

EQUALITY FORUM, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2007

EQUALITY FORUM, INC.
YEAR ENDED JUNE 30, 2007

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Independent Auditors' Report

To: The Board of Directors
Equality Forum, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position **Equality Forum, Inc.** as of June 30, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **Equality Forum's** management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Equality Forum, Inc.** as of June 30, 2007 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Philadelphia, PA
August 23, 2007

EQUALITY FORUM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$ 104,868
Grants and accounts receivable	69,417
Prepaid expense	2,663
Property and equipment, net	132,752
Film production costs, net	<u>163,391</u>

TOTAL ASSETS \$ 473,091

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 14,054
Note payable, financial institution	130,000
Film production costs payable	<u>116,780</u>

TOTAL LIABILITIES 260,834

NET ASSETS

Unrestricted	104,757
Temporarily restricted	<u>107,500</u>

212,257

TOTAL NET ASSETS \$ 473,091

The accompanying notes are an integral part of these financial statements

EQUALITY FORUM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Contributions	\$ 203,026	\$ 57,899	\$ 260,925
Corporate Marketing	85,485	-	85,485
Grants			
Foundations	60,300		60,300
Government	-	336,000	336,000
Program events	174,901	-	174,901
Film income	87,071	-	87,071
Miscellaneous	4,287	-	4,287
Temporarily restricted net assets released from restrictions	286,399	(286,399)	-
Total revenues and support	901,469	107,500	1,008,969
Operating expenses			
Program expenses	753,776	-	753,776
Supporting services			
General & Administrative	72,910	-	72,910
Fund Raising	74,094	-	74,094
Total operating expenses	900,780	-	900,780
Change in net assets	689	107,500	108,189
Net assets - beginning of year	104,068	-	104,068
Net assets - end of year	\$ 104,757	\$ 107,500	\$ 212,257

The accompanying notes are an integral part of these financial statements

EQUALITY FORUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Cash flows from operating activities	
Increase in net assets	\$ 108,189
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Amortization of film costs	81,696
Depreciation	6,108
(Increase) in:	
Grants receivable and accounts receivable	(47,917)
Prepaid expenses	(2,663)
(Decrease) increase in:	
Accounts payable and accrued expenses	<u>(4,673)</u>
Net cash provided by operating activities	<u>140,740</u>
Cash flows from financing activities	
Increase in loan payable, financial institution	130,000
Payment of loan payable, executive director	(50,000)
Payments on line of credit	<u>(90,000)</u>
Net (used in) by financing activities	<u>(10,000)</u>
Cash flows from investing activities	
Film production costs	<u>(45,542)</u>
Net cash (used in) investing activities	<u>(45,542)</u>
Net increase in cash and cash equivalents	85,198
Cash - beginning of year	<u>19,670</u>
Cash - end of year	<u><u>\$ 104,868</u></u>
 SUPPLEMENTAL INFORMATION	
Interest paid	<u><u>\$ 14,610</u></u>

The accompanying notes are an integral part of these financial statements

EQUALITY FORUM, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services	Supporting Services		Totals
		Management & General	Fund Raising	
Salaries and wages	\$ 165,902	\$ 37,364	\$ 34,869	\$ 238,135
Payroll taxes	13,283	2,146	2,733	18,162
Employee benefits	14,653	2,724	3,034	20,411
Amortization - Film	81,696	-	-	81,696
Bank service charges	-	121	-	121
Board expenses	-	936	-	936
Condo fees	11,718	1,465	1,465	14,648
Contributions	10,549	-	-	10,549
Depreciation	2,036	2,036	2,036	6,108
Donor campaign	-	-	6,811	6,811
Dues and subscriptions	680	-	-	680
Insurance	11,448	1,431	1,431	14,310
Interest expense	-	13,149	1,461	14,610
Miscellaneous	332	42	42	416
Office expenses	9,194	3,080	3,080	15,354
Program expenses				
Annual Forum	7,777	-	-	7,777
Film Production	64,226	68	-	64,294
GLBT History Month	88,220	-	-	88,220
Intl Equality Dinner	90,545	-	10,061	100,606
Other	16,441	-	-	16,441
Public Relations	134,292	-	1,815	136,107
Sunday Out	12,813	-	-	12,813
Postage and delivery	7,795	1,111	2,203	11,109
Professional fees	-	4,390	-	4,390
Service subscriptions	1,240	155	154	1,549
Telephone	4,316	540	540	5,396
Travel and entertainment	4,620	2,152	2,359	9,131
Total expenses	\$ 753,776	\$ 72,910	\$ 74,094	\$ 900,780

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Organization is a non-profit founded in 1993, for the express purpose to educate and spread awareness on issues facing the gay and lesbian community.

The Organization's primary source of revenues are from direct public support, government grants and various fund-raising events. The executive office is located in Philadelphia, Pennsylvania.

Basis of Accounting

The Financial Statements of Equality Forum have been prepared on the accrual basis of accounting, which means revenues are recognized when earned and expenses recognized when incurred.

Use of Estimates

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Tax Status

Equality Forum is exempt from Federal Income Taxes under Section 501 (c) (3) of the Internal Revenue Code, and accordingly no provision for income taxes is provided.

Cash and Cash Equivalents

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

Grants and accounts receivable

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. For the year ended June 30, 2007, an allowance was not determined to be necessary.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Property and Equipment

Property and equipment is stated at cost. Expenditures for improvements that materially increase the estimated useful lives of the assets are capitalized; expenditures for repairs and maintenance are charged against income.

Depreciation is provided at annual rates under the straight-line method for all assets placed in service. Depreciation expense for the year ended June 30, 2007 was \$6,108.

Film Production Costs

These represent the costs incurred in the production of the film, *Saint of 911*. The film production costs are amortized over the anticipated significant revenue stream, a period not expected to exceed three years. Amortization expense for the year ended June 30, 2007 was \$81,696.

Functional Allocation of Expenses

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

2. Note Payable, financial institution and Line of Credit

Equality Forum has a line of credit with a bank in the amount of \$125,000. Interest on the line of credit currently accrues at 8.25% per annum. The line of credit is secured by certain assets. As of June 30, 2007, a balance of \$-0- was outstanding.

Equality Forum also has a note payable in the amount of \$130,000. Interest on this loan is currently at 8.755% per annum and is paid on a monthly basis. The loan is secured by the office condominium.

3. Commitments

Saint of 911

In August of 2006 Equality Forum entered into a ten-year licensing and royalty arrangement with a film licensee transferring North American distribution rights to the film, *Saint of 911*. In addition to certain minimum guarantees, Equality Forum will be entitled earn royalties for broadcasting rights, DVD rentals and theatrical and video gross receipts. Equality Forum also retained the right to distribute the film via its website.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Office Condominium

Equality Forum is responsible for monthly maintenance fees which run approximately \$1,200 per month. The monthly maintenance fees for the year ended June 30, 2007 were \$14,647.