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**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**

**Financial Statements**

For the years ended December 31, 2013 and 2012

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**

**Contents**

December 31, 2013 and 2012

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## **Independent Auditor's Report**

To the Board of Directors  
Funders for Lesbian and Gay Issues, Inc.  
New York, New York

### ***Report on the financial statements***

We have audited the accompanying financial statements of Funders for Lesbian and Gay Issues, Inc., which comprise the statements of financial positions as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, 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 controls 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 the 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 Funders for Lesbian and Gay Issues, Inc., as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

N. Cheng, C. L., P. C.

New York, New York  
July 22, 2014

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**  
**Statements of Financial Position**  
December 31,

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Cash	\$ 344,791	\$ 258,977
Investments – Note 3	289,014	392,652
Grants receivable	424,259	-
Accounts receivable	3,320	4,542
Prepaid expenses	22,289	17,084
Fixed assets – Note 5	<u>7,182</u>	<u>1,400</u>
 Total assets	 <u>\$ 1,090,855</u>	 <u>\$ 674,655</u>
 <b><u>Liabilities and net assets</u></b>		
<b><u>Current liabilities</u></b>		
Accounts and accrued expenses payable	\$ 26,241	\$ 51,647
Deferred revenue	<u>4,200</u>	<u>2,400</u>
 Total liabilities	 <u>30,441</u>	 <u>54,047</u>
 <b><u>Net assets</u></b>		
<b>Unrestricted:</b>		
Operating fund	218,914	74,021
Reserve fund – Note 4	<u>400,000</u>	<u>400,000</u>
 Total unrestricted	 618,914	 474,021
Temporarily restricted – Note 6	<u>441,500</u>	<u>146,587</u>
 Total net assets	 <u>1,060,414</u>	 <u>620,608</u>
 Total liabilities and net assets	 <u>\$ 1,090,855</u>	 <u>\$ 674,655</u>

See notes to financial statements.

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**  
**Statement of Activities and Change in Net Assets**  
For the year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b><u>Revenue and other support</u></b>			
Contributions	\$ 72,041	\$ 1,241,259	\$ 1,313,300
Program fees	36,790	-	36,790
Investment income – Note 3	<u>11,038</u>	<u>-</u>	<u>11,038</u>
Total revenue	119,869	1,241,259	1,361,128
Net assets released from restrictions – Note 6	<u>946,346</u>	<u>( 946,346)</u>	<u>-</u>
Total revenue and other support	<u>1,066,215</u>	<u>294,913</u>	<u>1,361,128</u>
<b><u>Expenses</u></b>			
<b>Program services</b>	<u>660,020</u>		<u>660,020</u>
<b>Supporting services</b>			
Administrative and general	144,880		144,880
Fundraising	<u>86,567</u>		<u>86,567</u>
Total supporting services	<u>231,447</u>		<u>231,447</u>
Total expenses	<u>891,467</u>		<u>891,467</u>
Change in net assets before net unrealized (loss) on investments	174,748	294,913	469,661
Net unrealized (loss) on investments – Note 3	<u>( 29,855)</u>	<u>-</u>	<u>( 29,855)</u>
Change in net assets	144,893	294,913	439,806
Net assets – beginning of year	<u>474,021</u>	<u>146,587</u>	<u>620,608</u>
Net assets – ending of year	<u>\$ 618,914</u>	<u>\$ 441,500</u>	<u>\$ 1,060,414</u>

See notes to financial statements.

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**  
**Statement of Activities and Change in Net Assets**  
For the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b><u>Revenue and other support</u></b>			
Contributions	\$ 97,298	\$ 294,510	\$ 391,808
Program fees	27,200	-	27,200
Investment income – Note 3	<u>60,481</u>	<u>-</u>	<u>60,481</u>
Total revenue	184,979	294,510	479,489
Net assets released from restrictions – Note 6	<u>390,456</u>	<u>( 390,456)</u>	<u>-</u>
Total revenue and other support	<u>575,435</u>	<u>( 95,946)</u>	<u>479,489</u>
<b><u>Expenses</u></b>			
<b>Program services</b>	<u>593,237</u>		<u>593,237</u>
<b>Supporting services</b>			
Administrative and general	296,107		296,107
Fundraising	<u>171,302</u>		<u>171,302</u>
Total supporting services	<u>467,409</u>		<u>467,409</u>
Total expenses	<u>1,060,646</u>		<u>1,060,646</u>
Change in net assets before net unrealized (loss) on investments	( 485,211)	( 95,946)	( 581,157)
Net unrealized (loss) on investments – Note 3	<u>( 18,692)</u>	<u>-</u>	<u>( 18,692)</u>
Change in net assets	( 503,903)	( 95,946)	( 599,849)
Net assets – beginning of year	<u>977,924</u>	<u>242,533</u>	<u>1,220,457</u>
Net assets – ending of year	<u>\$ 474,021</u>	<u>\$ 146,587</u>	<u>\$ 620,608</u>

