

# Out & Equal

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2014

COOK &  
COMPANY

---

A PROFESSIONAL ACCOUNTANCY CORPORATION

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	3
FINANCIAL STATEMENTS .....	4
Statement of Financial Position .....	4
Statement of Activities and Changes in Net Assets.....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements.....	8

# COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

## 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, 2014, 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, 2014, 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, 2013, financial statements of Out & Equal, and our report dated July 29, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
July 30, 2015

# Out & Equal

## Statement of Financial Position December 31, 2014 with Comparative Totals for December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>12/31/14 Total</u>	<u>12/31/13 Total (Note 2)</u>
<b>ASSETS</b>				
Current Assets:				
Cash & equivalents	\$ 1,204,588	\$ 129,175	\$ 1,333,763	\$ 1,012,140
Investments	80,571		80,571	59,938
Sponsorships & accounts receivable, current (Note 3)	257,863	199,500	457,363	463,107
Grants receivable	-	50,000	50,000	-
Inventory	5,710		5,710	4,986
Prepaid expenses & deposits, current	121,088		121,088	110,179
Other current assets	<u>36,956</u>		<u>36,956</u>	<u>10,750</u>
Total current assets	1,706,776	378,675	2,085,451	1,661,100
Sponsorships & accounts receivable, long-term (Note 3)		135,661	135,661	-
Deposits, long-term	17,762		17,762	17,762
Property & equipment, net (Note 4)	<u>37,062</u>		<u>37,062</u>	<u>53,282</u>
TOTAL ASSETS	<u>\$ 1,761,600</u>	<u>\$ 514,336</u>	<u>\$ 2,275,936</u>	<u>\$ 1,732,144</u>
<b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 300,281		\$ 300,281	\$ 226,045
Accrued compensated absences	95,573		95,573	88,688
Deferred revenue	128,303		128,303	172,888
Other current liabilities	<u>6,802</u>		<u>6,802</u>	<u>10,102</u>
Total current liabilities	530,959	-	530,959	497,723
Deferred compensation (Note 5)	<u>80,000</u>		<u>80,000</u>	<u>-</u>
TOTAL LIABILITIES	610,959	-	610,959	497,723
Net Assets				
Unrestricted	1,150,641		1,150,641	984,959
Temporarily restricted (Note 6)	<u>                    </u>	<u>\$ 514,336</u>	<u>514,336</u>	<u>249,462</u>
TOTAL NET ASSETS	1,150,641	514,336	1,664,977	1,234,421
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,761,600</u>	<u>\$ 514,336</u>	<u>\$ 2,275,936</u>	<u>\$ 1,732,144</u>

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, 2014 with Comparative Totals for the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total (Note 2)</u>
Support & Revenue:				
Sponsorships	\$ 2,496,673	\$ 428,201	\$ 2,924,874	\$ 2,715,010
Corporate & foundation grants	38,593	46,835	85,428	49,644
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 7)	212,662	(212,662)	-	-
Contributions	182,512	2,500	185,012	179,367
In-kind support (Note 8)	263,497		263,497	123,100
Special event, net of direct donor benefits of \$102,403 in 2014 and \$105,920 in 2013	126,125		126,125	34,077
Summit registration fees	2,217,112		2,217,112	1,380,547
Exhibitor fees	58,000		58,000	69,355
Other program fees	59,979		59,979	63,176
Merchandise sales, net of cost of goods sold of \$3,183 in 2014 and \$5,108 in 2013	8,010		8,010	11,029
Investment income	6,411		6,411	9,661
Other income	209,799		209,799	2,047
Total support & revenue	5,879,373	264,874	6,144,247	4,637,013
Expenses:				
Program services	4,276,230		4,276,230	3,207,622
General & administrative	808,841		808,841	734,868
Fundraising	628,620		628,620	511,678
Total expenses	5,713,691	-	5,713,691	4,454,168
CHANGE IN NET ASSETS	165,682	264,874	430,556	182,845
NET ASSETS, January 1	984,959	249,462	1,234,421	1,051,576
NET ASSETS, December 31	<u>\$ 1,150,641</u>	<u>\$ 514,336</u>	<u>\$ 1,664,977</u>	<u>\$ 1,234,421</u>

