

# Out & Equal

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2016

COOK &  
COMPANY

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A PROFESSIONAL ACCOUNTANCY CORPORATION

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# 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, 2016, 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, 2016, 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, 2015, financial statements of Out & Equal, and our report dated September 1, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
August 9, 2017

# Out & Equal

## Statement of Financial Position December 31, 2016 with Comparative Totals for December 31, 2015

	12/31/16	12/31/15
	<u>Total</u>	<u>Total</u> <u>(Note 2)</u>
<b>ASSETS</b>		
Current Assets:		
Cash & equivalents	\$ 2,635,431	\$ 1,550,353
Investments (Note 3)	94,876	120,526
Sponsorships & accounts receivable, current (Note 4)	420,506	568,061
Grants receivable	166,000	331,928
Inventory	17,420	13,686
Prepaid expenses & deposits, current	120,211	125,090
Other assets	<u>14,089</u>	<u>17,621</u>
Total current assets	3,468,533	2,727,265
Sponsorships & accounts receivable, long-term (Note 4)	232,545	-
Deposits, long-term	19,762	18,762
Property & equipment, net (Note 5)	<u>53,978</u>	<u>24,447</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,774,818</u>	<u>\$ 2,770,474</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 49,096	\$ 100,330
Accrued compensated absences	157,329	125,957
Deferred compensation, current (Note 6)	212,469	-
Deferred revenue	260,139	89,948
Other current liabilities	<u>6,302</u>	<u>6,302</u>
Total current liabilities	685,335	322,537
Deferred compensation, long-term (Note 6)	<u>36,613</u>	<u>163,112</u>
<b>TOTAL LIABILITIES</b>	721,948	485,649
Net Assets		
Unrestricted	2,086,774	1,459,337
Temporarily restricted (Note 7)	<u>966,096</u>	<u>825,488</u>
<b>TOTAL NET ASSETS</b>	3,052,870	2,284,825
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 3,774,818</u>	<u>\$ 2,770,474</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, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total (Note 2)</u>
Support & Revenue:				
Sponsorships	\$ 2,817,506	\$ 524,825	\$ 3,342,331	\$ 2,781,167
Corporate & foundation grants	53,946	101,072	155,018	541,977
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 8)	485,289	(485,289)	-	-
Contributions	201,558		201,558	146,845
In-kind support (Note 9)	247,197		247,197	671,469
Special event, net of direct donor benefits of \$180,038 in 2016 and \$171,067 in 2015	23,488		23,488	31,158
Program event registration fees	2,179,026		2,179,026	1,874,693
Exhibitor fees	7,450		7,450	36,625
Other program fees	133,722		133,722	75,086
Merchandise sales, net of cost of goods sold of \$1,255 in 2016 and \$3,147 in 2015	3,431		3,431	4,051
Investment income (Note 3)	10,291		10,291	25,807
Other income	193,655		193,655	178,683
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	6,356,559	140,608	6,497,167	6,367,561
Expenses:				
Program services	4,449,740		4,449,740	4,713,645
General & administrative	815,706		815,706	675,661
Fundraising	463,676		463,676	358,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	5,729,122	-	5,729,122	5,747,713
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	627,437	140,608	768,045	619,848
NET ASSETS, January 1	1,459,337	825,488	2,284,825	1,664,977
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$ 2,086,774</u>	<u>\$ 966,096</u>	<u>\$ 3,052,870</u>	<u>\$ 2,284,825</u>

