

EQUALITY FORUM, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

EQUALITY FORUM, INC.
YEARS ENDED JUNE 30, 2013 AND 2012
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Independent Auditor's Report

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

We have audited the accompanying financial statements of **Equality Forum, Inc.** (the "Organization") (a non-profit organization) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 the assessment of the risks of 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 opinions.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 7 and 8 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Kenji, Benedi, Gray & Co".

Collingswood, NJ
November 7, 2013

EQUALITY FORUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| <u>ASSETS</u> | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 7,937 | \$ 11,620 |
| Grants and accounts receivable | 4,200 | 929 |
| Prepaid expenses | 6,367 | - |
| Property and equipment, net | <u>143,407</u> | <u>156,310</u> |
| Total assets | <u>\$ 161,911</u> | <u>\$ 168,859</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable and accrued expenses | \$ 10,057 | \$ 4,301 |
| Line of credit, bank | 56,000 | 47,000 |
| Note payable, related party | <u>227,797</u> | <u>227,797</u> |
| Total liabilities | <u>293,854</u> | <u>279,098</u> |
| Net assets | | |
| Unrestricted (deficiency) | (131,943) | (110,239) |
| Temporarily restricted | <u>-</u> | <u>-</u> |
| Total net assets (deficiency) | <u>(131,943)</u> | <u>(110,239)</u> |
| Total liabilities and net assets (deficiency) | <u>\$ 161,911</u> | <u>\$ 168,859</u> |

The accompanying notes are an integral part of these financial statements.

EQUALITY FORUM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| <u>REVENUE AND SUPPORT</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|----------------------|
| Contributions | \$ 77,514 | \$ - | \$ 77,514 |
| Corporate marketing | 51,700 | - | 51,700 |
| In-kind contributions | 3,705,112 | - | 3,705,112 |
| Program events | 138,978 | - | 138,978 |
| Film income | 1,763 | - | 1,763 |
| Miscellaneous | 168 | - | 168 |
| Temporarily restricted net assets released from restrictions | - | - | - |
| Total revenue and support | <u>3,975,235</u> | <u>-</u> | <u>3,975,235</u> |
| <u>EXPENSES</u> | | | |
| Program expenses | <u>3,938,947</u> | <u>-</u> | <u>3,938,947</u> |
| Supporting services | | | |
| Management and general | 45,373 | - | 45,373 |
| Fundraising | <u>12,619</u> | <u>-</u> | <u>12,619</u> |
| Total supporting services | <u>57,992</u> | <u>-</u> | <u>57,992</u> |
| Total expenses | <u>3,996,939</u> | <u>-</u> | <u>3,996,939</u> |
| Changes in net assets | (21,704) | - | (21,704) |
| Net assets (deficiency), beginning of fiscal year | <u>(110,239)</u> | <u>-</u> | <u>(110,239)</u> |
| Net assets (deficiency), end of fiscal year | <u>\$ (131,943)</u> | <u>\$ -</u> | <u>\$ (131,943)</u> |

The accompanying notes are an integral part of these financial statements.

EQUALITY FORUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

| <u>REVENUE AND SUPPORT</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Contributions | \$ 139,385 | \$ - | \$ 139,385 |
| Corporate marketing | 17,700 | - | 17,700 |
| In-kind contributions | 2,480,776 | - | 2,480,776 |
| Program events | 179,043 | - | 179,043 |
| Film income | 2,559 | - | 2,559 |
| Miscellaneous | 813 | - | 813 |
| Temporarily restricted net assets released from restrictions | <u>13,500</u> | <u>(13,500)</u> | <u>-</u> |
| Total revenue and support | <u>2,833,776</u> | <u>(13,500)</u> | <u>2,820,276</u> |
| <u>EXPENSES</u> | | | |
| Program expenses | <u>2,765,901</u> | <u>-</u> | <u>2,765,901</u> |
| Supporting services | | | |
| Management and general | 58,063 | - | 58,063 |
| Fundraising | <u>23,481</u> | <u>-</u> | <u>23,481</u> |
| Total supporting services | <u>81,544</u> | <u>-</u> | <u>81,544</u> |
| Total expenses | <u>2,847,445</u> | <u>-</u> | <u>2,847,445</u> |
| Changes in net assets | (13,669) | (13,500) | (27,169) |
| Net assets (deficiency), beginning of fiscal year | <u>(96,570)</u> | <u>13,500</u> | <u>(83,070)</u> |
| Net assets (deficiency), end of fiscal year | <u>\$ (110,239)</u> | <u>\$ -</u> | <u>\$ (110,239)</u> |

The accompanying notes are an integral part of these financial statements.

