

Out & Equal

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2018

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Out & Equal

We have audited the accompanying financial statements of Out & Equal (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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, 2017, financial statements of Out & Equal, and our report dated September 26, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
January 27, 2020

Out & Equal

Statement of Financial Position December 31, 2018 with Comparative Totals for December 31, 2017

	12/31/18 <u>Total</u>	12/31/17 Total (Note 2)
ASSETS		
Current Assets:		
Cash & equivalents	\$ 1,696,620	\$2,170,557
Investments (Note 3)	115,432	121,082
Sponsorships & accounts receivable, current (Note 4)	2,165,448	1,453,521
Inventory	2,636	18,778
Prepaid expenses & deposits, current	181,100	106,020
Other assets	118,444	53,250
Total current assets	<u>4,279,680</u>	<u>3,923,208</u>
Sponsorships & accounts receivable, long-term (Note 4)	311,807	340,354
Deposits, long-term	18,762	19,762
Property & equipment, net (Note 5)	<u>26,732</u>	<u>40,649</u>
TOTAL ASSETS	<u>\$ 4,636,981</u>	<u>\$4,323,973</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 65,818	\$ 61,772
Accrued compensated absences	155,233	144,961
Deferred compensation (Note 6)	9,544	120,013
Other payroll-related liabilities	104,597	104,123
Deferred revenue	<u>718,410</u>	<u>506,855</u>
TOTAL LIABILITIES	1,053,602	937,724
Net Assets		
Without donor restrictions	1,788,112	1,969,167
With donor restrictions (Note 7)	<u>1,795,267</u>	<u>1,417,082</u>
TOTAL NET ASSETS	<u>3,583,379</u>	<u>3,386,249</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 4,636,981</u>	<u>\$4,323,973</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, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total (Note 2)
Support & Revenue:				
Sponsorships	\$1,058,691	\$3,318,847	\$4,377,538	\$4,081,779
Corporate & foundation grants	21,516	25,000	46,516	81,947
Net assets released from restriction:				
Satisfaction of donor restrictions (Note 8)	2,965,662	(2,965,662)	-	-
Contributions	170,939	-	170,939	217,591
In-kind support (Note 9)	521,572		521,572	429,439
Special event, net of direct donor benefits of \$229,253 in 2018 and \$260,424 in 2017	80,690		80,690	21,433
Program event registration fees	2,375,777		2,375,777	1,993,573
Exhibitor fees	42,800		42,800	36,930
Other program fees	119,292		119,292	69,760
Merchandise sales	444		444	116
Investment income (Note 3)	(18,251)		(18,251)	13,873
Other income	14,366		14,366	159,587
	7,353,498	378,185	7,731,683	7,106,028
Expenses:				
Program services	6,352,115		6,352,115	5,352,741
Management & general	885,680		885,680	1,002,840
Development	296,758		296,758	417,068
	7,534,553	-	7,534,553	6,772,649
 CHANGE IN NET ASSETS	 (181,055)	 378,185	 197,130	 333,379
NET ASSETS, January 1	1,969,167	1,417,082	3,386,249	3,052,870
NET ASSETS, December 31	\$1,788,112	\$1,795,267	\$3,583,379	\$3,386,249

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

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Statement of Functional Expenses for the Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Program Services	Management & General	Development	Shared Costs	2018 Total	2017 Total (Note 2)
Salaries & wages	\$ 1,674,358	\$ 208,677	\$ 185,539	\$ -	\$ 2,068,574	\$ 2,019,295
Payroll taxes	123,108	20,343	12,484	-	155,935	152,362
Employee benefits	303,316	84,253	29,382	-	416,951	397,657
Staff development	8,692	55,995	620	12,151	77,458	147,933
Outside services	316,151	176,181	-	390	492,722	578,748
Occupancy	982	2,654	-	287,577	291,213	295,012
Telephone & internet	15,533	7,216	70	25,451	48,270	44,927
Information technology support	230	-	-	70,317	70,547	80,644
Postage & delivery	14,559	2,575	9	1,167	18,310	23,344
Insurance	-	8,931	-	8,068	16,999	17,092
Supplies	28,475	18,069	17	3,563	50,124	37,448
Books, dues, & subscriptions	32,560	13,721	3,326	10,269	59,876	30,114
Printing & copying	13,878	2,304	-	4,691	20,873	29,829
Advertising	20,315	-	-	-	20,315	54,015
Meetings & conferences	4,072	1,417	385	798	6,672	10,535
Travel	249,600	112,594	14,626	1,041	377,861	358,892
Other program production costs	3,181,746	106	238	-	3,182,090	2,335,340
Fundraising event expenses	-	-	229,253	-	229,253	260,424
Awards & gifts	15,325	3,394	-	84	18,803	14,402
Bank & credit card fees	8,989	20,730	9,499	-	39,218	78,928
Depreciation	-	-	-	17,143	17,143	27,121
Other	3,114	81,463	-	22	84,599	39,011
Allocation of shared costs	337,112	65,057	40,563	(442,732)	-	
Total expenses by function	6,352,115	885,680	526,011	-	7,763,806	7,033,073
Less expenses included with revenues on the statement of activities						
Direct expenses of fundraising events			(229,253)		(229,253)	(260,424)
Total expenses included in the expense section on the statement of activities	<u>\$ 6,352,115</u>	<u>\$ 885,680</u>	<u>\$ 296,758</u>	<u>\$ -</u>	<u>\$ 7,534,553</u>	<u>\$ 6,772,649</u>

