

**PARENTS, FAMILIES AND FRIENDS OF  
LESBIANS AND GAYS, INC.**

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2010**

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**September 30, 2010**

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Report of Independent Auditors .....	1
Statement of Financial Position .....	2-3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-14



Board of Directors  
Parents, Families and Friends  
Of Lesbians and Gays, Inc.  
Washington, DC

Report of Independent Auditors

We have audited the accompanying statement of financial position of Parents, Families and Friends of Lesbians and Gays, Inc. (PFLAG) as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of PFLAG's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from PFLAG's 2009 financial statements and, in our report dated January 28, 2010, we expressed an unqualified opinion on those statements.

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 PFLAG as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Drolet + Associates, PLLC*

Washington, DC  
January 28, 2011

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION**

**September 30, 2010**

(With Summarized Financial Information for September 30, 2009)

	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 451,338	\$ 431,972
Contributions and other receivables	757,108	821,742
Prepaid expenses	195,435	96,538
Inventory	21,217	42,667
<b>TOTAL CURRENT ASSETS</b>	<b>1,425,098</b>	1,392,919
<b>CONTRIBUTIONS RECEIVABLE,</b> net of current portion	781,179	1,052,378
<b>FIXED ASSETS</b>		
Furniture, fixtures and office equipment	207,638	117,490
Fundraising and membership software	227,791	125,506
Leasehold improvements	221,300	8,690
Website	4,100	4,100
	<b>660,829</b>	255,786
Accumulated depreciation and amortization	(225,012)	(189,850)
<b>NET FIXED ASSETS</b>	<b>435,817</b>	65,936
<b>SECURITY DEPOSIT</b>	<b>16,221</b>	28,857
<b>TOTAL ASSETS</b>	<b>\$ 2,658,315</b>	\$ 2,540,090

*Continued*

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**September 30, 2010**  
(With Summarized Financial Information for September 30, 2009)

	2010	2009
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 187,447	\$ 280,183
Deferred rent	21,157	4,230
Obligation under capital lease	8,260	10,916
Deferred revenue	105,810	4,467
Line of credit	100,000	-0-
<b>TOTAL CURRENT LIABILITIES</b>	<b>422,674</b>	299,796
<b>SECURITY DEPOSIT</b>	<b>-0-</b>	4,040
<b>DEFERRED RENT</b> , net of current portion	<b>277,207</b>	-0-
<b>OBLIGATION UNDER CAPITAL LEASE</b> , net of current portion	<b>22,260</b>	30,520
<b>TOTAL LIABILITIES</b>	<b>722,141</b>	334,356
<b>NET ASSETS</b>		
Unrestricted	283,677	157,563
Temporarily restricted	1,652,497	2,048,171
<b>TOTAL NET ASSETS</b>	<b>1,936,174</b>	2,205,734
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,658,315</b>	\$ 2,540,090

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

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2010**  
(With Summarized Financial Information for the Year Ended September 30, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
<b>REVENUES</b>				
Contributions and gifts	\$ 1,605,648	\$ 755,666	\$ 2,361,314	\$ 2,764,057
Chapter dues	91,872		91,872	99,496
Sublease rental	12,857		12,857	50,417
Product and publications	49,819		49,819	36,567
Special events (net of direct expenses of approximately \$94,000)	122,542		122,542	280,509
Gain (loss) on sale of investments	95		95	(33,378)
Other income	4,817		4,817	3,756
Net assets released from restrictions	1,151,340	(1,151,340)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>3,038,990</b>	<b>(395,674)</b>	<b>2,643,316</b>	<b>3,201,424</b>
<b>EXPENSES</b>				
<b>PROGRAM</b>				
Policy and programs	1,322,319		1,322,319	1,520,265
Outreach and education	909,452		909,452	941,877
<b>TOTAL PROGRAM</b>	<b>2,231,771</b>	<b>-0-</b>	<b>2,231,771</b>	<b>2,462,142</b>
<b>SUPPORTING</b>				
Fundraising and development	586,294		586,294	552,953
General and administrative	94,811		94,811	165,731
<b>TOTAL SUPPORTING</b>	<b>681,105</b>	<b>-0-</b>	<b>681,105</b>	<b>718,684</b>
<b>TOTAL EXPENSES</b>	<b>2,912,876</b>	<b>-0-</b>	<b>2,912,876</b>	<b>3,180,826</b>
<b>CHANGE IN NET ASSETS</b>	<b>126,114</b>	<b>(395,674)</b>	<b>(269,560)</b>	<b>20,598</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>157,563</b>	<b>2,048,171</b>	<b>2,205,734</b>	<b>2,185,136</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 283,677</b>	<b>\$ 1,652,497</b>	<b>\$ 1,936,174</b>	<b>\$ 2,205,734</b>