EQUALITY FORUM, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30,

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| Changes in net assets | \$ (21,704) | \$ (27,169) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 26,703 | 22,636 |
| (Increase) decrease in: | | |
| Grants receivable and accounts receivable | (3,271) | 9,598 |
| Prepaid expenses | (6,367) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | <u>5,756</u> | <u>(629)</u> |
| Net cash provided by operating activities | <u>1,117</u> | <u>4,436</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds, note payable, related party | - | 12,150 |
| (Repayment) proceeds, line of credit, bank | <u>9,000</u> | <u>(12,000)</u> |
| Net cash provided by financing activities | <u>9,000</u> | <u>150</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Web site development costs | <u>(13,800)</u> | <u>(13,000)</u> |
| Net cash (used in) investing activities | <u>(13,800)</u> | <u>(13,000)</u> |
| Net (decrease) in cash and cash equivalents | (3,683) | (8,414) |
| Cash and cash equivalents, beginning of fiscal year | <u>11,620</u> | <u>20,034</u> |
| Cash and cash equivalents, end of fiscal year | <u>\$ 7,937</u> | <u>\$ 11,620</u> |
| <u>SUPPLEMENTAL INFORMATION</u> | | |
| Interest paid | <u>\$ 18,605</u> | <u>\$ 20,904</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, 2013

| | Program Expenses | Supporting Services | | Total |
|--------------------------|---------------------|---------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 46,255 | \$ 9,738 | \$ 4,869 | \$ 60,862 |
| Payroll taxes | 3,375 | 710 | 355 | 4,440 |
| Employee benefits | 12,147 | 2,558 | 1,279 | 15,984 |
| Bank service charges | - | 1,437 | - | 1,437 |
| Condo fees | 10,773 | 1,347 | 1,347 | 13,467 |
| Conference fees | 341 | - | - | 341 |
| Depreciation | 21,363 | 2,670 | 2,670 | 26,703 |
| Insurance | 2,275 | 285 | 285 | 2,845 |
| Interest expense | - | 18,605 | - | 18,605 |
| Miscellaneous | 682 | - | - | 682 |
| Office expenses | 1,731 | 496 | 248 | 2,475 |
| Program expenses | | | | |
| LGBT History Month | 29,152 | - | - | 29,152 |
| Intl Equality Dinner | 53,741 | - | - | 53,741 |
| In-kind marketing | 3,705,112 | - | - | 3,705,112 |
| Kickoffs and other | 4,460 | - | - | 4,460 |
| Public Relations | 20,007 | - | - | 20,007 |
| Sunday Out | 17,446 | - | - | 17,446 |
| Postage and delivery | 1,911 | 636 | 636 | 3,183 |
| Professional fees | - | 5,781 | - | 5,781 |
| Service subscriptions | 2,602 | 325 | 325 | 3,252 |
| Telephone | 4,837 | 605 | 605 | 6,047 |
| Travel and entertainment | 737 | 180 | - | 917 |
| Total expenses | \$ 3,938,947 | \$ 45,373 | \$ 12,619 | \$ 3,996,939 |

The accompanying notes are an integral part of this schedule.

EQUALITY FORUM
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

| | Program Expenses | Supporting Services | | Total |
|--------------------------|---------------------|---------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 80,681 | \$ 16,985 | \$ 8,492 | \$ 106,158 |
| Payroll taxes | 7,010 | 1,475 | 737 | 9,222 |
| Employee benefits | 13,261 | 2,791 | 1,395 | 17,447 |
| Bank service charges | - | 88 | - | 88 |
| Condo fees | 10,773 | 1,347 | 1,347 | 13,467 |
| Conference fees | 175 | - | - | 175 |
| Depreciation | 18,108 | 2,264 | 2,264 | 22,636 |
| Donor campaign | - | - | 4,912 | 4,912 |
| Insurance | 4,219 | 527 | 527 | 5,273 |
| Interest expense | - | 20,904 | - | 20,904 |
| Miscellaneous | 2,380 | - | - | 2,380 |
| Office expenses | 3,310 | 1,103 | 1,103 | 5,516 |
| Program expenses | | | | |
| LGBT History Month | 32,910 | - | - | 32,910 |
| Intl Equality Dinner | 38,692 | - | - | 38,692 |
| In-kind marketing | 2,480,776 | - | - | 2,480,776 |
| Kickoffs and other | 4,864 | - | - | 4,864 |
| Public Relations | 36,548 | - | - | 36,548 |
| Sunday Out | 14,492 | - | - | 14,492 |
| Postage and delivery | 2,417 | 806 | 806 | 4,029 |
| Professional fees | - | 7,875 | - | 7,875 |
| Service subscriptions | 4,393 | 549 | 549 | 5,491 |
| Telephone | 8,545 | 1,068 | 1,068 | 10,681 |
| Travel and entertainment | 2,347 | 281 | 281 | 2,909 |
| Total expenses | <u>\$ 2,765,901</u> | <u>\$ 58,063</u> | <u>\$ 23,481</u> | <u>\$ 2,847,445</u> |