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

## Out & Equal

### Statement of Functional Expenses for the Year Ended December 31, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>2016 Total</b>	<b>2015 Total (Note 2)</b>
Salaries & wages	\$ 1,281,972	\$ 380,491	\$ 236,300	\$ 1,898,763	\$ 1,625,989
Payroll taxes	88,647	28,832	16,733	134,212	118,983
Employee benefits	249,700	79,568	43,730	372,998	341,418
Staff development	15,341	14,413	5,861	35,615	46,160
Outside services	475,415	128,525	73,404	677,344	1,228,703
Occupancy	214,369	69,032	41,067	324,468	276,456
Telephone & internet	29,905	12,010	2,761	44,676	39,017
Information technology support	48,535	14,939	9,120	72,594	51,880
Postage & delivery	12,578	3,559	679	16,816	9,917
Insurance	4,898	8,439	894	14,231	13,515
Supplies	28,878	5,774	2,187	36,839	36,273
Books, dues, & subscriptions	22,538	360	2,537	25,435	17,483
Printing & copying	33,353	1,688	3,388	38,429	27,580
Advertising	12,780	-	-	12,780	24,130
Meetings & conferences	3,948	3,079	258	7,285	8,605
Travel	162,931	33,660	4,400	200,991	125,637
Event production costs	1,664,895	3,876	264	1,669,035	1,586,871
Awards & gifts	10,645	1,514	235	12,394	15,055
Sponsorships & tickets	7,560	3,180	100	10,840	25,500
Bank & credit card fees	54,798	10,942	16,564	82,304	79,777
Depreciation	15,253	5,147	2,860	23,260	20,766
Other	10,801	6,678	334	17,813	27,998
<b>TOTAL</b>	<b>\$ 4,449,740</b>	<b>\$ 815,706</b>	<b>\$ 463,676</b>	<b>\$ 5,729,122</b>	<b>\$ 5,747,713</b>

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

# Out & Equal

## Statement of Cash Flows for the Year Ended December 31, 2016 with Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 768,045	\$ 619,848
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	23,260	20,766
Donations of marketable securities	(25,553)	(14,148)
Donations of fixed assets	(17,700)	-
Change in fair value of marketable securities	(7,485)	(23,715)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(84,990)	24,963
(Increase) decrease in other receivables	165,928	(281,928)
(Increase) decrease in inventory	(3,734)	(7,976)
(Increase) decrease in prepaid expenses & deposits	3,879	(5,002)
(Increase) decrease in other assets	3,533	16,400
Increase (decrease) in accounts payable	(53,027)	(199,951)
Increase (decrease) in accrued payroll liabilities	119,135	113,496
Increase (decrease) in deferred revenue	170,191	(38,355)
Increase (decrease) in other liabilities	-	(500)
<b>Cash provided (used) by operating activities:</b>	<b>1,061,482</b>	<b>223,898</b>
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(35,092)	(5,216)
Liquidation/(purchase) of marketable securities	58,688	(2,092)
<b>Cash provided (used) by investing activities:</b>	<b>23,596</b>	<b>(7,308)</b>
<b>Cash provided (used) during year</b>	<b>1,085,078</b>	<b>216,590</b>
Cash and cash equivalents:		
<b>Beginning of year, January 1</b>	<b>1,550,353</b>	<b>1,333,763</b>
<b>End of year, December 31</b>	<b>\$ 2,635,431</b>	<b>\$ 1,550,353</b>

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

# Out & Equal

## Notes to Financial Statements December 31, 2016

### 1. The Organization

#### Nature of Activities

Out & Equal Workplace Advocates (the Organization) is the world's premiere nonprofit organization dedicated to achieving lesbian, gay, bisexual, and transgender workplace equality. We collaborate with leading local, national, and global corporations, their executives, human resources professionals, employee resource groups and individuals to provide leadership & professional development, education and research to create a culturally accepting work environment free of discrimination. The Organization convenes its annual Workplace Summit which draws 4,000+ attendees from 450+ companies, 37 different countries and offers 12 different educational tracks across 90 workshops, panels and case studies. The Organization also convenes an annual Executive Forum with LGBT and Ally executives that focus on professional development, networking and action planning tied to key issues facing their companies and the LGBT community. The Organization also offers training, town calls, global webinars, global business forums and its Equality Institute to reach small, medium and multi-national companies globally. 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.

(continued)



# Out & Equal

## Notes to Financial Statements December 31, 2016

(continued)

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.

### Cash & Cash Equivalents

Cash and cash equivalents include deposits held in bank checking and savings accounts, as well as money market funds held with an investment brokerage.