See notes to financial statements.

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Statement of Functional Expenses**

For the year ended December 31, 2013

	<b>Program</b>	<b>Supporting services</b>		<b>Total</b>
	<b>services</b>	<b>Management</b>	<b>Fund</b>	<b>program</b>
	<b>Philanthropy</b>	<b>and general</b>	<b>raising</b>	<b>and</b>
	<b>services</b>			<b>supporting</b>
				<b>services</b>
Salaries	\$ 225,518	\$ 64,433	\$ 32,217	\$ 322,168
Payroll taxes and benefits	77,334	15,467	10,311	103,112
Sub-total for personnel expenses	302,852	79,900	42,528	425,280
Printing and design	21,537	1,438	8,145	31,120
Travel, meetings and conferences	87,538	21,066	19,379	127,983
Professional and consulting fees	217,931	19,957	-	237,888
Occupancy	20,354	9,579	9,978	39,911
Office expenses	2,388	4,024	2,402	8,814
Telephone	5,426	1,131	1,131	7,688
Postage and mailing	939	751	3,004	4,694
Other	1,055	5,165	-	6,220
Total expenses before depreciation	660,020	143,011	86,567	889,598
Depreciation	-	1,869	-	1,869
Total expenses	<u>\$ 660,020</u>	<u>\$ 144,880</u>	<u>\$ 86,567</u>	<u>\$ 891,467</u>

See notes to financial statements.



**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Statement of Functional Expenses**

For the year ended December 31, 2012

	<u>Program services</u>	<u>Supporting services</u>		<u>Total program and supporting services</u>
	<u>Philanthropy services</u>	<u>Management and general</u>	<u>Fund raising</u>	
Salaries	\$ 187,643	\$ 88,302	\$ 91,982	\$ 367,927
Payroll taxes and benefits	63,131	29,709	30,946	123,786
Sub-total for personnel expenses	250,774	118,011	122,928	491,713
Grant expenses	69,988	-	-	69,988
Printing and design	23,108	1,158	6,564	30,830
Travel, meetings and conferences	108,543	28,019	23,688	160,250
Professional and consulting fees	108,603	126,035	-	234,638
Occupancy	21,688	10,206	10,631	42,525
Office expenses	2,085	3,539	2,458	8,082
Telephone	6,901	1,636	1,636	10,173
Postage and mailing	1,062	849	3,397	5,308
Other	485	3,887	-	4,372
Total expenses before depreciation	593,237	293,340	171,302	1,057,879
Depreciation	-	2,767	-	2,767
Total expenses	<u>\$ 593,237</u>	<u>\$ 296,107</u>	<u>\$ 171,302</u>	<u>\$ 1,060,646</u>

See notes to financial statements.

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Statements of Cash Flows**

For the years ended December 31,

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 439,806	( \$ 599,849 )
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,869	2,767
Unrealized gain	29,855	18,692
Change in grants receivable	( 424,259 )	344,535
Change in accounts receivable	1,222	156
Change in prepaid expenses	( 5,205 )	19,592
Change in accounts and accrued expenses payable	( 20,343 )	29,461
Change in deferred revenue	( 3,263 )	( 11,000 )
Net cash provided by/(used in) operating activities	<u>19,682</u>	<u>( 195,646 )</u>
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	( 7,651 )	( 1,279 )
Proceeds from sale of investments	<u>73,783</u>	<u>316,491</u>
Net cash provided by investing activities	<u>66,132</u>	<u>315,212</u>
Net increase in cash	85,814	119,566
Cash balance beginning of year	<u>258,977</u>	<u>139,411</u>
Cash balance end of year	<u>\$ 344,791</u>	<u>\$ 258,977</u>

See notes to financial statements.