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

Out & Equal

Statement of Cash Flows for the Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	2018	2017 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 197,130	\$ 333,379
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	17,143	27,121
Donations of marketable securities	(5,027)	(30,258)
Loss on disposal of fixed assets	10,678	-
Change in fair value of marketable securities	21,988	(10,612)
Other non-cash items	-	(2,689)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(683,380)	(1,140,824)
(Increase) decrease in other receivables	-	166,000
(Increase) decrease in inventory	16,142	(1,358)
(Increase) decrease in prepaid expenses & deposits	(74,080)	14,191
(Increase) decrease in other assets	(65,194)	(39,161)
Increase (decrease) in accounts payable	4,046	12,676
Increase (decrease) in accrued payroll liabilities	(99,723)	(37,314)
Increase (decrease) in deferred revenue	211,555	246,716
Increase (decrease) in other liabilities	-	(6,302)
Cash provided (used) by operating activities:	(448,722)	(468,435)
<i>Cash flows from investing activities:</i>		
Cash purchases of furnishings & equipment	(13,904)	(11,103)
Liquidation/(purchase) of marketable securities	(11,311)	14,664
Cash provided (used) by investing activities:	(25,215)	3,561
Cash provided (used) during year	(473,937)	(464,874)
Cash and cash equivalents:		
Beginning of year, January 1	2,170,557	2,635,431
End of year, December 31	\$ 1,696,620	\$ 2,170,557

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

Out & Equal

Notes to Financial Statements December 31, 2018

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:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law.

Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

Out & Equal

Notes to Financial Statements December 31, 2018

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 *net assets with donor restrictions* 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 and discounted to present value based on the one-, two- and three-year U.S. Treasury yield in effect on the balance sheet date.

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 presents its expenses by function and natural category. Each employee's compensation expense is allocated amongst *program services*, *management & general*, and *development* functions based on an estimate of time and effort. Shared costs are identified on the statement of functional expenses and allocated according to each function's proportionate share of staff time and effort. Other expenses are charged directly to the appropriate function based on specific identification.

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 2015 through 2018 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 2014 through 2018 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Out & Equal

Notes to Financial Statements December 31, 2018

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.

New Accounting Pronouncement

These financial statements reflect the provisions of Accounting Standards Update No. 2016-14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and effective for calendar years ending in 2018 and beyond.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. A key change required by ASU 2016-14 is the net asset class captions displayed in not-for-profit financial statements. Amounts previously reported as *unrestricted net assets* are now reported as *net assets without donor restrictions*, and amounts previously reported as *temporarily restricted net assets* and *permanently restricted net assets* are now reported as *net assets with donor restrictions*. A footnote on liquidity has also been added (Note 15).

Comparative Data

The financial statement information for the year ended December 31, 2017, 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.

Out & Equal

Notes to Financial Statements December 31, 2018

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, 2018, consist of various publicly-traded equities held with an investment brokerage firm:

	<u>Fair Value</u>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$110,210	\$110,210		
Mutual funds	<u>5,222</u>	<u>5,222</u>		
Total	\$115,432	\$115,432		

Components of investment income are as follows:

Dividends	\$3,737
Change in fair value	<u>(21,988)</u>
Total	\$18,251

4. Sponsorships & Accounts Receivable

Current

Accounts receivable, due within one year	
Face value	\$1,325,274
Less: allowance for doubtful accounts	<u>(4,826)</u>
	1,320,448
Sponsorships pledged, due within one year	<u>845,000</u>
Subtotal – current	2,165,448

Long-term

Multi-year sponsorships pledged, due in one to three years	
Face value	320,000
Less: present value discount	<u>(8,193)</u>
	<u>311,807</u>
Total sponsorships & accounts receivable	\$2,477,255

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Notes to Financial Statements December 31, 2018

5. Property & Equipment

Computers & software	\$68,042
Furnishings & equipment	66,519
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	168,637
Less: accumulated depreciation	<u>(141,905)</u>
Property & equipment, net book value	\$26,732

6. Deferred Compensation

As part of an agreement executed in December 2014, the Organization established a supplemental executive retirement plan (the Plan) for its retiring chief executive officer (CEO). Under the terms of the agreement, Out & Equal contributed \$400,000 to the Plan through December 2018. Interest accrued to the Plan annually based on the average annual rate for Moody's Corporate Average Bond Yield.

