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

**Financial Statements**

For the years ended December 31, 2012 and 2011

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

**Contents**

December 31, 2012 and 2011

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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 balance sheets as of December 31, 2012 and 2011, 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 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 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, 2012 and 2011, 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 & Co., P.C.

New York, New York  
June 11, 2013



**FUNDERS FOR LESBIAN AND GAY ISSUES, INC.****Statement of Financial Position**

December 31,

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Cash	\$ 258,977	\$ 139,411
Investments – Note 3	392,652	727,835
Grants receivable	-	344,535
Accounts receivable	4,542	4,698
Prepaid expenses	17,084	36,676
Fixed assets – Note 5	<u>1,400</u>	<u>2,888</u>
Total assets	<u>\$ 674,655</u>	<u>\$ 1,256,043</u>
 <b><u>Liabilities and net assets</u></b>		
<b><u>Current liabilities</u></b>		
Accounts and accrued expenses payable	\$ 51,647	\$ 22,186
Deferred revenue	<u>2,400</u>	<u>13,400</u>
Total liabilities	<u>54,047</u>	<u>35,586</u>
 <b><u>Net assets</u></b>		
Unrestricted:		
Operating fund	74,021	577,924
Reserve fund – Note 4	<u>400,000</u>	<u>400,000</u>
Total unrestricted	474,021	977,924
Temporarily restricted – Note 6	<u>146,587</u>	<u>242,533</u>
Total net assets	<u>620,608</u>	<u>1,220,457</u>
Total liabilities and net assets	<u>\$ 674,655</u>	<u>\$ 1,256,043</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	60,481		60,481
Total revenue	184,979	294,510	479,489
Net assets released from restrictions – Note 6	390,456	( 390,456)	
Total revenue and other support	575,435	( 95,946)	479,489
<b><u>Expenses</u></b>			
<b>Program services</b>			
	593,237		593,237
<b>Supporting services</b>			
Administrative and general	296,107		296,107
Fundraising	171,302		171,302
Total supporting services	467,409		467,409
Total expenses	1,060,646		1,060,646
Change in net assets before net unrealized gains on investments	( 485,211)	( 95,946)	( 581,157)
Net unrealized loss on investments – Note 3	( 18,692)		( 18,692)
Change in net assets	( 503,903 )	( 95,946)	( 599,849)
Net assets – beginning balance	977,924	242,533	1,220,457
Net assets – ending balance	<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 Activities and Change in Net Assets**

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total*</u>
<b><u>Revenue and other support</u></b>			
Contributions	\$ 153,297	\$ 754,167	\$ 907,464
Program fees	12,846		12,846
Investment income – Note 3	<u>55,017</u>		<u>55,017</u>
Total revenue	221,160	754,167	975,327
Net assets released from restrictions – Note 6	<u>1,328,824</u>	<u>( 1,328,824)</u>	
Total revenue and other support	<u>1,549,984</u>	<u>( 574,657)</u>	<u>975,327</u>
 <b><u>Expenses</u></b>			
<b><u>Program services</u></b>			
Joint affinity group	178,677		178,677
Philanthropy resources	<u>1,091,229</u>		<u>1,091,229</u>
Total program services	<u>1,269,906</u>		<u>1,269,906</u>
 <b><u>Supporting services</u></b>			
Administrative and general	165,873		165,873
Fundraising	<u>111,096</u>		<u>111,096</u>
Total supporting services	<u>276,969</u>		<u>276,969</u>
Total expenses	<u>1,546,875</u>		<u>1,546,875</u>
Change in net assets before net unrealized gains on investments	3,109	<u>( 574,657)</u>	<u>( 571,548)</u>
Net unrealized gains on investments – Note 3	<u>( 12,340)</u>		<u>( 12,340)</u>
Change in net assets	<u>( 9,231)</u>	<u>( 574,657)</u>	<u>( 583,888)</u>
Net assets – beginning balance	<u>987,155</u>	<u>817,190</u>	<u>1,804,345</u>
Net assets – ending balance	<u>\$ 977,924</u>	<u>\$ 242,533</u>	<u>\$ 1,220,457</u>

\*Restated for comparative purposes.

See notes to financial statements.

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

**Statement of Functional Expenses**

For the year ended December 31, 2012

	<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	\$ 187,643	\$ 88,302	\$ 91,982	\$ 367,927
Payroll taxes and benefits	63,131	29,709	30,946	123,786
Total 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.**

**Statement of Functional Expenses**

For the year ended December 31, 2011

	<u>Program services</u>			<u>Supporting services</u>		<b>Total *</b> <b>program</b> <b>and</b> <b>supporting</b> <b>services</b>
	<u>Joint affinity group</u>	<u>Philanthropy resources</u>	<u>Total</u>	<u>Management and general</u>	<u>Fund raising</u>	
Salaries		\$ 196,050	\$ 196,050	\$ 86,700	\$ 42,750	\$ 325,500
Payroll taxes and benefits		80,820	80,820	27,823	23,848	132,491
Total personnel expenses		276,870	276,870	114,523	66,598	457,991
Grant expenses		519,106	519,106			519,106
Printing and design	\$ 9,000	17,159	26,159		11,211	37,370
Travel, meetings and conferences	19,500	76,494	95,994		23,999	119,993
Professional and consulting fees	148,378	155,087	303,465	28,186		331,651
Occupancy		29,400	29,400	8,400	4,200	42,000
Office expenses	502	6,139	6,641	3,105	1,331	11,077
Telephone	1,297	7,454	8,751	1,250	2,500	12,501
Postage and mailing		3,520	3,520	251	1,257	5,028
Other				5,020		5,020
Total expenses before depreciation	178,677	1,091,229	1,269,906	160,735	111,096	1,541,737
Depreciation				5,138		5,138
Total expenses	<u>\$ 178,677</u>	<u>\$ 1,091,229</u>	<u>\$ 1,269,906</u>	<u>\$ 165,873</u>	<u>\$ 111,096</u>	<u>\$ 1,546,875</u>

\*Restated for comparative purposes

See notes to financial statements.