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

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2010**  
(With Summarized Financial Information for the Year Ended September 30, 2009)

	Policy and programs	Outreach and education	Programs total	Fundraising and development	General and administrative	2010 Total	2009 Total
Salaries	\$ 526,106	\$ 386,552	\$ 912,658	\$ 170,576	\$ 50,008	\$ 1,133,242	\$ 1,103,654
Employee benefits and payroll taxes	113,124	82,870	195,994	36,568	10,721	243,283	240,174
Professional fees	139,865	93,746	233,611	171,407	2,519	407,537	411,509
Travel	112,833	80,524	193,357	23,352	9,588	226,297	212,279
Printing	49,109	22,055	71,164	45,686	1,353	118,203	173,962
Occupancy	84,989	62,259	147,248	27,474	8,055	182,777	240,322
Conferences, conventions and meetings	22,237	38,864	61,101	15,219	2,247	78,567	288,815
Postage and delivery	57,972	26,737	84,709	37,474	814	122,997	125,527
Depreciation and amortization	26,662	19,808	46,470	8,523	2,492	57,485	44,176
Telecommunications	20,020	14,666	34,686	6,472	1,898	43,056	44,127
Scholarships and awards	85,000		85,000			85,000	94,955
Advertising	500	2,500	3,000			3,000	26,323
Bank charges and credit card fees	13,954	8,091	22,045	3,540	1,069	26,654	19,406
IT services	7,576	6,991	14,567	2,440	721	17,728	20,460
Supplies	19,196	13,187	32,383	8,734	402	41,519	15,528
Equipment and maintenance	1,869	1,695	3,564	547	224	4,335	3,195
Staff development and appreciation	5,875	4,304	10,179	1,899	557	12,635	25,908
State charitable registrations	59	23	82	8,766	23	8,871	9,994
Miscellaneous	169	376	545	124		669	7,672
Dues and subscriptions	310	4,578	4,888	3,603	1,197	9,688	8,947
List rental	23,203	3	23,206	11,339	4	34,549	12,070
Insurance	5,602	3,330	8,932	1,477	431	10,840	9,341
Taxes and licenses	1,058	1,002	2,060	428	284	2,772	6,645
Cost of goods sold	3,048	34,074	37,122			37,122	33,254
Interest	1,983	1,217	3,200	646	204	4,050	2,583
<b>TOTAL EXPENSES</b>	<b>\$ 1,322,319</b>	<b>\$ 909,452</b>	<b>\$ 2,231,771</b>	<b>\$ 586,294</b>	<b>\$ 94,811</b>	<b>\$ 2,912,876</b>	<b>\$ 3,180,826</b>