## **FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**

### **Note to Financial Statements**

December 31, 2013 and 2012

#### **Note 1 Organization**

Funders for Lesbian and Gay Issues, Inc. (“Funders,” doing business as “Funders for LGBTQ Issues”) was founded in 1982 to increase philanthropic resources to lesbian, gay, bisexual and transgender organizations, programs and projects. Funders seeks to mobilize philanthropic resources that enhance the well-being of lesbian, gay, bisexual, transgender and queer communities, promote equity and advance racial, economic and gender justice.

Funders for LGBTQ Issues accomplishes its goals through three core sets of activities:

- **Research:** Providing information, research, and resources related to LGBTQ grantmaking to identify gaps and opportunities for LGBTQ funding.
- **Convening:** Organizing conferences, briefings, and other convenings to connect funders and provide forums for them to share resources, identify strategies, and maximize the impact of their grantmaking.
- **Engaging:** Engaging and supporting funders new to LGBTQ grantmaking in order to expanding philanthropic resources for LGBTQ communities.

Funders is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **Note 2 Summary of significant accounting policies**

**Accounting policies.** The financial statements have been prepared using the accrual basis of accounting.

**Support.** Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Unconditional and conditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

## **FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**

### **Note to Financial Statements**

December 31, 2013 and 2012

#### **Note 2 Summary of significant accounting policies - (continued)**

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, Funders reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Depreciation and amortization.** Depreciation of furniture and equipment and amortization of capitalized improvements are provided for over the estimated useful lives of the respective assets or the life of the lease, whichever is shorter, on a straight-line basis.

**Concentration of credit and market risk.** Financial instruments that potentially expose Funders to concentration of credit and market risk consist primarily of cash. Accounts at financial institution are guaranteed by Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for each bank. As of December 31, 2013, organization was exposed to credit risk in the amount of \$94,791. The organization was not exposed to credit risk as of December 31, 2012.

**Net assets.** Net assets are classified as follows: Unrestricted - this class includes net assets from unrestricted contributions and from other resources not subject to donor-imposed restrictions.

Temporarily restricted - this class includes net assets from restricted contributions (temporary restrictions) whose donor-imposed restrictions have not been met due to actions of Funders and/or the passage of time.

Releases for restricted contributions from the prior year and those for the current year that are only partially released are presented on the schedule of releases.

**Allowance for doubtful accounts.** Management has determined that no allowance for uncollectible accounts for accounts receivable or contributions receivable is necessary as of December 31, 2013 and 2012. Such estimate is based on management's assessment of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

**Functional allocation of expenses.** The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

## FUNDERS FOR LESBIAN AND GAY ISSUES, INC.

### Note to Financial Statements

December 31, 2013 and 2012

#### Note 2 Summary of significant accounting policies - (continued)

**Investments.** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The basis of determining the fair value of investments is the readily determinable sales price of the investments based on prices or quotations from over-the-counter markets.

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities. Realized and unrealized gains and losses allocated to unrestricted and temporarily restricted net assets are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors' restrictions.

**Grant expenses.** Contributions made and unconditional promises to give are recognized as expenses in the period made at their fair value. As of December 31, 2013, Funders has no outstanding conditional promises to give.

**Uncertainty in income taxes.** Funders had no uncertain tax positions as of December 31, 2013 and 2012, in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provision for uncertain tax positions. Funders is not subject to federal or state and local income tax examinations by tax authorities for the year ended December 31, 2011 and prior years.

**Subsequent events.** Funders performed subsequent events procedures through July 22, 2014 which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures.

**Fair value measurement.** Statement of Financial Standards ASC 820, Fair Value Measurements (ASC 820) defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liability.

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Note to Financial Statements**

December 31, 2013 and 2012

**Note 2 Summary of significant accounting policies - (continued)**

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement did not have a material impact on Funders' statements of activities or financial position. As of December 31, 2013 and 2012, all investments were classified as Level 1 under ASC 820.