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

## Out & Equal

### Statement of Functional Expenses for the Year Ended December 31, 2014 with Comparative Totals for the Year Ended December 31, 2013

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>2014 Total</b>	<b>2013 Total (Note 2)</b>
Salaries & wages	\$ 993,050	\$ 341,541	\$ 315,268	\$ 1,649,859	\$ 1,391,629
Payroll taxes	76,396	28,976	24,163	129,535	108,665
Employee benefits	203,463	81,905	51,769	337,137	279,755
Staff development	12,962	3,343	6,817	23,122	38,854
Contractors & professional fees	708,662	247,672	26,178	982,512	1,033,008
Occupancy	115,464	39,812	43,874	199,150	199,668
Telephone & internet	47,157	8,225	4,823	60,205	44,101
Information technology support	27,105	9,040	8,213	44,358	48,787
Postage & delivery	3,931	975	4,788	9,694	10,975
Insurance	3,838	7,147	1,120	12,105	12,945
Supplies	17,096	4,652	2,988	24,736	23,048
Books, dues, & subscriptions	10,162	3,972	1,661	15,795	16,462
Printing & copying	6,859	1,191	12,067	20,117	37,969
Advertising	76,936	18,156	15,924	111,016	12,954
Meetings & conferences	5,811	4,138	7,098	17,047	27,858
Travel	84,816	27,327	8,563	120,706	216,169
Event production costs	1,846,246	321	7,381	1,853,948	774,897
Awards & gifts	7,438	253	150	7,841	12,953
Sponsorships & tickets	13,723	2,615	1,137	17,475	31,279
Bank & credit card fees	48	23,857	75,534	99,439	69,021
Depreciation	13,027	4,604	4,191	21,822	29,648
Other	2,040	(50,881)	4,913	(43,928)	33,523
<b>TOTAL</b>	<b>\$ 4,276,230</b>	<b>\$ 808,841</b>	<b>\$ 628,620</b>	<b>\$ 5,713,691</b>	<b>\$ 4,454,168</b>

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

# Out & Equal

## Statement of Cash Flows for the Year Ended December 31, 2014 with Comparative Totals for the Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 430,556	\$ 182,845
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	21,822	29,648
In-kind donations of capital assets	(3,789)	-
Donations of marketable securities	(14,959)	(15,503)
Change in fair value of marketable securities	(3,772)	(8,258)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(129,917)	3,141
(Increase) decrease in other receivables	(50,000)	775,000
(Increase) decrease in inventory	(724)	5,232
(Increase) decrease in prepaid expenses & deposits	(10,909)	(34,751)
(Increase) decrease in other assets	(26,451)	7,640
Increase (decrease) in accounts payable	50,305	(144,885)
Increase (decrease) in accrued payroll liabilities	110,816	(44,308)
Increase (decrease) in deferred revenue	(44,585)	99,979
Increase (decrease) in other liabilities	(3,300)	(288,325)
<b>Cash provided (used) by operating activities:</b>	<b>325,093</b>	<b>567,455</b>
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(1,568)	(2,917)
Dividends reinvested in marketable securities	(1,902)	(1,002)
<b>Cash provided (used) by investing activities:</b>	<b>(3,470)</b>	<b>(3,919)</b>
<b>Cash provided (used) during year</b>	<b>321,623</b>	<b>563,536</b>
Cash and cash equivalents:		
<b>Beginning of year, January 1</b>	<u>1,012,140</u>	<u>448,604</u>
<b>End of year, December 31</b>	<u><u>\$ 1,333,763</u></u>	<u><u>\$ 1,012,140</u></u>

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

# Out & Equal

## Notes to Financial Statements December 31, 2014

### 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, 2014

(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).

