

Out & Equal

Financial Statements &
Independent Auditor's Report
for the year ended
December 31, 2012



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Independent Auditor's Report

To the Board of Directors
Out & Equal
San Francisco, California

We have audited the accompanying financial statements of Out & Equal (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. 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 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 an assessment of the risks of the 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 Out & Equal as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

Certified Public Accountant
San Francisco, California
July 22, 2013

Out & Equal

Statement of Financial Position December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash & equivalents	\$286,788	\$161,816	\$448,604
Investments	35,175		35,175
Accounts receivable, net (Note 3)	301,748		301,748
Insurance settlement receivable (Note 4)	775,000		775,000
Inventory	10,218		10,218
Prepaid expenses & deposits, current	75,428		75,428
Other current assets	18,390		18,390
Total current assets	1,502,747	161,816	1,664,563
Deposits, long-term	17,762		17,762
Property & equipment, net (Note 5)	80,013		80,013
TOTAL ASSETS	\$1,600,522	\$161,816	\$1,762,338
 LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts payable	\$371,465		\$371,465
Accrued compensated absences	132,461		132,461
Deferred revenue	1,750		1,750
Other liabilities (Note 4)	298,427		298,427
TOTAL LIABILITIES	804,103	0	804,103
Net Assets			
Unrestricted	796,419		796,419
Temporarily restricted (Note 6)		\$161,816	161,816
TOTAL NET ASSETS	796,419	161,816	958,235
TOTAL LIABILITIES & NET ASSETS	\$1,600,522	\$161,816	\$1,762,338

See accompanying notes to financial statements
and independent auditor's report.

Out & Equal

Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support & Revenue:			
Sponsorships	\$2,800,773	\$125,150	\$2,925,923
Corporate & foundation grants	63,322	55,000	118,322
Net assets released from restriction:			
Satisfaction of donor restrictions (Note 7)	171,708	(171,708)	0
Contributions from individuals	172,449		172,449
In-kind support (Note 8)	225,564		225,564
Special event, net of direct donor benefits of \$61,244	59,369		59,369
Summit registration fees	1,427,060		1,427,060
Exhibitor fees	55,425		55,425
Other program fees	46,080		46,080
Merchandise sales, net of cost of goods sold of \$4,556	7,216		7,216
Investment income	4,123		4,123
Proceeds from insurance settlement (Note 4)	455,528		455,528
Total support & revenue	5,488,617	8,442	5,497,059
Expenses:			
Program services	4,484,007		4,484,007
General & administrative	770,242		770,242
Fundraising	330,652		330,652
Total expenses	5,584,901	0	5,584,901
CHANGE IN NET ASSETS	(96,284)	8,442	(87,842)
NET ASSETS, January 1	892,703	153,374	1,046,077
NET ASSETS, December 31	\$796,419	\$161,816	\$958,235

See accompanying notes to financial statements
and independent auditor's report.

Out & Equal

Statement of Functional Expenses for the Year Ended December 31, 2012

	Program Services	General & Administrative	Fundraising	Total
Salaries & wages	\$1,212,150	\$245,039	\$142,385	\$1,599,574
Payroll taxes	88,087	24,423	12,748	125,258
Employee benefits	236,145	64,519	32,856	333,520
Staff development	9,727	7,974	9,044	26,745
Contractors & professional fees	1,110,938	232,482	53,117	1,396,537
Occupancy	137,819	35,860	23,193	196,872
Telephone & internet	37,312	7,972	2,785	48,069
Information technology support	37,621	10,670	4,968	53,259
Postage & delivery	11,747	2,006	5,867	19,620
Insurance	21,331	1,469	679	23,479
Supplies	29,626	10,068	2,773	42,467
Books, dues, & subscriptions	25,263	4,181	4,705	34,149
Printing & copying	76,883	526	9,284	86,693
Advertising	20,495	636	373	21,504
Meetings & conferences	6,936	6,544	708	14,188
Travel	111,514	19,685	6,158	137,357
Event production costs	1,258,086	365	13,500	1,271,951
Awards & gifts	14,166	168	816	15,150
Sponsorships & tickets	8,050	3,716	1,109	12,875
Bank fees		64,299	89	64,388
Depreciation	21,702	6,118	3,053	30,873
Other	8,409	21,522	442	30,373
TOTAL	\$4,484,007	\$770,242	\$330,652	\$5,584,901

See accompanying notes to financial statements
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Statement of Cash Flows for the Year Ended December 31, 2012

Cash flows from operating activities:

Change in net assets	(\$87,842)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	30,873
In-kind donations of capital assets	(24,499)
Donations of marketable securities	(15,219)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(144,798)
(Increase) decrease in other receivables	(770,000)
(Increase) decrease in inventory	(6,837)
(Increase) decrease in prepaid expenses & deposits	44,056
(Increase) decrease in other assets	4,050
Increase (decrease) in accounts payable	319,429
Increase (decrease) in accrued payroll liabilities	(63,975)
Increase (decrease) in deferred revenue	(26,200)
Increase (decrease) in other liabilities	298,427
	<hr/>
Cash provided (used) by operating activities:	(442,535)

Cash flows from investing activities:

Cash purchases of furnishings & equipment	<u>(37,023)</u>
Cash provided (used) by investing activities:	(37,023)

Cash provided (used) during year (479,558)

Cash and cash equivalents:

Beginning of year, January 1	<u>928,162</u>
End of year, December 31	<u><u>\$448,604</u></u>

See accompanying notes to financial statements
and independent auditor's report.