In accordance with the Plan's provisions, the first 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. A subsequent payment was made in December 2018, with the remaining balance disbursed in May 2019.

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

The amount reflected as a liability on December 31, 2018, reflects the following:

Contributions to Plan – 5 @ \$80,000 each	\$400,000
Cumulative interest	18,013
Less: distributions paid	<u>(408,469)</u>
Balance at December 31, 2018	\$9,544

7. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* at December 31, 2018 consists of awards received for the following:

Sponsorships of future Workplace Summits	\$1,546,987
Global events	105,000
Sponsorships of future Executive Forums	54,700
Out & Equal Equality Institute	49,692
Other programs	<u>38,888</u>
Total	\$1,795,267

Out & Equal

Notes to Financial Statements December 31, 2018

8. Net Assets Released from Restriction

During 2018, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2018 Workplace Summit	\$2,596,745
Out & Equal Research Institute	166,668
2018 Brazil Forum	72,839
2018 Executive Forum	72,300
Others	<u>57,110</u>
Total	\$2,965,662

9. In-Kind Support

The Organization received and recorded the following in-kind donations during 2018:

Event production and consulting	\$262,000
Airline travel vouchers	96,200
General legal services	83,375
Assistance with development of technology platform	55,275
Other	<u>24,722</u>
Total	\$521,572

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, 2018, the Organization contributed a total of \$134,429 to the retirement accounts of its employees.

11. Operating Leases

During 2018, the Organization rented its offices in San Francisco under an operating lease that expires on December 31, 2019, as well as an office space in Washington, D.C. under a month-to-month arrangement. Total office rent expense for the year ended December 31, 2018 was \$289,906.

In late summer 2019, Out & Equal entered into a commitment with a co-working company to rent office space in Oakland for a period of two years and Washington, D.C. for a period of one year.

Future minimum lease payments are as follows:

2019	\$389,602
2020	341,968
2021	<u>197,762</u>
Total future minimum lease payments	\$929,332

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Notes to Financial Statements December 31, 2018

12. Contractual Commitments

As of December 31, 2018, the Organization had executed convention center and hotel contracts for its 2019 conferences. Under these contracts, Out & Equal has agreed to secure food, beverage and hotel revenue of approximately \$1.3 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, 2018, the Organization held approximately \$1.4 million in a single financial institution. The FDIC insures these deposits only up to \$250,000.

14. Contingency

On August 9, 2019, O&E received a letter from Stock Exchange Tower Associates, the property manager to the landlord of the San Francisco office for O&E, which purports to seek payment for prior operating expenses for years 2007 through 2018 in the amount of \$122,024.86. These prior year expenses had never previously been invoiced to O&E. O&E retained counsel to evaluate and respond to the landlord regarding the matter. O&E disputes the legal and factual basis of any amounts due for operating expenses for prior years and is confident in its legal position should the matter proceed to litigation. Given the uncertainty of the matter at this time, O&E cannot provide a range of possible amounts owed, if any.

15. Management's Liquidity Disclosure Statement

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. It has cash and cash equivalents as primary sources of liquidity as well as sponsorships at its disposal. The Organization could additionally use an existing bank line of credit, if needed, to meet cash flow requirements.

Cash flows have seasonal variations during the year attributable to cash receipts for the annual Workplace Summit which occurs in the Fall, the Executive Forum which occurs in the Spring, and a concentration of contributions received near calendar year-end. Given the cash reserves, the Organization has not needed to use its existing line of credit to manage cash flow.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the expenditures needed for its annual Summit, Executive Forum and other international forums.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget for 2019, with Board approval for expenses to exceed sponsorships, donor contributions and other revenues by approximately \$300,000 to invest in our next-generation model; however, forecasted sponsorships, donor contributions, and other revenues are exceeding forecast, and management anticipates collecting more funds than is needed to cover general expenditures.

The following reflects Out & Equal's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the statement of financial position date. Amounts not available include prepaid expenses, inventories, and purpose-restricted net assets.

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Notes to Financial Statements December 31, 2018

Cash and cash equivalents	\$1,696,620
Sponsorships and accounts receivable	2,165,448
Investments	115,432
Less: restricted net assets included in the above	<u>(1,795,266)</u>
Total financial assets available	\$2,182,234

16. Management's Review of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 27, 2020, the date the financial statements were available to be issued.