

Out & Equal

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2015

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, 2015, 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, 2015, 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, 2014, financial statements of Out & Equal, and our report dated July 30, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
September 1, 2016

Out & Equal

Statement of Financial Position December 31, 2015 with Comparative Totals for December 31, 2014

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	12/31/15 <u>Total</u>	12/31/14 <u>Total</u> <u>(Note 2)</u>
ASSETS				
Current Assets:				
Cash & equivalents	\$ 1,217,793	\$ 332,560	\$ 1,550,353	\$ 1,333,763
Investments (Note 3)	120,526		120,526	80,571
Sponsorships & accounts receivable, current (Note 4)	407,061	161,000	568,061	457,363
Grants receivable		331,928	331,928	50,000
Inventory	13,686		13,686	5,710
Prepaid expenses & deposits, current	125,090		125,090	121,088
Other assets	<u>17,621</u>		<u>17,621</u>	<u>36,956</u>
Total current assets	1,901,777	825,488	2,727,265	2,085,451
Sponsorships & accounts receivable, long-term (Note 4)			-	135,661
Deposits, long-term	18,762		18,762	17,762
Property & equipment, net (Note 5)	<u>24,447</u>		<u>24,447</u>	<u>37,062</u>
TOTAL ASSETS	<u>\$ 1,944,986</u>	<u>\$ 825,488</u>	<u>\$ 2,770,474</u>	<u>\$ 2,275,936</u>
LIABILITIES & NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 100,330		\$ 100,330	\$ 300,281
Accrued compensated absences	125,957		125,957	95,573
Deferred revenue	89,948		89,948	128,303
Other current liabilities	<u>6,302</u>		<u>6,302</u>	<u>6,802</u>
Total current liabilities	322,537	-	322,537	530,959
Deferred compensation (Note 6)	<u>163,112</u>		<u>163,112</u>	<u>80,000</u>
TOTAL LIABILITIES	485,649	-	485,649	610,959
Net Assets				
Unrestricted	1,459,337		1,459,337	1,150,641
Temporarily restricted (Note 7)	<u>\$ 825,488</u>	<u>\$ 825,488</u>	<u>825,488</u>	<u>514,336</u>
TOTAL NET ASSETS	1,459,337	825,488	2,284,825	1,664,977
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,944,986</u>	<u>\$ 825,488</u>	<u>\$ 2,770,474</u>	<u>\$ 2,275,936</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, 2015 with Comparative Totals for the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total (Note 2)</u>
Support & Revenue:				
Sponsorships	\$ 2,569,568	\$ 211,599	\$ 2,781,167	\$ 2,924,874
Corporate & foundation grants	43,049	498,928	541,977	85,428
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 8)	399,375	(399,375)	-	-
Contributions	146,845		146,845	185,012
In-kind support (Note 9)	671,469		671,469	263,497
Special event, net of direct donor benefits of \$171,067 in 2015 and \$102,403 in 2014	31,158		31,158	126,125
Program event registration fees	1,874,693		1,874,693	2,217,112
Exhibitor fees	36,625		36,625	58,000
Other program fees	75,086		75,086	59,979
Merchandise sales, net of cost of goods sold of \$3,147 in 2015 and \$3,183 in 2014	4,051		4,051	8,010
Investment income (Note 3)	25,807		25,807	6,411
Other income	178,683		178,683	209,799
	6,056,409	311,152	6,367,561	6,144,247
Expenses:				
Program services	4,713,645		4,713,645	4,276,230
General & administrative	675,661		675,661	808,841
Fundraising	358,407		358,407	628,620
	5,747,713	-	5,747,713	5,713,691
CHANGE IN NET ASSETS	308,696	311,152	619,848	430,556
NET ASSETS, January 1	1,150,641	514,336	1,664,977	1,234,421
	\$ 1,459,337	\$ 825,488	\$ 2,284,825	\$ 1,664,977

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

Out & Equal

Statement of Functional Expenses for the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	Program Services	General & Administrative	Fundraising	2015 Total	2014 Total (Note 2)
Salaries & wages	\$ 1,180,159	\$ 280,819	\$ 165,011	\$ 1,625,989	\$ 1,649,859
Payroll taxes	81,194	26,274	11,515	118,983	129,535
Employee benefits	237,228	72,539	31,651	341,418	337,137
Staff development	19,895	22,310	3,955	46,160	23,122
Outside services	1,113,209	112,067	3,427	1,228,703	982,512
Occupancy	188,686	57,763	30,007	276,456	199,150
Telephone & internet	27,503	9,424	2,090	39,017	60,205
Information technology support	34,703	12,202	4,975	51,880	44,358
Postage & delivery	6,180	1,957	1,780	9,917	9,694
Insurance	4,593	8,353	569	13,515	12,105
Supplies	30,004	3,936	2,333	36,273	24,736
Books, dues, & subscriptions	3,958	1,617	11,908	17,483	15,795
Printing & copying	24,469	1,515	1,596	27,580	20,117
Advertising	24,092	38	-	24,130	111,016
Meetings & conferences	3,980	4,008	617	8,605	17,047
Travel	91,462	25,098	9,077	125,637	120,706
Event production costs	1,583,162	-	3,709	1,586,871	1,853,948
Awards & gifts	13,636	524	895	15,055	7,841
Sponsorships & tickets	20,750	4,250	500	25,500	17,475
Bank & credit card fees	-	9,402	70,375	79,777	99,439
Depreciation	14,649	4,209	1,908	20,766	21,822
Other	10,133	17,356	509	27,998	(43,928)
TOTAL	\$ 4,713,645	\$ 675,661	\$ 358,407	\$ 5,747,713	\$ 5,713,691

