

# Out & Equal

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2013



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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, 2013, 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, 2013, 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.

### *Report on Summarized Comparative Information*

We have previously audited the December 31, 2012 financial statements of Out & Equal and our report dated July 22, 2013 expressed an unmodified opinion on those audited financial statements. With the exception of the accounting changes discussed in Note 8, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Certified Public Accountant  
San Francisco, California  
July 29, 2014

## Out & Equal

### Statement of Financial Position December 31, 2013 with Comparative Totals for December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>12/31/13 Total</u>	<u>12/31/12 Total (Note 2)</u>
<b>ASSETS</b>				
Current Assets:				
Cash & equivalents	\$762,678	\$249,462	\$1,012,140	\$448,604
Investments	59,938		59,938	35,175
Accounts receivable, net (Note 3)	463,107		463,107	466,248
Insurance settlement receivable	0		0	775,000
Inventory	4,986		4,986	10,218
Prepaid expenses & deposits, current	110,179		110,179	75,428
Other current assets	10,750		10,750	18,390
Total current assets	1,411,638	249,462	1,661,100	1,829,063
Deposits, long-term	17,762		17,762	17,762
Property & equipment, net (Note 4)	53,282		53,282	80,013
TOTAL ASSETS	\$1,482,682	\$249,462	\$1,732,144	\$1,926,838
 <b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$226,045		\$226,045	\$371,465
Accrued compensated absences	88,688		88,688	132,461
Deferred revenue	172,888		172,888	72,909
Other liabilities	10,102		10,102	298,427
TOTAL LIABILITIES	497,723	0	497,723	875,262
Net Assets				
Unrestricted	984,959		984,959	796,419
Temporarily restricted (Note 5)		\$249,462	249,462	255,157
TOTAL NET ASSETS	984,959	249,462	1,234,421	1,051,576
TOTAL LIABILITIES & NET ASSETS	\$1,482,682	\$249,462	\$1,732,144	\$1,926,838

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, 2013 with Comparative Totals for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total (Note 2)</u>
Support & Revenue:				
Sponsorships	\$2,536,990	\$178,020	\$2,715,010	\$3,019,264
Corporate & foundation grants	43,644	6,000	49,644	118,322
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 6)	189,715	(189,715)	0	0
Contributions from individuals	179,367		179,367	172,449
In-kind support (Note 7)	123,100		123,100	225,564
Special event, net of direct donor benefits of \$105,920 in 2013 and \$61,244 in 2012	34,077		34,077	59,369
Summit registration fees	1,380,547		1,380,547	1,427,060
Exhibitor fees	69,355		69,355	55,425
Other program fees	63,176		63,176	46,080
Merchandise sales, net of cost of goods sold of \$5,108 in 2013 and \$4,556 in 2012	11,029		11,029	7,216
Investment income	9,661		9,661	4,123
Other income	2,047		2,047	455,528
Total support & revenue	4,642,708	(5,695)	4,637,013	5,590,400
Expenses:				
Program services	3,207,622		3,207,622	4,484,007
General & administrative	734,868		734,868	770,242
Fundraising	511,678		511,678	330,652
Total expenses	4,454,168	0	4,454,168	5,584,901
CHANGE IN NET ASSETS	188,540	(5,695)	182,845	5,499
NET ASSETS, January 1				
As previously stated	796,419	161,816	958,235	1,046,077
Prior period adjustment (Note 8)		93,341	93,341	0
As restated	796,419	255,157	1,051,576	1,046,077
NET ASSETS, December 31	\$984,959	\$249,462	\$1,234,421	\$1,051,576

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

## Out & Equal

### Statement of Functional Expenses for the Year Ended December 31, 2013 with Comparative Totals for the Year Ended December 31, 2012

	Program Services	General & Administrative	Fundraising	2013 Total	2012 Total (Note 2)
Salaries & wages	\$871,893	\$327,104	\$192,632	\$1,391,629	\$1,599,574
Payroll taxes	70,400	20,581	17,684	108,665	125,258
Employee benefits	173,023	64,500	42,232	279,755	333,520
Staff development	10,725	4,526	23,603	38,854	26,745
Contractors & professional fees	833,288	141,931	57,789	1,033,008	1,396,537
Occupancy	120,445	41,146	38,077	199,668	196,872
Telephone & internet	32,153	8,334	3,614	44,101	48,069
Information technology support	29,745	11,256	7,786	48,787	53,259
Postage & delivery	7,955	987	2,033	10,975	19,620
Insurance	6,195	5,901	849	12,945	23,479
Supplies	17,288	3,703	2,057	23,048	42,467
Books, dues, & subscriptions	6,097	4,118	6,247	16,462	34,149
Printing & copying	26,136	514	11,319	37,969	86,693
Advertising	12,254	0	700	12,954	21,504
Meetings & conferences	17,004	2,672	8,182	27,858	14,188
Travel	157,117	47,043	12,009	216,169	137,357
Event production costs	753,686	3,605	17,606	774,897	1,271,951
Awards & gifts	9,480	621	2,852	12,953	15,150
Sponsorships & tickets	27,754	2,525	1,000	31,279	12,875
Bank & credit card fees	40	12,362	56,619	69,021	64,388
Depreciation	18,164	6,646	4,838	29,648	30,873
Other	6,780	24,793	1,950	33,523	30,373
<b>TOTAL</b>	<b>\$3,207,622</b>	<b>\$734,868</b>	<b>\$511,678</b>	<b>\$4,454,168</b>	<b>\$5,584,901</b>