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

For the years ended December 31,

	<u>2012</u>	<u>2011</u> *
<b>Cash flows from operating activities</b>		
Change in net assets	(\$ 599,849)	(\$ 583,888)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	2,767	5,138
Unrealized loss/(gain)	18,692	12,340
Change in grants receivable	344,535	( 278,625 )
Change in accounts receivable	156	( 3,320 )
Change in prepaid expenses	19,592	( 35,601 )
Change in accounts and accrued expenses payable	29,461	18,275
Change in deferred revenue	( 11,000 )	13,400
Net cash used in by operating activities	( 195,646 )	( 852,281 )
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	( 1,279 )	( 500 )
Proceeds from sale of investments	316,491	665,235
Net cash provided by investing activities	315,212	664,735
Net increase/(decrease) in cash	119,566	( 187,546 )
Cash balance as of beginning of year	139,411	326,957
Cash balance as of end of year	<u>\$ 258,977</u>	<u>\$ 139,411</u>

\*Restated for comparative purposes.

See notes to financial statements.

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

### **Note to Financial Statements**

December 31, 2012 and 2011

#### **Note 1 Organization**

Funders for Lesbian and Gay Issues, Inc. ("Funders") 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 is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State 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.

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.

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

**Note to Financial Statements**

December 31, 2012 and 2011

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

**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, 2012, organization was exposed to credit risk in the amount of \$8,977. The organization was not exposed to credit risk as of December 31, 2011.

**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, 2012 and 2011. 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.

**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.

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

**Note to Financial Statements**

December 31, 2012 and 2011

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

**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, 2012, Funders has no conditional promises to give outstanding. The balance as of December 31, 2011 was \$20,033 that are contingent upon grantees meeting the matching requirement.

**Uncertainty in income taxes.** Funders had no uncertain tax positions as of December 31, 2012 and 2011, 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 no longer subject to federal or state and local income tax examinations by tax authorities for the year ended December 31, 2010 and prior years.

**Subsequent events.** Funders performed subsequent events procedures through June 11, 2013 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.

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, 2012 and 2011, all investments were classified as Level 1 under ASC 820.

**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.

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

December 31, 2012 and 2011

**Note 3 Investments**

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>

Investments, stated at fair value, as of December 31, 2011 are as follows:

	<u>Cost</u>	<u>Fair value</u>
Equity securities	\$ 170,547	\$ 220,585
Mutual funds	400,522	410,906
Cash and cash equivalents	<u>96,344</u>	<u>96,344</u>
	<u>\$ 667,413</u>	<u>\$ 727,835</u>

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

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 25,298	\$ 42,427
Net realized gain on investments	<u>35,183</u>	<u>12,590</u>
Sub-total	60,481	55,017
Net unrealized (loss)/gain on investments	( <u>18,692</u> )	( <u>12,340</u> )
Total	<u>\$ 41,789</u>	<u>\$ 42,677</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, 2012 and 2011, total allocation to the reserve fund was \$400,000 for both years. Disbursements from the reserve fund are subject to authorization from the Executive Director and the Executive Committee.

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

**Note to Financial Statements**

December 31, 2012 and 2011

**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

As of December 31, 2012 and 2011, the costs of the assets and the related accumulated depreciation were as follows:

	<u>2012</u>	<u>2011</u>
Computer and software	\$ 14,825	\$ 14,825
Furniture and equipment	<u>5,888</u>	<u>4,609</u>
	20,713	19,434
Less: accumulated depreciation	<u>19,313</u>	<u>16,546</u>
Net	<u>\$ 1,400</u>	<u>\$ 2,888</u>

**Note 6 Temporarily restricted net assets**

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 balance</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>
Total	<u>\$ 242,533</u>	<u>\$ 294,510</u>	<u>\$ 390,456</u>	<u>\$ 146,587</u>

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

December 31, 2012 and 2011

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

Temporarily restricted net assets as of December 31, 2011 are available for the following purposes:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending balance</u>
<b>Purpose restricted</b>				
National partnership	\$ 323,720		\$ 323,720	
Racial equity	102,638		102,638	
Joint Affinity Group	282,466	\$ 15,000	297,466	
Adam queer youth initiative	33,366	16,667	30,000	\$ 20,033
Johnson Family Foundation		40,000	40,000	
Arcus Foundation		40,000	40,000	
<b>Time restricted</b>	<u>75,000</u>	<u>642,500</u>	<u>495,000</u>	<u>222,500</u>
<b>Total</b>	<u>\$ 817,190</u>	<u>\$ 754,167</u>	<u>\$ 1,328,824</u>	<u>\$ 242,533</u>

**Note 7 Joint Affinity Group**

Funders acted as a fiscal sponsor and received donations and disbursed funds on behalf of Joint Affinity Group. Funders had an agreement to run this project for a period of two years beginning January 1, 2010. Funders received 7.5% of income in accordance with the agreement. This fee for a total of \$15,000 is presented as part of program fees. Funders ended its fiscal sponsorship of Joint Affinity Group on December 31, 2011.

**Note 8 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, 2012 and 2011, pension expense was \$37,780 and \$51,483, respectively.