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

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2010**  
(With Summarized Financial Information for the Year Ended September 30, 2009)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ (269,560)</b>	<b>\$ 20,598</b>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,485	44,176
Loss on disposal of fixed assets	-0-	5,369
Net (gain) loss on investments	(95)	32,847
Decrease (increase) in contributions and other receivables	335,833	(135,327)
Increase in prepaid expenses	(98,897)	(16,906)
Decrease (increase) in inventory	21,450	(27,330)
Decrease (increase) in security deposit	12,636	(15,920)
(Decrease) increase in accounts payable and accrued expenses	(92,736)	94,715
Increase (decrease) in deferred rent	72,834	(16,005)
Decrease in security deposit payable	(4,040)	-0-
Increase (decrease) in deferred revenue	101,343	(1,154)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>136,253</b>	<b>(14,937)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases and donations of investments	(16,270)	(142,161)
Proceeds from sales of investments	16,365	109,314
Purchases and donations of fixed assets	(206,066)	(11,581)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(205,971)</b>	<b>(44,428)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing from line of credit	100,000	-0-
Principal payments on note payable	-0-	(77,327)
Capital lease obligation incurred	-0-	10,500
Principal payments on capital lease obligations	(10,916)	(11,650)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>89,084</b>	<b>(78,477)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,366</b>	<b>(137,842)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>431,972</b>	<b>569,814</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 451,338</b>	<b>\$ 431,972</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 4,050	\$ 2,583
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
PFLAG received an allowance of approximately \$222,000 for leasehold improvements.		

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



**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Parents, Families and Friends of Lesbians and Gays, Inc. (PFLAG) was incorporated in the state of California in 1981 to promote the health and well-being of gay, lesbian, bisexual and transgender (LGBT) persons, their families, and friends through: Support, to cope with an adverse society; Education, to enlighten an ill-informed public; and Advocacy, to end discrimination and to secure equal civil rights. PFLAG provides opportunity for dialogue about sexual orientation and gender identity, and acts to create a society that is healthy and respectful of human diversity. PFLAG currently serves approximately 500 affiliates and over 80,000 households. These activities are funded primarily through grants and contributions.

The following programs are included in the accompanying financial statements:

***Policy and programs***

PFLAG helps to strengthen chapters by fostering greater networking among chapters and allies in the same regions and states and building state leadership teams to coordinate activities. PFLAG also endeavors to create stronger and more unified statewide PFLAG family voices to support families, educate communities and advocate for equality. Among the many advocacy issues are parenting rights, employment nondiscrimination, safer schools, inclusive and affirming faith communities, marriage equality, hate crimes and more. PFLAG scholarships provide an important, positive statement to a group of young people and their allies, LGBT people who are often marginalized and subjected to harassment and discrimination. The program also provides PFLAG's chapters with a critical link to their local schools.

***Outreach and education***

PFLAG communicates its core messages through interviews, press releases, new media, social networking and other areas related to maintaining PFLAG's public presence at the national and local levels. The public also has access to PFLAG's messaging through the PFLAG websites. PFLAG coordinates public appearances by national leadership including appearances speaking about families with LGBT loved ones. PFLAG provides publications to members and the general public about sexual orientation, gender identity and relevant issues. PFLAG provides newsletters which inform members about PFLAG and public issues, and publishes a wide variety of resources for its chapter education programs. PFLAG creates special events in communities across the country to educate the general public about its mission and offers opportunities for public engagement at the local and national levels. Through its Straight for Equality project, PFLAG educates and engages straight allies in a variety of forums including the workplace, healthcare facilities, and in faith communities.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Tax Status** PFLAG is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a "private foundation" by the Internal Revenue Service.

Effective September 30, 2010, PFLAG adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Income Taxes* (ASC 740). ASC 740 requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 had no impact on PFLAG's statement of financial position or statement of activities. PFLAG does not believe its financial statements include, or reflect, any uncertain tax positions.

**Cash and Cash  
Equivalents**

PFLAG considers as cash and cash equivalents all cash and highly liquid investments with maturities of three months or less.

**Contributions and  
Other Receivables**

Contributions and other receivables primarily consist of bequests and pledges from corporations, foundations and individuals.

**Inventory**

Inventory consists of publications that are sold and distributed to members and interested parties. Inventory is stated at the lower of cost or market and is valued using the first-in, first-out method of inventory valuation.

**Fixed Assets**

PFLAG capitalizes all fixed asset acquisitions of \$1,500 and above. Fixed assets are recorded at cost if purchased, or at fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Functional  
Expense  
Allocation**

The costs of providing 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 benefited.