### Sponsorships & 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.

When multi-year sponsorships are awarded to the Organization, the amounts pledged for future years, but outstanding as of the balance sheet date, are reflected within the temporarily restricted net asset classification of the statement of financial position. Amounts due within one year of the balance sheet date are presented as current, while amounts due in 2016 are presented as non-current.

### 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) filings for the tax years ending in 2012 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2011 through 2014 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

(continued)

# Out & Equal

## Notes to Financial Statements December 31, 2014

(continued)

### 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.

### Comparative Data

The financial statement information for the year ended December 31, 2013, 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.

### **3. Sponsorships & Accounts Receivable**

Multi-year sponsorships pledged, due in 2015		\$199,500
Multi-year sponsorships pledged, due in 2016		
Face value	\$136,000	
Less: present value discount	<u>(339)</u>	
		135,661
Accounts receivable, due in 2015		
Face value	263,979	
Less: allowance for doubtful accounts	<u>(6,116)</u>	
		<u>257,863</u>
Sponsorships & accounts receivable, net realizable value		\$593,024

### **4. Property & Equipment**

Computers & software		\$136,661
Furnishings & equipment		98,333
Leasehold improvements		<u>34,076</u>
Property & equipment, gross		269,070
Less: accumulated depreciation		<u>(232,008)</u>
Property & equipment, net book value		\$37,062

### **5. Deferred Compensation**

As part of an agreement executed in December 2014, the Organization has established a supplemental executive retirement plan (the Plan) for its chief executive officer (CEO). Under the terms of the agreement, Out & Equal contributed \$80,000 to the Plan in 2014 and shall contribute four additional \$80,000 installments in 2015, 2016, 2017, and 2018, respectively. Interest shall accrue to the Plan annually based on the average annual rate for Moody's Corporate Average Bond Yield. Each of the future contributions is contingent upon the CEO's continued service to the Organization. If the CEO continues to be employed through March 2017, she shall be paid an amount equal to 85% of the balance held in the Plan at that time, with the remaining contributions and accrued interest to be payable in September 2018 or upon termination, whichever occurs first.

The amount recorded as a liability reflects the initial \$80,000 contribution to the Plan. Each of the future contributions shall be expensed and recorded as a liability once the CEO has satisfied the minimum service requirement set forth by the agreement. Interest shall be calculated and recorded at the end of each year.

# Out & Equal

## Notes to Financial Statements December 31, 2014

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 consist of awards received for the following:

2015 <i>Workplace Summit</i> sponsorships	\$314,175
2016 <i>Workplace Summit</i> sponsorships	94,511
Affiliate education & mobilization activities	50,000
2015 <i>Executive Forum</i> sponsorships	24,500
2016 <i>Executive Forum</i> sponsorships	12,250
2015 <i>Momentum</i> sponsorships	8,200
2016 <i>Momentum</i> sponsorships	8,200
Other activities	<u>2,500</u>
Total	\$514,336

### 7. Net Assets Released from Restriction

During 2014, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2014 <i>Workplace Summit</i>	\$183,010
2014 <i>Executive Forum</i>	26,817
Other activities	<u>2,835</u>
Total	\$212,662

### 8. In-Kind Support

The Organization received and recorded the following in-kind donations during 2014:

Legal services – general legal support	\$116,758
Airline travel vouchers	44,500
Advertising	77,450
Summit equipment use	21,000
Laptops with software	<u>3,789</u>
Total	\$263,497

### 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, 2014, the Organization contributed a total of \$162,926 to the retirement accounts of its employees.

# Out & Equal

## Notes to Financial Statements December 31, 2014

### 10. Operating Lease

The Organization rents its office space in San Francisco under an operating lease that expires on December 31, 2019. Total rent expense for the year ended December 31, 2014 was \$188,790. Future minimum lease payments for the next five fiscal years are as follows:

2015	\$261,876
2016	269,724
2017	277,812
2018	286,152
2019	<u>294,732</u>
Total future minimum lease payments	\$1,390,296

### 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, 2014, the Organization held approximately \$750,000 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 30, 2015, the date the financial statements were available to be issued.