### 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 beyond one year 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.

(continued)

# Out & Equal

## Notes to Financial Statements December 31, 2016

(continued)

### 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 2013 through 2016 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 2012 through 2016 are subject to examination by the Franchise Tax Board, generally for four 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.

### Comparative Data

The financial statement information for the year ended December 31, 2015, 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. Investments**

As of December 31, 2016, the Organization's investment portfolio was comprised of the following:

Equities	\$90,813
Equity mutual funds	<u>4,063</u>
Total	\$94,876

Components of investment income are as follows:

Change in fair value	\$7,485
Dividends	<u>2,806</u>
Total	\$10,291

# Out & Equal

## Notes to Financial Statements December 31, 2016

### 4. Sponsorships & Accounts Receivable

#### *Current*

Accounts receivable, due within one year		
Face value	\$286,937	
Less: allowance for doubtful accounts	<u>(1,431)</u>	
		285,506
Multi-year sponsorships pledged, due within one year		<u>135,000</u>
Subtotal – current		420,506

#### *Long-term*

Multi-year sponsorships pledged, due in one to four years		
Face value	235,000	
Less: present value discount	<u>(2,455)</u>	
		<u>232,545</u>
Total sponsorships & accounts receivable		\$653,051

### 5. Property & Equipment

Computers & software	\$168,163
Furnishings & equipment	99,388
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	301,627
Less: accumulated depreciation	<u>(247,649)</u>
Property & equipment, net book value	\$53,978

### 6. 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 \$240,000 to the Plan through December 2016, and shall contribute two additional \$80,000 installments in 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.

The Plan provides for a payment to the CEO during March 2017 in the 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 three \$80,000 contributions to the Plan plus accrued interest. 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 is calculated and recorded at the end of each year. Amounts are classified on the balance sheet as follows:

Current, payable in 2017	\$212,469
Long-term, payable in 2018	<u>36,613</u>
Total	\$249,082

# Out & Equal

## Notes to Financial Statements December 31, 2016

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consist of awards received for the following:

Sponsorships of future Workplace Summits	\$490,825
Out & Equal Research Institute	347,222
Equity Institute	94,049
Sponsorships of future Executive Forums	<u>34,000</u>
Total	\$966,096

### 8. Net Assets Released from Restriction

During 2016, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2016 Workplace Summit	\$301,010
Out & Equal Research Institute	152,778
2016 Executive Forum	17,350
2016 Momentum	8,200
Equity Institute	<u>5,951</u>
Total	\$485,289

### 9. In-Kind Support

The Organization received and recorded the following in-kind donations during 2016:

Use of facilities and equipment at program events	\$65,000
Printing of Summit program booklets	50,000
General legal services	36,899
Survey / polling services	35,000
Airline travel vouchers	30,800
Office / computer equipment	17,700
Other	<u>11,798</u>
Total	\$247,197

### 10. 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, 2016, the Organization contributed a total of \$188,164 to the retirement accounts of its employees.

# Out & Equal

## Notes to Financial Statements December 31, 2016

### 11. Operating Lease

The Organization rents its office space in San Francisco under an operating lease that expires on December 31, 2019.

Out & Equal also maintains a satellite office in Washington, D.C. under a month-to-month arrangement.

Total rent expense for the year ended December 31, 2016 was \$311,186.

Future minimum lease payments are as follows:

2017	\$277,812
2018	286,152
2019	<u>294,732</u>
Total future minimum lease payments	\$858,696

### 12. Contractual Commitments

As of December 31, 2016, the Organization had executed convention center and hotel contracts for its 2017 and 2018 conferences. Under these contracts, Out & Equal has agreed to secure food, beverage and hotel revenue of approximately \$2.8 million.

### 13. 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, 2016, the Organization held approximately \$2.2 million in a single financial institution. The FDIC insures these deposits only up to \$250,000.

### 14. Management's Review of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2017, the date the financial statements were available to be issued.