**Reclassifications**

Certain 2009 amounts have been reclassified for comparative purposes.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Contributions** Contributions receivable are recognized when the donor makes a promise to give that is, in substance, unconditional.

PFLAG reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

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 activities as net assets released from restrictions.

**Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Donated Services** Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PFLAG. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Prior Year Information** The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PFLAG's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

**NOTE B - CONCENTRATIONS**

As of September 30, 2010, two donors comprised 89% of the contributions and other receivables. During the year ended September 30, 2010, approximately 17% of PFLAG's contributions and gifts was provided by one donor.

As of September 30, 2010, approximately 63% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO (Union). PFLAG's contract with the Union is subject to renegotiation during 2012.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

**NOTE C - CONTRIBUTIONS AND OTHER RECEIVABLES**

In 2002, PFLAG was the recipient of a bequest which will be paid in ten annual installments. The assets are held in a trust established by the decedent's estate. The first annual payment of \$86,785 was received in July 2002. Generally accepted accounting principles require that management estimate the potential future receipts from this bequest and record its entire value in the financial statements in the year the bequest is made. For the year ended September 30, 2009, the estimated future receipt of the bequest was increased by approximately \$60,000 to reflect the change in value of the trust assets. A final payment will be received during the year ended September 30, 2011. The amount will vary depending on investment results over the next year. The potential amount to be received over the next year has been estimated, for financial statement purposes, at approximately \$119,000. The discount rate applied to the bequest is based on the June 30, 2002 U.S. Treasury rate of 3.45%.

In July 2007, PFLAG was notified that it was also the recipient of another bequest which will be paid in thirty-two quarterly installments until the fund is exhausted. The assets are held in a donor designated fund established by the decedent's estate. As of September 30, 2010, the value is estimated to be approximately \$982,000. The discount rate applied to the bequest is based on the July 31, 2007 U.S. Treasury rate of 4.96%.

The remaining contributions receivable at September 30, 2010 represent unconditional promises to give, which includes amounts from donors and are recorded at net realizable value.

PFLAG has recorded contributions receivable at the present value of estimated future cash flows at September 30, 2010. Contributions receivable as of September 30, 2010 are summarized below:

<b>Description</b>	<b>Amount</b>
Receivable in less than one year	<b>\$ 757,108</b>
Receivable in one to five years	<b>888,060</b>
Total contributions receivable	<b>1,645,168</b>
Less: discount to net present value	<b>(106,881)</b>
<b>Net contributions receivable</b>	<b>\$ 1,538,287</b>

**NOTE D - PENSION PLAN**

PFLAG maintains a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code which is available to all non-union full-time employees. The plan is funded by employer matching contributions up to a maximum of 2% of the employee's annual salary or \$1,000 whichever is greater. Employer contributions are made on behalf of employees with at least one year service. Both employer and employee contributions are fully vested. Pension expense was approximately \$10,000 for the year ended September 30, 2010 and is included in employee benefits in the accompanying schedule of functional expenses.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

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**NOTE E - LINE OF CREDIT**

At September 30, 2010, PFLAG had available a revolving line of credit of \$100,000 with a bank to be drawn upon as needed with an interest rate of 3.25% based on the Prime Rate as established from time to time by the bank. The line of credit is secured by substantially all of PFLAG's assets. The line of credit matures on March 23, 2011. As of September 30, 2010 the outstanding balance on the line of credit was \$100,000. Subsequent to year end the line of credit was paid in full.

The interest expense related to this line of credit was \$1,700 for the year ended September 30, 2010.

**NOTE F - COMMITMENTS**

PFLAG has entered into agreements with a hotel to provide event, banqueting facilities and accommodations for its event to be held in March 2011. The agreements contain clauses whereby PFLAG is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. At September 30, 2010, management of PFLAG has estimated that the amount of liquidated damages in the event of cancellation to be approximately \$76,000. Management does not believe any cancellation under these agreements will occur.

In addition, PFLAG has entered into a contract for direct mail and fundraising consulting. Under the terms of the contract upon early cancellation PFLAG would be liable for approximately \$14,000. Management does not believe any cancellation under this contract will occur.

