

# **Out & Equal**

Financial Statements &  
Independent Auditor's Report  
for the Six Months Ended  
June 30, 2019

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Financial Position .....	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Functional Expenses .....	7
Statement of Cash Flows .....	8
Notes to Financial Statements.....	9



A PROFESSIONAL ACCOUNTANCY CORPORATION

## **Independent Auditor's Report**

To the Board of Directors  
Out & Equal  
Oakland, California

We have audited the accompanying financial statements of Out & Equal (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the six months 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.

(continued on next page)

(continued from previous page)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Out & Equal, as of June 30, 2019, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

*Cook & Company*

A Professional Accountancy Corporation  
San Francisco, California  
February 4, 2021

# Out & Equal

## Statement of Financial Position June 30, 2019

### ASSETS

#### Current Assets:

Cash & equivalents	\$ 3,046,787
Investments (Note 3)	146,145
Sponsorships & accounts receivable, current (Note 4)	1,538,119
Prepaid expenses & deposits, current	33,014
Other current assets	<u>125,756</u>
Total current assets	4,889,821

Sponsorships & accounts receivable, long-term (Note 4)	362,043
Prepaid expenses & deposits, non-current	68,762
Property & equipment, net (Note 5)	<u>22,855</u>

TOTAL ASSETS \$ 5,343,481

### LIABILITIES & NET ASSETS

#### Current Liabilities:

Accounts payable	\$ 98,445
Accrued compensated absences	153,384
Other payroll-related liabilities	47,017
Deferred revenue	<u>2,870,599</u>

TOTAL LIABILITIES 3,169,445

#### Net Assets

Without donor restrictions	291,259
With donor restrictions (Note 6)	<u>1,882,777</u>

TOTAL NET ASSETS 2,174,036

TOTAL LIABILITIES & NET ASSETS \$ 5,343,481

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

## Out & Equal

### Statement of Activities and Changes in Net Assets for the Six Months Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support & Revenue:			
Sponsorships - contribution portion	\$ 22,050	\$ 248,671	\$ 270,721
Sponsorships - fee	31,050		31,050
Corporate & foundation grants	3,886	17,200	21,086
Net assets released from restriction:			
Satisfaction of donor restrictions (Note 7)	178,361	(178,361)	-
Contributions	37,231		37,231
In-kind support (Note 8)	242,530		242,530
Special events	34,850		34,850
Less: direct donor benefits	(68,594)		(68,594)
Program event registration fees	218,500		218,500
Other program fees	73,301		73,301
Merchandise sales	129		129
Dividends and interest	1,701		1,701
Change in fair value of investments	28,124		28,124
Other income	34,389		34,389
Total support & revenue	837,508	87,510	925,018
Expenses:			
Program services	1,416,426		1,416,426
Management & general	604,576		604,576
Development	313,359		313,359
Total expenses	2,334,361	-	2,334,361
CHANGE IN NET ASSETS	(1,496,853)	87,510	(1,409,343)
NET ASSETS, January 1	1,788,112	1,795,267	3,583,379
NET ASSETS, June 30	<u>\$ 291,259</u>	<u>\$1,882,777</u>	<u>\$2,174,036</u>

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

## Out & Equal

### Statement of Functional Expenses for the Six Months Ended June 30, 2019

	Program Services	Management & General	Development	Shared Costs	Total
Salaries & wages	\$ 682,161	\$ 126,035	\$ 187,540	\$ -	\$ 995,736
Payroll taxes	55,825	9,120	15,281	-	80,226
Employee benefits	82,177	53,022	27,744	-	162,943
Staff development	-	3,357	155	5,103	8,615
Outside services	37,176	280,542	-	-	317,718
Occupancy	-	360	-	170,648	171,008
Information technology support	3,634	3,123	-	34,225	40,982
Postage & delivery	128	625	-	432	1,185
Insurance	-	4,466	-	4,390	8,856
Supplies	3,850	5,991	-	7,550	17,391
Books, dues, & subscriptions	9,628	1,657	446	4,332	16,063
Printing & copying	10,075	118	-	1,002	11,195
Advertising	2,571	-	-	-	2,571
Meetings & conferences	2,362	557	-	895	3,814
Travel	102,268	28,747	4,309	4,877	140,201
Other program production costs	242,421	-	-	117	242,538
Fundraising event expenses	-	-	68,594	-	68,594
Awards & gifts	4,291	-	-	-	4,291
Bank & credit card fees	-	21,651	1,560	-	23,211
Depreciation	-	-	-	13,861	13,861
Bad debt expense	-	8,010	34,200	-	42,210
Other	-	29,746	-	-	29,746
Allocation of shared costs	177,859	27,449	42,124	(247,432)	-
Total expenses by function	1,416,426	604,576	381,953	-	2,402,955
Less expenses included with revenues on the statement of activities					
Direct expenses of fundraising events			(68,594)		(68,594)
Total expenses included in the expense section on the statement of activities	\$ 1,416,426	\$ 604,576	\$ 313,359	\$ -	\$ 2,334,361