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

Out & Equal

Statement of Cash Flows for the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	<u>2015</u>	<u>2014</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 619,848	\$ 430,556
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	20,766	21,822
In-kind donations of capital assets	-	(3,789)
Donations of marketable securities	(14,148)	(14,959)
Change in fair value of marketable securities	(23,715)	(3,772)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	24,963	(129,917)
(Increase) decrease in other receivables	(281,928)	(50,000)
(Increase) decrease in inventory	(7,976)	(724)
(Increase) decrease in prepaid expenses & deposits	(5,002)	(10,909)
(Increase) decrease in other assets	16,400	(26,451)
Increase (decrease) in accounts payable	(199,951)	50,305
Increase (decrease) in accrued payroll liabilities	113,496	110,816
Increase (decrease) in deferred revenue	(38,355)	(44,585)
Increase (decrease) in other liabilities	(500)	(3,300)
Cash provided (used) by operating activities:	223,898	325,093
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(5,216)	(1,568)
Dividends reinvested in marketable securities	(2,092)	(1,902)
Cash provided (used) by investing activities:	(7,308)	(3,470)
Cash provided (used) during year	216,590	321,623
Cash and cash equivalents:		
Beginning of year, January 1	<u>1,333,763</u>	<u>1,012,140</u>
End of year, December 31	<u>\$ 1,550,353</u>	<u>\$ 1,333,763</u>

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

Out & Equal

Notes to Financial Statements December 31, 2015

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

(continued)

Out & Equal

Notes to Financial Statements December 31, 2015

(continued)

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.

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.

Due to the inherent difficulty of collecting information relating to the occurrence and valuation of in-kind contributions, it is at least reasonably possible that the actual dollar value of contributions received differs from the amount recorded in the financial statements.

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.

(continued)

Out & Equal

Notes to Financial Statements December 31, 2015

(continued)

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 2015 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 2015 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, 2014, 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, 2015, the Organization's investment portfolio was comprised of the following:

Common Stocks	\$112,348
Mutual & other funds	<u>8,178</u>
Total	\$120,526

Components of investment income are as follows:

Change in fair value	\$23,715
Dividends	<u>2,092</u>
Total	\$25,807

4. Sponsorships & Accounts Receivable

Multi-year sponsorships pledged, due in 2016	\$161,000
Accounts receivable, due in 2016	
Face value	411,877
Less: allowance for doubtful accounts	<u>(4,816)</u>
	<u>407,061</u>
Sponsorships & accounts receivable, net realizable value	\$568,061

Out & Equal

Notes to Financial Statements December 31, 2015

5. Property & Equipment

Computers & software	\$140,368
Furnishings & equipment	98,333
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	272,777
Less: accumulated depreciation	<u>(248,330)</u>
Property & equipment, net book value	\$24,447

6. Deferred Compensation

As part of an agreement executed in December 2015, 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 \$160,000 to the Plan through December 2015, and shall contribute three additional \$80,000 installments in 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 two \$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.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consist of awards received for the following:

<i>Out & Equal Research Institute</i>	\$498,928
2016 <i>Workplace Summit</i> sponsorships	301,010
2016 <i>Executive Forum</i> sponsorships	17,350
2016 <i>Momentum</i> sponsorship	<u>8,200</u>
Total	\$825,488

8. Net Assets Released from Restriction

During 2015, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2015 <i>Workplace Summit</i>	\$314,175
Affiliate education & mobilization	50,000
2015 <i>Executive Forum</i>	24,500
2015 <i>Momentum</i>	8,200
Other activities	<u>2,500</u>
Total	\$399,375

Out & Equal

Notes to Financial Statements December 31, 2015

9. In-Kind Support

The Organization received and recorded the following in-kind donations during 2015:

Training services & related supplies	\$489,334
General legal services	47,985
Airline travel vouchers	44,150
Printing	40,000
<i>Summit</i> equipment use	30,000
Beverages for <i>Summit</i>	<u>20,000</u>
Total	\$671,469

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, 2015, the Organization contributed a total of \$173,370 to the retirement accounts of its employees.

11. Operating Lease

The Organization rents its office space in San Francisco under an operating lease that expires on December 31, 2019. Total occupancy expense for the year ended December 31, 2015 was \$272,265. Future minimum lease payments for the next five fiscal years are as follows:

2016	\$269,724
2017	277,812
2018	286,152
2019	<u>294,732</u>
Total future minimum lease payments	\$1,128,420

12. Contractual Commitments

As of December 31, 2015, the Organization had executed convention center and hotel contracts for its 2016 and 2017 conferences. Under these contracts, Out & Equal has agreed to secure food, beverage and hotel revenue of approximately \$2.7 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, 2015, the Organization held approximately \$1.2 million in a single financial institution. The FDIC insures these deposits only up to \$250,000.

Out & Equal

Notes to Financial Statements December 31, 2015

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 September 1, 2016, the date the financial statements were available to be issued.