Out & Equal

Notes to Financial Statements December 31, 2012

1. The Organization

Nature of Activities

Out & Equal (the Organization) is the world's largest nonprofit organization specifically dedicated to creating safe and equitable workplaces for lesbian, gay, bisexual and transgender people. The Organization has grown significantly, with dramatic increases in attendance at its annual Workplace Summit, the expansion of regional affiliates across the United States, and many global initiatives. Out & Equal has created numerous programs to advance its mission, including the first Global Summit in London, the annual Out & Equal Workplace Summit, the LGBT Executive Forum and Leadership Celebration, bi-monthly Town Hall seminars, Regional Affiliate networks across the United States, and the world's largest LGBT Employee Resource Group Registry. Exempt from income taxes under IRS code section 501(c)(3), Out & Equal is governed by a board of directors.

Major Funding

The Organization receives a majority of its support and revenue in the form of corporate sponsorships. In addition, a substantial amount of revenue is generated from program events.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Accounting for Restricted Support

The Organization reports gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. If restricted donations are made and restrictions satisfied during the same fiscal year, activity is reported as unrestricted in the statement of activity. If restrictions are not satisfied at fiscal-year-end, donations are recorded as temporarily restricted.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

(continued)

Out & Equal

Notes to Financial Statements December 31, 2012

(continued)

Cash & Cash Equivalents

Cash and cash equivalents include deposits held in bank checking and savings accounts.

Investments

Investments, consisting of publicly traded equity securities held with a brokerage firm, are carried on the books at fair value using unadjusted quoted prices for identical assets in active markets that are accessible at the measurement date (level 1 inputs as defined by generally accepted accounting principles).

Accounts Receivable

Accounts receivable consist of corporate sponsorships that have been formally committed to the Organization. These are reported at the amounts management expects to collect on balances outstanding at year-end. An allowance for doubtful accounts has been established based on the estimated amount of uncollectible receivables.

Property & Equipment

The Organization capitalizes all expenditures for office furnishings and equipment in excess of \$500. Purchased assets are carried at cost, while donated assets are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and payables approximate fair value because of the short maturity of these instruments.

In-kind Support

In-kind donations consist of professional services, goods and use of facilities provided to the Organization free of charge. Such contributions are recorded at their estimated fair value.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated according to a formula based on the estimated amount of time spent on the particular function.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred.

Income Taxes

As a public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. As management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Returns of Organization Exempt from Income Tax* (Form 990) for the tax years ending in 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of 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.

Out & Equal

Notes to Financial Statements December 31, 2012

3. Accounts Receivable

Accounts receivable, face value	\$353,545
Less: allowance for doubtful accounts	<u>(51,797)</u>
Accounts receivable, net realizable value	\$301,748

4. Insurance Settlement

Because of Hurricane Sandy, many registrants of the Organization's 2012 Workplace Summit were not able to attend the event. As a result, Out & Equal experienced a significant loss in revenue. The Organization filed a claim with its insurer and, upon the consummation of negotiations, recorded a receivable for the expected proceeds. The insurer subsequently paid the claim in June 2013.

The following is a summary of the components of the insurance settlement:

Amounts refunded to registrants by Out & Equal through 12/31/2012	\$26,045
Summit refunds in Other Liabilities	<u>293,427</u>
Total Summit refunds	319,472
Lost income (less saved expenses)	<u>455,528</u>
Total due from insurer at 12/31/2012	\$775,000

5. Property & Equipment

Computers & software	\$128,387
Furnishings & equipment	98,333
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	260,796
Less: accumulated depreciation	<u>(180,783)</u>
Property & equipment, net book value	\$80,013

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 consist of awards received for the following:

2013 Summit Sponsorships	\$116,900
<i>Business of Change</i> digital platform	29,166
Out & Equal University	5,000
2013 Executive Forum	8,250
Marriage equality	<u>2,500</u>
Total	\$161,816

Out & Equal

Notes to Financial Statements December 31, 2012

7. Net Assets Released from Restriction

During 2012, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2012 Workplace Summit	\$75,150
<i>Business of Change</i> digital platform	44,160
Global Summit	26,000
Marriage equality	18,055
Executive Forum	7,500
Leadership development	<u>843</u>
Total	\$171,708

8. In-Kind Support

The Organization received and recorded the following in-kind donations during 2012:

Legal services	\$130,180
Airline travel vouchers	44,100
Office equipment & supplies	25,459
Use of equipment at Summit	25,000
Use of space for program event	<u>825</u>
Total	\$225,564

9. Retirement Plan

Out & Equal participates in an IRS Section 401(k) profit sharing retirement plan, which covers the Organization's employees after one year of employment. Out & Equal makes matching contributions up to 5% of each employee's salary. In addition, the Organization may make additional contributions to employee accounts at the discretion of its board of directors. During 2012, the Organization contributed a total of \$108,829 to the retirement accounts of its employees.

10. Operating Lease

The Organization rents its office space in San Francisco under an operating lease that expires on December 31, 2014. Total rent expense for the year ended December 31, 2012 was \$180,919. Future minimum rental payments under this lease are \$182,700 for 2013 and \$188,796 for 2014.

11. Cash Deposits in Excess of FDIC Insurance Limits

From time to time, the Organization's cash deposits may exceed the insurance limits provided by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2012, the Organization held \$456,285 in a single financial institution. The FDIC insures these deposits only up to \$250,000.

12. Management's Review of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 22, 2013, the date the financial statements were available to be issued.