

# Out & Equal

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2017

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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, 2017, 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, 2017, 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, 2016, financial statements of Out & Equal, and our report dated August 9, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
September 26, 2018

# Out & Equal

## Statement of Financial Position December 31, 2017 with Comparative Totals for December 31, 2016

	12/31/17 <u>Total</u>	12/31/16 Total (Note 2)
ASSETS		
Current Assets:		
Cash & equivalents	\$ 2,170,557	\$2,635,431
Investments (Note 3)	121,082	94,876
Sponsorships & accounts receivable, current (Note 4)	1,453,521	420,506
Grants receivable	-	166,000
Inventory	18,778	17,420
Prepaid expenses & deposits, current	106,020	120,211
Other assets	53,250	14,089
Total current assets	<u>3,923,208</u>	<u>3,468,533</u>
Sponsorships & accounts receivable, long-term (Note 4)	340,354	232,545
Deposits, long-term	19,762	19,762
Property & equipment, net (Note 5)	<u>40,649</u>	<u>53,978</u>
TOTAL ASSETS	<u>\$ 4,323,973</u>	<u>\$3,774,818</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 61,772	\$ 49,096
Accrued compensated absences	144,961	157,329
Deferred compensation (Note 6)	120,013	212,469
Other payroll-related liabilities	104,123	-
Deferred revenue	506,855	260,139
Other current liabilities	-	6,302
Total current liabilities	<u>937,724</u>	<u>685,335</u>
Deferred compensation, long-term	<u>-</u>	<u>36,613</u>
TOTAL LIABILITIES	937,724	721,948
Net Assets		
Unrestricted	1,969,167	2,086,774
Temporarily restricted (Note 7)	<u>1,417,082</u>	<u>966,096</u>
TOTAL NET ASSETS	<u>3,386,249</u>	<u>3,052,870</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 4,323,973</u>	<u>\$3,774,818</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, 2017 with Comparative Totals for the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total (Note 2)</u>
Support & Revenue:				
Sponsorships	\$ 3,046,900	\$ 1,034,879	\$4,081,779	\$3,342,331
Corporate & foundation grants	18,447	63,500	81,947	155,018
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 8)	658,895	(658,895)	-	-
Contributions	206,089	11,502	217,591	201,558
In-kind support (Note 9)	429,439		429,439	247,197
Special event, net of direct donor benefits of \$260,424 in 2017 and \$180,038 in 2016	21,433		21,433	23,488
Program event registration fees	1,993,573		1,993,573	2,179,026
Exhibitor fees	36,930		36,930	7,450
Other program fees	69,760		69,760	133,722
Merchandise sales	116		116	3,431
Investment income (Note 3)	13,873		13,873	10,291
Other income	159,587		159,587	193,655
	<hr/>	<hr/>	<hr/>	<hr/>
Total support & revenue	6,655,042	450,986	7,106,028	6,497,167
Expenses:				
Program services	5,352,741		5,352,741	4,449,740
General & administrative	1,002,840		1,002,840	815,706
Fundraising	417,068		417,068	463,676
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	6,772,649	-	6,772,649	5,729,122
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(117,607)	450,986	333,379	768,045
NET ASSETS, January 1	2,086,774	966,096	3,052,870	2,284,825
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$ 1,969,167</u>	<u>\$ 1,417,082</u>	<u>\$3,386,249</u>	<u>\$3,052,870</u>

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

## Out & Equal

### Statement of Functional Expenses for the Year Ended December 31, 2017 with Comparative Totals for the Year Ended December 31, 2016

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total (Note 2)</b>
Salaries & wages	\$ 1,471,604	\$ 310,897	\$ 236,794	\$ 2,019,295	\$ 1,898,763
Payroll taxes	104,329	29,364	18,669	152,362	134,212
Employee benefits	276,818	90,911	29,928	397,657	372,998
Staff development	22,031	120,822	5,080	147,933	35,615
Outside services	773,798	232,107	5,225	1,011,130	677,344
Occupancy	209,769	63,139	22,104	295,012	324,468
Telephone & internet	33,238	9,867	1,822	44,927	44,676
Information technology support	57,925	16,633	6,086	80,644	72,594
Postage & delivery	20,135	3,039	170	23,344	16,816
Insurance	6,649	9,731	712	17,092	14,231
Supplies	22,919	13,662	867	37,448	36,839
Books, dues, & subscriptions	9,905	1,222	18,987	30,114	25,435
Printing & copying	28,100	1,180	549	29,829	38,429
Advertising	19,631	1,387	32,997	54,015	12,780
Meetings & conferences	4,009	3,937	2,589	10,535	7,285
Travel	297,907	55,543	5,442	358,892	200,991
Event production costs	1,894,457	7,799	702	1,902,958	1,669,035
Awards & gifts	4,811	951	-	5,762	12,394
Sponsorships & tickets	4,250	1,890	2,500	8,640	10,840
Bank & credit card fees	46,679	8,560	23,689	78,928	82,304
Depreciation	19,508	5,525	2,088	27,121	23,260
Other	24,269	14,674	68	39,011	17,813
<b>TOTAL</b>	<b>\$ 5,352,741</b>	<b>\$ 1,002,840</b>	<b>\$ 417,068</b>	<b>\$ 6,772,649</b>	<b>\$ 5,729,122</b>