12/31/13			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities	<u>\$ 289,014</u>	<u>\$ -</u>	<u>\$ -</u>

  

12/31/12			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities	<u>\$ 392,652</u>	<u>\$ -</u>	<u>\$ -</u>

**Use of estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3 Investments**

Investments, stated at fair value, as of December 31, 2013 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Equity securities	\$ 72,520	\$ 84,415
Mutual funds	191,868	191,858
Cash and cash equivalents	<u>12,741</u>	<u>12,741</u>
	<u>\$ 277,129</u>	<u>\$ 289,014</u>

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Note to Financial Statements**

December 31, 2013 and 2012

**Note 3 Investments - (continued)**

Investments, stated at fair value, as of December 31, 2012 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Equity securities	\$ 72,525	\$ 103,934
Mutual funds	263,905	274,232
Cash and cash equivalents	<u>14,486</u>	<u>14,486</u>
	<u>\$ 350,916</u>	<u>\$ 392,652</u>

The investment returns which are all unrestricted consist of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 11,214	\$ 25,298
Net realized gain/(loss) on investments	( <u>176</u> )	( <u>35,183</u> )
Sub-total	11,038	60,481
Net unrealized (loss) on investments	( <u>29,855</u> )	( <u>18,692</u> )
Net	( <u>\$ 18,817</u> )	( <u>\$ 41,789</u> )

**Note 4 Reserve fund**

In 2002, a reserve fund was designated by the Board of Directors to provide long-term financial support for Funders. As of December 31, 2013 and 2012, total allocation to the reserve fund was \$400,000. Disbursements from the reserve fund are subject to authorization from the Executive Director and the Executive Committee.

**Note 5 Fixed assets**

Computer, software and furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

	<u>Estimated life</u>
Computer and software	3 years
Furniture and equipment	3 years

**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.**

**Note to Financial Statements**

December 31, 2013 and 2012

**Note 5 Fixed assets - (continued)**

As of December 31, 2013 and 2012, the costs of the assets and the related accumulated depreciation were as follows:

	<u>2013</u>	<u>2012</u>
Computer and software	\$ 22,476	\$ 14,825
Furniture and equipment	<u>5,888</u>	<u>5,888</u>
	28,364	20,713
Less: accumulated depreciation	<u>21,182</u>	<u>19,313</u>
Net	<u>\$ 7,182</u>	<u>\$ 1,400</u>

**Note 6 Temporarily restricted net assets**

Temporarily restricted net assets as of December 31, 2013 are available for the following purposes:

	<u>Beginning balances</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending balances</u>
<b>Purpose restricted</b>				
California Endowment (MBOC) \$	22,920		\$ 22,920	
California Endowment (JAG)	16,663		16,663	
Adam Queer Youth Initiative	- \$	17,500	-	\$ 17,500
Racial Justice Collaborative	-	200,000	200,000	-
Funding Forward	-	23,259	9,259	14,000
Ford Foundation	-	100,000	50,000	50,000
Evelyn & Walter Haas Jr. Fund	-	10,000	10,000	-
Southern Project	-	110,500	110,500	-
Arcus Foundation	-	100,000	-	100,000
<b>Time restricted</b>	<u>107,004</u>	<u>680,000</u>	<u>527,004</u>	<u>260,000</u>
Total	<u>\$ 146,587</u>	<u>\$ 1,241,259</u>	<u>\$ 946,346</u>	<u>\$ 441,500</u>



**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Note to Financial Statements**

December 31, 2013 and 2012

**Note 6 Temporarily restricted net assets - (continued)**

Temporarily restricted net assets as of December 31, 2012 are available for the following purposes:

	<u>Beginning balances</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending balances</u>
<b>Purpose restricted</b>				
California Endowment (MBOC) \$	-	\$ 137,518	\$ 114,598	\$ 22,920
California Endowment (JAG)	-	49,988	33,325	16,663
Adam Queer Youth Initiative	20,033	-	20,033	-
<b>Time restricted</b>	<u>222,500</u>	<u>107,004</u>	<u>222,500</u>	<u>107,004</u>
<b>Total</b>	<u>\$ 242,533</u>	<u>\$ 294,510</u>	<u>\$ 390,456</u>	<u>\$ 146,587</u>

**Note 7 Pension plan**

Funders sponsors a simplified employee pension plan that covers employees who have completed one year of service. Contribution to the plan is at the rate of eleven percent of employees' average salaries. As of December 31, 2013 and 2012, pension expense was \$22,068 and \$37,780, respectively.