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

# Out & Equal

## Statement of Cash Flows for the Six Months Ended June 30, 2019

### *Cash flows from operating activities:*

Change in net assets	\$ (1,409,343)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	13,861
Donations of marketable securities	(5,027)
Change in fair value of marketable securities	(28,124)
Other non-cash items	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	577,093
(Increase) decrease in prepaid expenses & deposits	98,086
(Increase) decrease in other assets	(4,676)
Increase (decrease) in accounts payable	32,627
Increase (decrease) in accrued payroll liabilities	(68,973)
Increase (decrease) in deferred revenue	<u>2,152,189</u>
<b>Cash provided (used) by operating activities:</b>	<b>1,357,713</b>

### *Cash flows from investing activities:*

Cash purchases of furnishings & equipment	(9,984)
Liquidation/(purchase) of marketable securities	<u>2,438</u>
<b>Cash provided (used) by investing activities:</b>	<b>(7,546)</b>

**Cash provided (used) during period** 1,350,167

Cash and cash equivalents:

<b>Beginning of Period, January 1</b>	<u>\$1,696,620</u>
<b>End of Period, June 30</b>	<u><u>\$ 3,046,787</u></u>

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



# Out & Equal

## Notes to Financial Statements June 30, 2019

### 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 June 30, 2019

### 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 2016 through 2019 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 2015 through 2019 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

# Out & Equal

## Notes to Financial Statements June 30, 2019

### 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.

### **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 June 30, 2019, consist of various publicly-traded equities held with an investment brokerage firm:

	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$139,760	\$139,760		
Mutual funds	<u>6,385</u>	<u>6,385</u>		
Total	\$146,145	\$146,145		

### **4. Sponsorships & Accounts Receivable**

#### *Current*

Sponsorships and accounts receivable, due within one year

Sponsorships pledged	\$1,420,475
Accounts receivable	<u>164,681</u>

1,585,156

Less: allowance for doubtful accounts

(47,037)

Subtotal – current

1,538,119

#### *Long-term*

Multi-year sponsorships pledged, due in one to three years

Face value	370,000
Less: present value discount	<u>(7,957)</u>

362,043

Total sponsorships & accounts receivable

\$1,900,162

## Out & Equal

### Notes to Financial Statements June 30, 2019

#### 5. Property & Equipment

Computers & software	\$72,468
Furnishings & equipment	66,519
Leasehold improvements	<u>34,076</u>
Property & equipment, gross	173,063
Less: accumulated depreciation	<u>(150,208)</u>
Property & equipment, net book value	\$22,855

#### 6. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* at June 30, 2019 consists of awards received for the following:

Sponsorships of future Workplace Summits	\$1,736,158
Global events	105,000
Out & Equal Equality Institute	49,383
Southern States Initiative	41,500
Sponsorships of future Executive Forums	<u>13,800</u>
Total	\$1,945,841

#### 7. Net Assets Released from Restriction

Between January and June 2019, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

2019 Executive Forum	\$74,050
Dell Global Summit Shanghai	20,000
Out & Equal Research Institute	13,888
Others	<u>7,359</u>
Total	\$115,297

#### 8. In-Kind Support

The Organization received and recorded the following in-kind donations between January and June 2019:

Strategy consultants	\$210,000
General legal services	14,530
Other	<u>18,000</u>
Total	\$242,530

#### 9. 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. Between January and June 2019, the Organization contributed a total of \$36,267 to the retirement accounts of its employees.

# Out & Equal

## Notes to Financial Statements June 30, 2019

### 10. Operating Leases

The Organization rented its offices in San Francisco under an operating lease with a December 31, 2019, expiration date, as well as an office space in Washington, D.C. under a month-to-month arrangement. Total office rent expense between January and June 2019 was \$170,944.

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 for the years ended June 30 are as follows:

2020	\$453,833
2021	299,382
2022	<u>58,720</u>
Total future minimum lease payments	\$811,935

### 11. Contractual Commitments

As of June 30, 2019, the Organization had entered into purchase obligations of approximately \$1.3 million for its fall 2019 Summit. The Organization had also entered into a purchase obligation of approximately \$1 million for its 2020 Summit. An addendum was subsequently executed to reschedule this gathering, and the associated purchase obligation, to 2022. (Due to the coronavirus pandemic, the Summit was held virtually in 2020 and is expected to be held virtually in 2021.)

### 12. 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 June 30, 2019, the Organization's cash deposits exceeded FDIC insurance limits by approximately \$ 2.3 million.

### 13. 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.

### 14. 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.

# Out & Equal

## Notes to Financial Statements June 30, 2019

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.

The following reflects Out & Equal's financial assets as of June 30, 2019, 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.

Cash and cash equivalents	\$3,046,787
Sponsorships and accounts receivable	1,900,162
Investments	146,145
Less: restricted net assets included in the above	<u>(1,945,841)</u>
Total financial assets available	\$3,147,253

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

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 4, 2021, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this crisis cannot be reasonably estimated at this time.