reproduction	164,199	7,545	26,628	198,372	74,075
Travel	138,765	30,712	4,371	173,848	110,209
Training and conferences	17,717	7,112	2,510	27,339	-
Depreciation	30,735	13,236	5,945	49,916	42,121
Insurance	2,444	3,168	383	5,995	4,696
Contract services	830,709	35,683	407,491	1,273,883	830,862
Fees, licenses, memberships	16,470	51,690	10,769	78,929	48,174
Miscellaneous	4,551	14,202	5,684	24,437	-
Total expenses	<u>\$ 2,277,342</u>	<u>\$ 706,807</u>	<u>\$ 634,490</u>	<u>\$ 3,618,639</u>	<u>\$ 2,579,777</u>

See Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

NOTE 1: NATURE OF ACTIVITIES

Out & Equal (the Organization) is a California nonprofit public benefit corporation, headquartered in San Francisco, California. The Organization provides a variety of services to companies, human resource professionals, employee resource groups (ERGs) and individuals.

The Organization champions safe and equitable workplaces for lesbian, gay, bisexual, and transgender (LGBT) people. It advocates building and strengthening successful organizations that value all employees, customers and communities.

The Organization has the following programs:

Training and Professional Development Department

The training and professional development department provides diversity training, educational resources and consulting services to encourage LGBT workplace equality in all sectors. Trainings are designed and tailored for a wide variety of audiences including community groups, corporations, small businesses, educational institutions, governmental agencies, and nonprofit organizations.

Communications Department

The communications department oversees the Organization's communications and outreach efforts to national and local media, volunteers, allies and the general public. Internally, the department, and provides support to the Executive Director and staff in the areas of speechwriting, publication production, and website content.

Out & Equal Institute

The Out & Equal Workplace Institute (the Institute) was founded to provide leadership in lesbian, gay, bisexual and transgender workplace equality by facilitating and encouraging the very best in LGBT workplace research and practice. Through the work of the Institute, the Organization aims to bring together the voices of workplace practices and scholarship to enhance the work of both.

Out & Equal Workplace Summit

The Out & Equal Workplace Summit (the Summit) provides individuals, human resources professionals, diversity managers, employee resource group (ERG) leaders, and allies the perfect platform from which to make powerful connections, share best practices, and formulate a strategy that allows for a powerful demonstration of their commitment to equality in the workplace. Held in a different city each year, the Summit provides attendees with all the information and resources they need to become a workplace that does not discriminate against LGBT people.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d).

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Fair Value of Financial Instruments

The fair values of financial instruments represent the quoted marked prices for similar assets or liabilities in active markets.

Deferred Revenue

Deferred revenue reflects amounts received from corporations to sponsor the subsequent Annual Summit.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007 from which the summarized information was derived.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 68,007	\$ 56,976
Computers and software	131,286	112,993
Leasehold improvements	34,076	34,076
Less accumulated depreciation	<u>(111,192)</u>	<u>(65,944)</u>
Total	<u>\$ 122,177</u>	<u>\$ 138,101</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

NOTE 4: COMMITMENTS

Operating Leases

The Organization is party to a lease for office space in San Francisco which expires in December, 2011. At December 31, 2008, future minimum operating lease payments were as follows for the years ending December 31:

2009	\$ 192,510
2010	213,144
2011	<u>219,240</u>
Total	<u>\$ 624,894</u>

Rent for the years ended December 31, 2008 and 2007 was \$85,434 and \$99,147 respectively.

NOTE 5: CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets were available as of December 31, 2008.

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31:

	<u>2008</u>	<u>2007</u>
Institute	\$ 10,000	\$ 80,000
Networks	-	20,000
Scholarship Summit	-	15,000
Career Link	<u>20,000</u>	<u>-</u>
Total	<u>\$ 30,000</u>	<u>\$ 115,000</u>

NOTE 7: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). The Organization matches 100% of employee contributions to the plan up to \$3,000 per year, and the Board determines a percentage contribution each year. Employees receive 40% of the percentage contribution after one

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

full year of employment, 60% after two full years of employment and 100% after three full years of employment. Total contributions were \$83,763 and \$62,423 for the years ended December 31, 2008 and 2007 respectively.

NOTE 8: IN KIND SUPPORT

The Organization received in kind support consisting of:

	<u>2008</u>	<u>2007</u>
Conference site expenses	\$ 70,000	\$ -
Advertising for summit	30,000	-
Internet cafe at summit	16,000	-
Research	30,000	-
Airline tickets	15,000	-
Equipment	9,000	28,000
Conference registrations at collaborative organizations	15,000	-
Auction items	<u>30,207</u>	<u>31,145</u>
Total	<u>\$ 215,207</u>	<u>\$ 59,145</u>

NOTE 9: PRIOR PERIOD ADJUSTMENT

Net assets as of December 31, 2007 have been restated for an overstatement of unrestricted sponsorship revenue by \$167,500 and an understatement of deferred revenue by the same amount. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases net assets by \$167,500 as of December 31, 2007.

NOTE 10: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUND RAISING APPEALS

The Organization engaged in a number of activities, such as newsletters, that included a fundraising appeal. As a result, the costs of these activities were allocated between fundraising, program and management and general services as follows for the year ended December 31, 2008

Costs allocated to program activities	\$ 187,197
Costs allocated to fundraising activities	14,587
Costs allocated to management and general	<u>38,898</u>
Total	<u>\$ 240,682</u>