

Out & Equal

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2020



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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, 2020, 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.

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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, 2020, 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.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
June 30, 2021

Out & Equal

Statement of Financial Position June 30, 2020

ASSETS

Current Assets:

Cash & equivalents	\$ 2,395,138
Investments (Note 3)	143,779
Sponsorships & accounts receivable, current (Note 4)	917,868
Other contributions receivable	62,389
Prepaid expenses & deposits, current	67,616
Other current assets	<u>48,795</u>
Total current assets	3,635,585

Prepaid expenses & deposits, non-current	134,841
Property & equipment, net (Note 5)	<u>19,302</u>

TOTAL ASSETS	<u><u>\$ 3,789,728</u></u>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable	\$ 177,097
Accrued compensated absences	167,723
Other payroll-related liabilities	196,793
Deferred revenue	1,443,852
Deferred rent	<u>37,149</u>
Total current liabilities	2,022,614

Forgivable government loan (Note 2)	<u>340,600</u>
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TOTAL LIABILITIES	2,363,214
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Net Assets

Without donor restrictions	579,754
With donor restrictions (Note 6)	<u>846,760</u>

TOTAL NET ASSETS	1,426,514
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TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 3,789,728</u></u>
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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 June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support & Revenue:			
Sponsorships - contribution portion	\$ 40,240	\$1,396,992	\$1,437,232
Sponsorships - fee	2,412,980	-	2,412,980
Corporate & foundation grants	81,989	-	81,989
Net assets released from restriction:			
Satisfaction of donor restrictions (Note 7)	2,433,009	(2,433,009)	-
Contributions	161,703	-	161,703
In-kind support (Note 8)	560,583	-	560,583
Special events	87,700	-	87,700
Less: direct donor benefits	(105,037)	-	(105,037)
Program event registration fees	2,329,507	-	2,329,507
Exhibitor fees	10,000	-	10,000
Other program fees	42,796	-	42,796
Dividends & interest	2,728	-	2,728
Realized & unrealized gains/(losses) on investments	(2,827)	-	(2,827)
Other income	76,263	-	76,263
Total support & revenue	8,131,634	(1,036,017)	7,095,617
Expenses:			
Program services	5,409,545	-	5,409,545
Management & general	2,187,448	-	2,187,448
Development	246,146	-	246,146
Total expenses	7,843,139	-	7,843,139
CHANGE IN NET ASSETS	288,495	(1,036,017)	(747,522)
NET ASSETS, July 1	291,259	1,882,777	2,174,036
NET ASSETS, June 30	\$ 579,754	\$ 846,760	\$1,426,514

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

Out & Equal

Statement of Functional Expenses for the Year Ended June 30, 2020

	Program Services	Management & General	Development	Shared Costs	Total
Salaries & wages	\$ 1,300,018	\$ 929,960	\$ 156,256	\$ -	\$ 2,386,234
Payroll taxes	96,884	69,440	11,645	-	177,969
Employee benefits	205,381	110,312	24,686	-	340,379
Staff development	10,147	80,807	-	19,360	110,314
Temporary help	-	25,294	-	-	25,294
In-kind legal services	-	371,695	-	-	371,695
Legal fees	-	33,680	-	-	33,680
Accounting fees	-	182,102	-	-	182,102
Other fees for services	102,435	62,740	-	10,173	175,348
Occupancy	55,488	2,645	1,638	344,292	404,063
Telephone & internet	2,059	5,216	147	34,158	41,580
Information technology support	7,463	207	8,699	34,337	50,706
Postage & delivery	7,856	1,350	-	1,486	10,692
Insurance	24,474	8,931	-	8,176	41,581
Supplies	10,750	6,613	1,554	17,942	36,859
Books, dues, & subscriptions	20,186	5,352	2,114	18,356	46,008
Printing & copying	56,868	861	122	1,161	59,012
Advertising	5,724	-	-	-	5,724
Meetings & conferences	12,518	583	156	2,183	15,440
Travel	164,342	64,535	1,214	5,854	235,945
Event catering	1,344,442	-	-	-	1,344,442
Event speakers & entertainers	264,049	-	-	-	264,049
Venue & other event production costs	1,383,911	628	-	-	1,384,539
Fundraising event expenses	-	-	105,037	-	105,037
Awards & gifts	4,472	2,900	-	-	7,372
Bank & credit card fees	17,140	43,357	336	(28)	60,805
Depreciation	-	-	-	12,752	12,752
Bad debt expense	-	-	-	-	-
Other	225	18,256	-	74	18,555
Allocation of shared costs	312,713	159,984	37,579	(510,276)	-
Total expenses by function	5,409,545	2,187,448	351,183	-	7,948,176
Less expenses included with revenues on the statement of activities					
Direct expenses of fundraising events			(105,037)		(105,037)
Total expenses included in the expense section on the statement of activities	\$ 5,409,545	\$ 2,187,448	\$ 246,146	\$ -	\$ 7,843,139

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

Out & Equal

Statement of Cash Flows for the Year Ended June 30, 2020

Cash flows from operating activities:

Change in net assets	\$ (747,522)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	12,752
Loss on disposal of fixed assets	3,744
Realized & unrealized gains/(losses) on investments	2,827
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	919,905
(Increase) decrease in prepaid expenses & deposits	(100,681)
(Increase) decrease in other assets	76,679
Increase (decrease) in accounts payable	78,652
Increase (decrease) in accrued payroll liabilities	164,115
Increase (decrease) in deferred rent	37,149
Increase (decrease) in deferred revenue	<u>(1,426,747)</u>
Cash provided (used) by operating activities:	(979,127)

Cash flows from investing activities:

Cash purchases of furnishings & equipment	(12,661)
Liquidation/(purchase) of marketable securities	<u>(461)</u>
Cash provided (used) by investing activities:	(13,122)

Cash flows from financing activities:

Cash proceeds from forgivable government loan	<u>340,600</u>
Cash provided (used) by financing activities:	340,600

Cash provided (used) during period	(651,649)
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Cash and cash equivalents:

Beginning of Year, July 1	<u>\$3,046,787</u>
End of Year, June 30	<u><u>\$ 2,395,138</u></u>

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

Out & Equal

Notes to Financial Statements

June 30, 2020

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.