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

# Out & Equal

## Statement of Cash Flows for the Year Ended December 31, 2017 with Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 333,379	\$ 768,045
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	27,121	23,260
Donations of marketable securities	(30,258)	(25,553)
Donations of fixed assets	-	(17,700)
Change in fair value of marketable securities	(10,612)	(7,485)
Other non-cash items	(2,689)	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,140,824)	(84,990)
(Increase) decrease in other receivables	166,000	165,928
(Increase) decrease in inventory	(1,358)	(3,734)
(Increase) decrease in prepaid expenses & deposits	14,191	3,879
(Increase) decrease in other assets	(39,161)	3,533
Increase (decrease) in accounts payable	12,676	(53,027)
Increase (decrease) in accrued payroll liabilities	(37,314)	119,135
Increase (decrease) in deferred revenue	246,716	170,191
Increase (decrease) in other liabilities	(6,302)	-
<b>Cash provided (used) by operating activities:</b>	<b>(468,435)</b>	<b>1,061,482</b>
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(11,103)	(35,092)
Liquidation/(purchase) of marketable securities	14,664	58,688
<b>Cash provided (used) by investing activities:</b>	<b>3,561</b>	<b>23,596</b>
<b>Cash provided (used) during year</b>	<b>(464,874)</b>	<b>1,085,078</b>
Cash and cash equivalents:		
<b>Beginning of year, January 1</b>	<b>2,635,431</b>	<b>1,550,353</b>
<b>End of year, December 31</b>	<b>\$ 2,170,557</b>	<b>\$ 2,635,431</b>

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

# Out & Equal

## Notes to Financial Statements December 31, 2017

### 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.

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



# Out & Equal

## Notes to Financial Statements December 31, 2017

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.

### 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*

# Out & Equal

## Notes to Financial Statements December 31, 2017

*Exempt from Income Tax* (Form 990) filings for the tax years ending in 2014 through 2017 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 2013 through 2017 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, 2016, 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 – Fair Value Disclosures**

The Organization values its investments using a market approach on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

Fair value of assets measured on a recurring basis at December 31, 2017, consist of various publicly traded equities held with an investment brokerage firm:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks	\$115,784	\$115,784		
Mutual funds	<u>5,298</u>	<u>5,298</u>		
Total	\$121,082	\$121,082		

Components of investment income are as follows:

Change in fair value	\$10,612
Dividends	<u>3,261</u>
Total	\$13,873

## Out & Equal

### Notes to Financial Statements December 31, 2017

#### 4. Sponsorships & Accounts Receivable

##### *Current*

Accounts receivable, due within one year		
Face value	\$1,154,694	
Less: allowance for doubtful accounts	<u>(6,173)</u>	
		1,148,521
Multi-year sponsorships pledged, due within one year		<u>305,000</u>
Subtotal – current		1,453,521

##### *Long-term*

Multi-year sponsorships pledged, due in one to three years		
Face value	345,000	
Less: present value discount	<u>(4,646)</u>	
		<u>340,354</u>
Total sponsorships & accounts receivable		\$1,793,875

#### 5. Property & Equipment

Computers & software	\$174,899
Furnishings & equipment	100,252
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	309,227
Less: accumulated depreciation	<u>(268,578)</u>
Property & equipment, net book value	\$40,649

#### 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 \$320,000 to the Plan through December 2017, and shall contribute an additional \$80,000 in 2018. Interest accrues to the Plan annually based on the average annual rate for Moody's Corporate Average Bond Yield.

In accordance with the Plan's provisions, a payment was made to the CEO in March 2017 in an amount equal to 85% of the balance held in the Plan at that time. The remaining contributions and accrued interest shall be payable in September 2018 or upon termination, whichever occurs first.

Each contribution's associated expense is recognized and recorded as a liability when the CEO has satisfied the minimum service requirement set forth by the agreement. Interest is calculated and recorded at the end of each year.

The amount reflected as a liability on December 31, 2017, reflects the following:

Contributions to Plan – 4 @ \$80,000 each	\$320,000
Cumulative interest	12,482
Less: distribution paid in March 2017	<u>(212,469)</u>
Total	\$120,013

## Out & Equal

### Notes to Financial Statements December 31, 2017

#### 7. Temporarily Restricted Net Assets

The balance of temporarily restricted net assets at December 31, 2017 consists of awards received for the following:

Sponsorships of future Workplace Summits	\$1,105,274
Out & Equal Research Institute	180,556
Sponsorships of future Executive Forums	74,750
Equality Institute	50,000
Other	<u>6,502</u>
Total	\$1,417,082

#### 8. Net Assets Released from Restriction

During 2017, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2017 Workplace Summit	\$364,380
Out & Equal Research Institute	166,667
Equality Institute	94,048
2017 Executive Forum	20,300
Others	<u>13,500</u>
Total	\$658,895

#### 9. In-Kind Support

The Organization received and recorded the following in-kind donations during 2017:

General legal services	\$156,706
Equality Institute instructors/trainers	100,000
Airline travel vouchers	55,845
Printing of Summit program booklets	49,780
Google Advertising	32,998
Other	<u>34,110</u>
Total	\$429,439

#### 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 of 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, 2017, the Organization contributed a total of \$127,601 to the retirement accounts of its employees.

# Out & Equal

## Notes to Financial Statements December 31, 2017

### 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 rents office space in Washington, D.C. under a month-to-month arrangement. Total rent expense for the year ended December 31, 2017 was \$290,424.

Future minimum lease payments are as follows:

2018	\$286,152
2019	<u>294,732</u>
Total future minimum lease payments	\$580,884

### 12. Contractual Commitments

As of December 31, 2017, the Organization had executed convention center and hotel contracts for its 2018 conferences. Under these contracts, Out & Equal has agreed to secure food, beverage and hotel revenue of approximately \$2.1 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, 2017, the Organization held approximately \$1.45 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 September 26, 2018, the date the financial statements were available to be issued.