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

## Out & Equal

### Statement of Cash Flows for the Year Ended December 31, 2013 with Comparative Totals for the Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$182,845	\$5,499
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	29,648	30,873
In-kind donations of capital assets	0	(24,499)
Donations of marketable securities	(15,503)	(15,219)
Unrealized gains on investments	(8,258)	0
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,141	(309,298)
(Increase) decrease in other receivables	775,000	(770,000)
(Increase) decrease in inventory	5,232	(6,837)
(Increase) decrease in prepaid expenses & deposits	(34,751)	44,056
(Increase) decrease in other assets	7,640	4,050
Increase (decrease) in accounts payable	(144,885)	319,429
Increase (decrease) in accrued payroll liabilities	(44,308)	(63,975)
Increase (decrease) in deferred revenue	99,979	44,959
Increase (decrease) in other liabilities	<u>(288,325)</u>	<u>298,427</u>
<b>Cash provided (used) by operating activities:</b>	<b>567,455</b>	<b>(442,535)</b>
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(2,917)	(37,023)
Dividends reinvested in marketable securities	<u>(1,002)</u>	<u>0</u>
<b>Cash provided (used) by investing activities:</b>	<b>(3,919)</b>	<b>(37,023)</b>
<b>Cash provided (used) during year</b>	<b>563,536</b>	<b>(479,558)</b>
Cash and cash equivalents:		
<b>Beginning of year, January 1</b>	<u>448,604</u>	<u>928,162</u>
<b>End of year, December 31</b>	<u><u>\$1,012,140</u></u>	<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, 2013

### 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 Internal Revenue 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, 2013

(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 *Return of Organization Exempt from Income Tax* (Form 990) for the tax years ending in 2011, 2012 and 2013 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.

(continued)

# Out & Equal

## Notes to Financial Statements December 31, 2013

(continued)

### Comparative Data

The financial statement information for the year ended December 31, 2012, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that fiscal year.

### Reclassification

Certain amounts in the December 31, 2012 financial statements have been reclassified to conform to the December 31, 2013 presentation.

### 3. Accounts Receivable

Accounts receivable, face value	\$444,025
Less: allowance for doubtful accounts	<u>(69,668)</u>
Accounts receivable, net realizable value	\$374,357

### 4. Property & Equipment

Computers & software	\$131,304
Furnishings & equipment	98,333
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	263,713
Less: accumulated depreciation	<u>(210,431)</u>
Property & equipment, net book value	\$53,282

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 consist of awards received for the following:

2014 Summit sponsorships	\$183,010
2014 Executive Forum	26,817
2015 Summit sponsorship	33,635
Other activities	<u>6,000</u>
Total	\$249,462

### 6. Net Assets Released from Restriction

During 2013, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2013 Workplace Summit	\$144,798
<i>Business of Change</i> digital platform	29,167
Executive Forum	8,250
Other activities	<u>7,500</u>
Total	\$189,715

# Out & Equal

## Notes to Financial Statements December 31, 2013

### 7. In-Kind Support

The Organization received and recorded the following in-kind donations during 2013:

Airline travel vouchers	\$55,200
Legal services	52,081
Services related to Out & Equal University	7,650
Program registration	5,000
Web development	2,025
Office equipment & supplies	<u>1,144</u>
Total	\$123,100

### 8. Prior Period Adjustment

Out & Equal receives sponsorships designated for future years. Since sponsors receive certain benefits in exchange for their support of Out & Equal, each sponsorship is considered to be partly a donation and partly a fee. The fee component of sponsorships designated for future periods is allocated to the Deferred Revenue liability account, while the donation component is allocated to Temporarily Restricted Net Assets. This treatment reflects an accounting change from 2012 when such sponsorships were allocated entirely to Temporarily Restricted Net Assets. The prior year summarized comparative information included in these financial statements has been adjusted to conform to this change.

An additional adjustment has been made to 2012 amounts to reflect a multi-year sponsorship agreement that was executed, but not recorded, in 2012.

The effect on the December 31, 2012 financial statement amounts is summarized as follows:

	As previously <u>stated</u>	<u>Adjustment</u>	As <u>restated</u>
Statement of financial position			
Accounts receivable	\$301,748	\$164,500	\$466,248
Deferred revenue	1,750	71,159	72,909
Temporarily restricted net assets	161,816	93,341	255,157
Statement of activities			
Sponsorships	\$2,925,923	\$93,341	\$3,019,264

### 9. Retirement Plan

Out & Equal participates in an Internal Revenue Code 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. For the year ended December 31, 2013, the Organization contributed a total of \$90,668 to the retirement accounts of its employees.

# **Out & Equal**

## **Notes to Financial Statements December 31, 2013**

### **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, 2013 was \$186,162. Future minimum rental payments under this lease are \$188,796 for 2014.

### **11. Contractual Obligations**

Out & Equal occasionally enters into contracts with convention centers and hotels in order to secure space for future program events. As of December 31, 2013, the Organization had signed two such contracts, totaling \$182,027, that relate to 2014 events.

### **12. 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, 2013, the Organization held \$663,240 in a single financial institution. The FDIC insures these deposits only up to \$250,000.

### **13. 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 29, 2014, the date the financial statements were available to be issued.