

OUT & EQUAL

FINANCIAL STATEMENTS

December 31, 2010

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

Draft: #2

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Out & Equal

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-11

INDEPENDENT AUDITORS' REPORT

Board of Directors
Out & Equal
San Francisco, California

We have audited the accompanying statement of financial position of Out & Equal (a nonprofit California corporation) as of December 31, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from Out & Equal's December 31, 2009 financial statements and, in our report, dated April 8, 2010; we expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants
Oakland, California
June 1, 2011

Out & Equal

**Statement of Financial Position
December 31, 2010
(With Comparative Totals for December 31, 2009)**

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 841,746	\$ 635,101
Investments (Note 3)	3,082	-
Accounts receivable, net allowance for doubtful accounts	582	95,292
Grants receivable	167,898	105,699
Inventory	3,520	6,200
Prepaid expenses	49,985	53,950
Total Current Assets	<u>1,066,813</u>	<u>896,242</u>
Property and equipment, net (Note 4)	62,125	76,186
Deposits	22,762	17,762
Other assets	<u>18,250</u>	<u>11,800</u>
Total Assets	<u>\$ 1,169,950</u>	<u>\$ 1,001,990</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 231,853	\$ 156,267
Deferred revenue	<u>48,880</u>	<u>114,075</u>
Total Liabilities	<u>280,733</u>	<u>270,342</u>
Commitments and Contingencies (Notes 5 and 6)		
Net Assets		
Unrestricted	683,032	731,648
Temporarily restricted (Note 7)	<u>206,185</u>	<u>-</u>
Total Net Assets	<u>889,217</u>	<u>731,648</u>
Total Liabilities and Net Assets	<u>\$ 1,169,950</u>	<u>\$ 1,001,990</u>

See Notes to the Financial Statements

Out & Equal

**Statement of Activities
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)**

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
Support and Revenue				
Support				
Sponsorships	\$ 2,216,200	\$ 177,700	\$ 2,393,900	\$ 1,501,243
Foundation and corporate support	15,231	50,000	65,231	55,258
Contributions	134,680		134,680	72,549
Events				
Admission	49,500			
Auction purchases	29,500			
Raffle	2,465			
Less direct costs	(124,142)			
	(42,677)		(42,677)	(38,970)
In kind support (Note 10)	464,135		464,135	272,755
Total support	2,787,569	227,700	3,015,269	1,862,835
Summit	1,334,475		1,334,475	893,391
Program fees	113,960		113,960	-
Exhibitor and program ads	61,099		61,099	9,969
Training and affiliate events	36,542		36,542	62,446
Rent income	12,116		12,116	-
Merchandising	7,370		7,370	-
Interest	2,514		2,514	6,828
Miscellaneous	7,221		7,221	8,244
Total revenue	1,575,297	-	1,575,297	980,878
Net assets released from restriction (Note 7)	21,515	(21,515)	-	-
Total Support and Revenue	4,384,381	206,185	4,590,566	2,843,713
Expenses				
Program	3,444,532		3,444,532	2,242,962
General and administrative	638,464		638,464	446,192
Fundraising	350,001		350,001	438,123
Total Expenses	4,432,997	-	4,432,997	3,127,277
Change in net assets	(48,616)	206,185	157,569	(283,564)
Net Assets, beginning of year	731,648	-	731,648	1,015,212
Net Assets, end of year	\$ 683,032	\$ 206,185	\$ 889,217	\$ 731,648

