

EQUALITY FORUM, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009**

EQUALITY FORUM, INC.
YEAR ENDED JUNE 30, 2009

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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 of **Equality Forum, Inc.** as of June 30, 2009 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. 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, 2009 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
October 21, 2009

EQUALITY FORUM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 21,892
Grants and accounts receivable	136,750
Property and equipment, net	<u>155,968</u>

TOTAL ASSETS \$ 314,610

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 25,599
Bank line of credit	122,560
Note payable, financial institution	197,780
Film production costs payable	<u>24,000</u>

TOTAL LIABILITIES 369,939

NET ASSETS

Unrestricted	(213,329)
Temporarily restricted	<u>158,000</u>

Total net assets (deficiency) (55,329)

TOTAL NET ASSETS (DEFICIENCY) AND LIABILITIES \$ 314,610

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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 187,330	\$ -	\$ 187,330
Corporate Marketing	38,928	-	38,928
Grants			
Foundations	104,527	-	104,527
Government	56,000	120,000	176,000
Program events	123,460	-	123,460
Film income	5,928	-	5,928
Interest income	1,183	-	1,183
Miscellaneous	11,187	-	11,187
Temporarily restricted net assets released from restrictions	-	-	-
Total revenues and support	<u>528,543</u>	<u>120,000</u>	<u>648,543</u>
Operating expenses			
Program expenses	710,854	-	710,854
Supporting services			
General & Administrative	85,295	-	85,295
Fund Raising	<u>92,873</u>	<u>-</u>	<u>92,873</u>
Total operating expenses	<u>889,022</u>	<u>-</u>	<u>889,022</u>
Change in net assets	(360,479)	120,000	(240,479)
Net assets - beginning of year	<u>147,150</u>	<u>38,000</u>	<u>185,150</u>
Net assets - end of year	<u>\$ (213,329)</u>	<u>\$ 158,000</u>	<u>\$ (55,329)</u>

The accompanying notes are an integral part of these financial statements

EQUALITY FORUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities	
Decrease in net assets	\$ (240,479)
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Amortization of film costs	81,696
Depreciation	10,033
(Increase) decrease in:	
Grants receivable and accounts receivable	(126,498)
Prepaid expenses	1,331
(Decrease) increase in:	
Accounts payable and accrued expenses	<u>(6,582)</u>
Net cash (used in) operating activities	<u>(280,499)</u>
Cash flows from financing activities	
Proceeds from line of credit	122,560
Proceeds from note payable, financial institution	<u>67,780</u>
Net cash provided by financing activities	<u>190,340</u>
Cash flows from investing activities	
Web site development costs	<u>(39,356)</u>
Net cash (used in) investing activities	<u>(39,356)</u>
Net (decrease) in cash and cash equivalents	(129,515)
Cash - beginning of year	<u>151,407</u>
Cash - end of year	<u><u>\$ 21,892</u></u>
 SUPPLEMENTAL INFORMATION	
Interest paid	<u><u>\$ 11,121</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, 2009

	Program Services	Supporting Services		Totals
		Management & General	Fund Raising	
Salaries and wages	\$ 204,074	\$ 48,017	\$ 48,017	\$ 300,109
Payroll taxes	17,949	4,223	4,223	26,395
Employee benefits	17,543	4,128	4,128	25,798
Amortization - Film	81,696	-	-	81,696
Bank service charges	-	-	-	-
Board expenses	-	-	-	-
Condo fees	19,666	2,458	2,458	24,582
Conference fees	2,610	-	-	2,610
Contributions	250	-	-	250
Depreciation	3,345	3,344	3,344	10,033
Donor campaign	-	-	14,067	14,067
Insurance	5,383	673	673	6,729
Interest expense	-	11,121	-	8,341
Miscellaneous	4,578	572	572	5,723
Office expenses	7,160	2,387	2,387	11,933
Program expenses				
Annual Forum	10,151	-	-	10,151
Film Production	20,466	-	-	20,466
GLBT History Month	25,662	-	-	25,662
Intl Equality Dinner	82,868	-	9,207	92,075
Nat'l Equality Rally	37,577	-	-	37,577
Other	17,548	-	-	17,548
Public Relations	113,428	-	-	113,428
Sunday Out	23,034	-	-	23,034
Postage and delivery	6,320	2,107	2,107	10,534
Professional fees	-	4,575	-	4,575
Service subscriptions	3,071	384	384	3,839
Telephone	4,093	512	512	5,116
Travel and entertainment	2,383	794	794	3,971
Total expenses	\$ 710,854	\$ 85,295	\$ 92,873	\$ 886,242

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 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, 2009, an allowance was not determined to be necessary.

EQUALITY FORUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009 was \$10,033.

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, 2009 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 7.25% per annum. The line of credit is secured by certain assets. As of June 30, 2009, a balance of \$122,560 was outstanding.

Equality Forum also has a note payable in the amount of \$197,780. Interest on this loan is currently at 6.87% per annum and is paid on a monthly basis. The loan is secured by the office condominium and the personal guarantee of the Executive Director.

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, 2009

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, 2009 were \$24,582.