Organizational Structure

The Organization maintains a staff of core employees in Oakland, California, and Washington, D.C., and relies heavily on independent contractors to carry out its activities.

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.

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 *net assets with donor restrictions* classification of the statement of financial position. All amounts are currently due within one year of the balance sheet date.

Out & Equal

Notes to Financial Statements

June 30, 2020

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.

Forgivable Government Loan

In connection with economic uncertainties resulting from the Coronavirus pandemic, the Organization applied for and received a forgivable loan through the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization has elected the latter method, the total amount received is presented as a long-term liability on the *statement of financial position*.

The terms of the loan specify that repayment of principal and interest (accrued at an annual rate of 1%) shall begin in September 2021 and must be repaid by May 2022. The amount to be repaid may be reduced if the SBA determines that loan proceeds were used for qualifying expenses. Any amounts forgiven at a future date will be recognized as revenue on the date when the formal act of forgiveness occurs.

Net Assets

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.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. 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.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Sponsorships

The Organization regularly solicits and secures sponsorships for its activities. Although sponsorships are a form of contribution, sponsors receive benefits in exchange for their support. These benefits primarily include admission to Out & Equal's conferences. In accordance with generally accepted accounting

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Notes to Financial Statements June 30, 2020

principles, the sponsorships are bifurcated in the financial statements. Amounts that represent the fair value of services provided to sponsors are presented as *sponsorships – fee portion*, while the remainder of the sponsorships are presented as *sponsorships – contribution portion*.

In-kind Support

The vast majority of in-kind support includes pro bono legal counsel used in various personnel matters. In addition, non-cash contributions of professional services, goods and use of facilities are provided in connection with the annual summit and other program events. Such contributions are recorded at their estimated fair value as of the date of receipt.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Development* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, the solicitation of earned income, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

Each month, the Organization allocates each employee's compensation to the major functions according to management's estimate of that individual's time and effort (based on job titles and major responsibilities). Other shared costs, consisting primarily of occupancy and office expenses, are posted to a shared cost pool and allocated amongst functions according to each function's proportionate share of salaries expense.

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 2017 through 2020 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 2016 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Upcoming Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement will be reflected in the Organization's financial statements for the year ending June 30, 2021.

Out & Equal

Notes to Financial Statements June 30, 2020

New Accounting Pronouncement in Effect

These financial statements reflect the provisions Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement is effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of ASU 2018-08.

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, 2020, 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	\$135,920	\$135,920		
Mutual funds	<u>7,859</u>	<u>7,859</u>		
Total	\$143,779	\$143,779		

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Notes to Financial Statements June 30, 2020

4. Sponsorships & Accounts Receivable

Sponsorships and accounts receivable, due within one year		
Sponsorships pledged	\$868,800	
Accounts receivable	<u>88,605</u>	
		\$957,405
Less: allowance for doubtful accounts		<u>(39,537)</u>
Total		\$917,868

5. Property & Equipment

Computers & software	\$33,829	
Less: accumulated depreciation	<u>(14,527)</u>	
Property & equipment, net book value		\$19,302

6. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* at June 30, 2020 consists of awards received for the following:

General support for FY2020-2021 activities	\$633,120	
Sponsorships of 2020 Workplace Summit	<u>231,557</u>	
Total		\$864,677

7. Net Assets Released from Restriction

For the year ended June 30, 2020, donor restrictions were satisfied and net assets released from restriction by spending funds as follows:

Annual Workplace Summit	\$2,302,690	
Global events	90,000	
Southern States Initiative	34,000	
Other activities	<u>6,319</u>	
Total		\$2,433,009

8. In-Kind Support

The Organization received and recorded the following in-kind donations for the year ended June 30, 2020:

General legal services	\$371,695	
Summit services and supplies	121,340	
Internal control advisory services	<u>67,548</u>	
Total		\$560,583

Out & Equal

Notes to Financial Statements June 30, 2020

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. For the year ended June 30, 2020, the Organization contributed a total of \$85,866 to the retirement accounts of its employees.

10. Co-working Facility Membership

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. Total office rent expense for the year ended June 30, 2020 was \$404,944.

Future minimum rental payments as of June 30, 2020 are as follows:

<u>Fiscal year ending June 30:</u>	
2021	\$267,342
2022	<u>53,380</u>
Total future minimum lease payments	\$320,722

11. Event Venue Commitments

As a producer of large-scale events, Out & Equal regularly executes purchase contracts with hotels and conference centers. As of June 30, 2020, the Organization had entered into three purchase obligations, totaling approximately \$2.7 million, for its future programs.

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, 2020, the Organization's cash deposits exceeded FDIC insurance limits by approximately \$1.65 million.

13. Contingency – COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may 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 situation cannot be reasonably estimated at this time.

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.

Out & Equal

Notes to Financial Statements June 30, 2020

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, 2020, 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	\$2,395,138
Sponsorships and accounts receivable	917,868
Investments	143,779
Contributions receivable	62,389
Less: restricted net assets included in the above	(864,677)
Total financial assets available	\$2,654,497

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 June 30, 2021, the date the financial statements were available to be issued.