See Notes to the Financial Statements

Out & Equal

Statement of Cash Flows For the Year Ended December 31, 2010 (With Comparative Totals for the Year Ended December 31, 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 157,569	\$ (283,564)
Depreciation	43,776	48,493
Unrealized gain	-	(6,809)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	94,710	7,304
Grants receivable	(62,199)	(105,699)
Inventory	2,680	(6,200)
Prepaid expenses	3,965	(3,189)
Deposits	(5,000)	1,279
Other assets	(6,450)	(11,800)
Accounts payable and accrued expenses	75,586	(25,912)
Deferred revenue	(65,195)	29,075
Net cash provided (used) by operating activities	239,442	(357,022)
Cash flows from investing activities:		
Redemption of certificates of deposit	-	346,604
Purchase of investment	(3,082)	-
Purchase of equipment	(29,715)	(2,502)
Net cash provided (used) by investing activities	(32,797)	344,102
Net change in cash and cash equivalents	206,645	(12,920)
Cash and cash equivalents, beginning of year	635,101	648,021
Cash and cash equivalents, end of year	\$ 841,746	\$ 635,101

See Notes to the Financial Statements

Out & Equal

**Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for Year Ended December 31, 2009)**

	Program	General and administrative	Fundraising	Total	
				2010	2009
Salaries	\$ 803,177	\$ 187,861	\$ 192,230	\$ 1,183,268	\$ 1,059,636
Payroll taxes	66,338	8,488	15,932	90,758	79,984
Retirement benefits	89,176	19,758	21,417	130,351	90,925
Other employee benefits	135,710	34,936	32,581	203,227	166,106
	<u>1,094,401</u>	<u>251,043</u>	<u>262,160</u>	<u>1,607,604</u>	<u>1,396,651</u>
Accounting	-	34,566	-	34,566	42,785
Advertising	13,366	3,592	866	17,824	5,411
Legal	-	200,666	-	200,666	46,921
Supplies	24,185	7,267	4,904	36,356	23,338
Telephone and internet	29,056	4,966	3,713	37,735	46,258
Postage and mailing	12,008	1,094	3,351	16,453	11,355
Occupancy	152,603	17,807	36,650	207,060	185,451
Equipment and maintenance	900	46,673	-	47,573	12,280
Printing and reproduction	184,741	5,936	4,875	195,552	55,827
Travel	117,955	14,064	12,278	144,297	105,623
Training and conferences	604	1,325	-	1,929	-
Depreciation	32,263	3,765	7,748	43,776	48,493
Insurance	16,116	2,462	742	19,320	6,020
Contract services	1,606,645	9,124	6,361	1,622,130	1,077,556
Fees, licenses, memberships	46,464	11,804	3,731	61,999	52,395
Miscellaneous	30,390	16,960	2,622	49,972	
Event costs	82,835	5,350	-	88,185	10,913
Total expenses	<u>\$ 3,444,532</u>	<u>\$ 638,464</u>	<u>\$ 350,001</u>	<u>\$ 4,432,997</u>	<u>\$ 3,127,277</u>

See Notes to the Financial Statements

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

NOTE 1: NATURE OF ACTIVITIES

Out & Equal (the Organization) is a California nonprofit public benefit corporation, headquartered in San Francisco, California. The Organization provides a variety of services to companies, human resource professionals, employee resource groups (ERGs) and individuals.

The Organization champions safe and equitable workplaces for lesbian, gay, bisexual, and transgender (LGBT) people. It advocates building and strengthening successful organizations that value all employees, customers and communities.

The Organization has the following programs:

Training and Professional Development Department

The training and professional development department provides diversity training, educational resources and consulting services to encourage LGBT workplace equality in all sectors. Trainings are designed and tailored for a wide variety of audiences including community groups, corporations, small businesses, educational institutions, governmental agencies, and nonprofit organizations. Trainings are conducted in person and via online webinars.

Communications Department

The communications department oversees the Organization's communications and outreach efforts to national and local media, volunteers, allies and the general public. Internally, the department provides support to the Executive Director and staff in the areas of speechwriting, publication production, and website content.

LGBTCareerLink.com

Web-based career development portal links job seekers with LGBT-friendly employers of all sizes, and provides career development resources and content specific to LGBT works. In partnership with businesses, universities and nonprofit organizations, LGBTCareerLink delivers webinars, online meetings, career panels, training, such as time management and collaborative decision making, virtual job fairs and moderated forums.