The accompanying notes are an integral part of this schedule.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Equality Forum, Inc. (the "Organization") is a Pennsylvania non-profit corporation founded in 1992. The Organization is a national and international LGBT civil rights organization with an educational focus. The Organization coordinates LGBT History Month, produces documentary films, undertakes high impact initiatives and presents the largest annual international LGBT civil rights summit. The executive office is located in Philadelphia, Pennsylvania.

The Organization's primary sources of revenue are from individual donations, foundation grants, marketing sponsorships, and event fees.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which means revenues are recognized when earned and expenses recognized when incurred.

The Organization prepares its financial statements in accordance with Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities". Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions. In addition, the Organization is required to present a statement of cash flows. For the years ended June 30, 2013 and 2012 the Organization had no permanently restricted net assets.

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, and the disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Tax Status

The Organization 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.

Effective January 1, 2009, management adopted the accounting standard "Accounting for Uncertainty in Income Taxes". This standard clarifies the accounting and reporting for uncertainties in income tax positions taken or expected to be taken in filings with taxing jurisdictions, using minimum recognition and measurement thresholds.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Management has reviewed its tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. These tax filings are subject to examination generally for three years after they are filed.

Should settlement of an examination or other event result in a change in management's evaluation of a tax position taken or expected to be taken in filings that have not been closed by statute or examination, any interest and penalties related to the unrecognized tax benefit as a result of the uncertain tax position would be included in interest expense and administrative expenses, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with 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 years ended June 30, 2013 and 2012, an allowance was not deemed necessary.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Fair Value of Financial Instruments

The Organization's financial instruments consist primarily of cash, accounts receivable, accounts payable, line of credit, bank, and note payable, related party. These balances, as presented in the financial statements as of June 30, 2013 and 2012, approximate their fair market value because of their short maturities.

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.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation is provided at annual rates under the straight-line method for all assets placed in service.

Allocation of Functional 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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|------------------|------------------|
| Commercial condominium | \$140,000 | \$140,000 |
| Equipment | 27,124 | 27,124 |
| Website | <u>110,182</u> | <u>96,382</u> |
| | 277,306 | 263,506 |
| Less: accumulated depreciation | <u>(133,899)</u> | <u>(107,196)</u> |
| Property and equipment, net | <u>\$143,407</u> | <u>\$156,310</u> |

Depreciation expense for the year ended June 30, 2013 and 2012 was \$26,703 and \$22,636, respectively.

Based upon a recent real estate appraisal, the commercial condominium currently has a fair market value of approximately \$370,000.

3. NOTE PAYABLE, RELATED PARTY AND LINE OF CREDIT

The Organization has an unsecured line of credit with a bank in the amount of \$125,000. Interest on the line of credit currently accrues at 7.25% per annum. As of June 30, 2013 and 2012, the outstanding balances were \$56,000 and \$47,000, respectively.

The Organization also has a note payable in the amount of \$227,797 due to the executive director. This note is due on demand. Interest on this loan is currently at 5.87% per annum and is payable on a monthly basis. The loan is secured by the office condominium. The executive director does not derive any financial benefit from this

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. NOTE PAYABLE, RELATED PARTY AND LINE OF CREDIT (CONT'D)

transaction, as he borrowed this amount through a margin loan from his brokerage firm. Consequently all interest payments are made directly to the source lender and all interest paid by the Organization covers the interest owed to the lender.

4. DONATIONS-IN-KIND

In fiscal 2013 and 2012 the Organization received material donations-in-kind in the form of Public Service Announcements (PSAs), focused on the Organization's programs, which aired on local radio stations. These PSAs are recorded as income and expense at the time the announcements are aired and are valued at the cost as if they had been purchased.

In-kind income and expense was \$3,705,112 and \$2,480,776 for the years ended June 30, 2013 and 2012, respectively.

5. COMMITMENTS

Saint of 911

In August of 2006 the Organization 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, the Organization will be entitled to earn royalties for broadcasting rights, DVD rentals and theatrical and video gross receipts. The Organization also retained the right to distribute the film via its website.

Office Condominium

The Organization is responsible for monthly maintenance fees which run approximately \$1,150 per month. The monthly maintenance fees for the years ended June 30, 2013 and 2012 were \$13,467 and \$13,467, respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through November 7, 2013, the date the financial statements were available to be issued. The Organization had no significant or material subsequent events through November 7, 2013.