Out & Equal Workplace Summit

The Out & Equal Workplace Summit (the Summit) provides individuals, human resources professionals, diversity managers, employee resource group (ERG) leaders, and allies the perfect platform from which to make powerful connections, share best practices, and formulate a strategy that allows for a powerful demonstration of their commitment to equality in the workplace. Held in a different city each year, the Summit provides attendees with all the information and resources they need to become a workplace that does not discriminate against LGBT people.

Executive Forum

An annual, invitation only event where top LGBT executives share their ideas and experiences, discuss current issues, learn best practices, and consider the corporate environment in the United States and other countries.

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

Networks

Local affiliates provide infrastructure for grassroots and local organizing, including interactive web-based communities, and local educational and networking events on LGBT workplace issues.

In addition, develop programs and services that support ERG's growth and development, including enhanced online directory of ERG resources, worldwide community of ERG leaders, speakers and outreach to non-LGBT ERGs.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when payment or grant letter is received or sponsor's agreement is signed. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restrictions.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions and has concluded that as of December 31, 2010, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

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.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Fair Value of Financial Instruments

The fair values of financial instruments represent the quoted marked prices for similar assets or liabilities in active markets.

Deferred Revenue

Deferred revenue reflects amounts received from corporations to sponsor the subsequent Annual Summit.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of the date that the financial statements were available for distribution there were no significant subsequent events to disclose.

NOTE 3: INVESTMENTS

As of December 31, 2010, investments are stated at fair value and consist of equities. The investments are valued based on identical assets in active markets.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 67,639	\$ 68,702
Computers and software	133,225	132,485
Leasehold improvements	34,076	34,076
Less accumulated depreciation	<u>(172,815)</u>	<u>(159,077)</u>
Total	<u>\$ 62,125</u>	<u>\$ 76,186</u>

NOTE 5: COMMITMENTS

Operating Leases

The Organization is party to a lease for office space in San Francisco which expires in December, 2011. Future minimum operating lease payments were \$213,144.

Rent for the years ended December 31, 2010 and 2009 was \$207,060 and \$185,450 respectively.

NOTE 6: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31, 2010:

2011 Summit	\$ 134,100
2011 Executive Forum	38,600
Marriage Equality	28,485

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

2011 Career Link	<u>5,000</u>
Total	<u>\$ 206,185</u>

As of December 31, 2010, temporarily restricted net assets of \$21,515 were released from donor restriction by incurring expenses for Marriage Equality program activities.

NOTE 8: CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

NOTE 9: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). The Organization matches 100% of employee contributions to the plan up to 5% of the annual salary and contributes an amount equal to 9% of the annual salary per year. Employees receive 40% of the percentage contribution after one full year of employment, 60% after two full years of employment and 100% after three full years of employment. Total contributions were \$130,351 and \$90,925 for the years ended December 31, 2010 and 2009 respectively.

NOTE 10: IN KIND SUPPORT

The Organization received in kind support consisting of the following for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Conference site expenses	\$ 5,000	\$ 90,000
Advertising for summit	5,950	-
Legal services	200,666	40,000
Internet cafe at summit	5,000	10,000
Research	-	30,000
Airline tickets	56,450	28,400
Office supplies	16,634	-
Printing	142,670	40,000
Auction/raffle items	<u>31,765</u>	<u>34,355</u>
Total	<u>\$ 464,135</u>	<u>\$ 272,755</u>

OUT & EQUAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

NOTE 11: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUND RAISING APPEALS

The Organization engaged in a number of activities, such as newsletters, that included a fundraising appeal. As a result, the costs of these activities were allocated between fundraising, program and management and general services as follows for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Costs allocated to program activities	\$ 166,313	\$ 209,830
Costs allocated to fundraising activities	36,718	16,350
Costs allocated to management and general	<u>12,960</u>	<u>46,326</u>
Total	<u>\$ 215,991</u>	<u>\$ 272,506</u>