**NOTE G - CAPITAL LEASE**

PFLAG is the lessee of certain office equipment under various capital leases. PFLAG is obligated under these leases through 2014. The assets and liabilities under the leases are recorded at the present value of the minimum lease payments. The assets are depreciated over the lesser of the estimated useful lives or the lease term. Depreciation of the assets under the leases is included in depreciation and amortization expense. The accumulated amortization as of September 30, 2010 was approximately \$10,000.

Minimum future lease payments under the leases as of September 30, 2010 are as follows:

<i>Year Ending September 30,</i>	<b>Amount</b>
2011	<b>\$ 9,960</b>
2012	<b>9,960</b>
2013	<b>9,960</b>
2014	<b>4,150</b>
<b>Total minimum lease payments</b>	<b>34,030</b>
<b>Less amount representing interest</b>	<b>(3,510)</b>
<b>Present value of total minimum lease payments</b>	<b>\$ 30,520</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

**NOTE H - OPERATING LEASES**

PFLAG has entered into a lease for office space and is obligated under the lease through 2020.

Under the terms of the lease the base rent increases annually based on scheduled increases provided for in the lease. Also, under the terms of the lease, the lessor provided lease incentives totaling approximately \$222,000 to build out the office space. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, are reflected as deferred rent in the accompanying statement of financial position.

As of September 30, 2010, future minimum lease payments under the operating leases entered into by PFLAG that have remaining lease terms in excess of one year are as follows:

<i>Year Ending September 30,</i>	<b>Amount</b>
2011	<b>\$ 177,914</b>
2012	<b>198,681</b>
2013	<b>203,648</b>
2014	<b>208,739</b>
2015	<b>213,958</b>
Thereafter	<b>1,132,368</b>
<b>Total</b>	<b>\$ 2,135,308</b>

Occupancy expense totaled approximately \$183,000 for the year ended September 30, 2010.

**NOTE I - RESTRICTIONS ON NET ASSETS**

At September 30, 2010, PFLAG's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>Amount</b>
Publications	<b>\$ 6,250</b>
Straight for Equality Project	<b>12,700</b>
Scholarship/Safe Schools Program	<b>75,107</b>
National Safe Schools Roundtable	<b>20,154</b>
Policy and Programs	<b>30,000</b>
Time restriction	<b>1,508,286</b>
<b>Total temporarily restricted</b>	<b>\$ 1,652,497</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

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**NOTE I - RESTRICTIONS ON NET ASSETS (Continued)**

Net assets released from restrictions for the year ended September 30, 2010 were as follows:

<b>Description</b>	<b>Amount</b>
Publications	<b>\$ 18,750</b>
Straight for Equality Project	<b>244,717</b>
Scholarship/Safe Schools Program	<b>143,390</b>
2009 PFLAG Gala	<b>5,000</b>
National Safe Schools Roundtable	<b>8,723</b>
Policy and Programs	<b>128,390</b>
Time restriction	<b>602,370</b>
<b>Total releases</b>	<b>\$ 1,151,340</b>

**NOTE J - EMPLOYMENT CONTRACT**

Effective March 8, 2008, PFLAG entered into an employment contract (the Contract) with an employee that provides for a minimum annual salary adjusted annually and fringe benefits. The term of employment under the Contract is March 8, 2008 to March 7, 2011. In the event of termination without cause, PFLAG will pay the employee severance equal to 1.5 months of salary for each year or partial year (measured by anniversaries of employment), for which the employee has been employed by PFLAG, with the payment not to exceed the lesser of six months' salary or \$80,000.

**NOTE K - COLLECTIVE BARGAINING AGREEMENT**

On September 4, 2009, PFLAG entered into a collective bargaining agreement with the Office and Professional Employees International Union, Local 2, AFL-CIO (Union) to act as the sole exclusive bargaining agent with respect to rates of pay and other conditions of employment for those employees occupying positions stipulated and agreed to by PFLAG and the Union. The Agreement will remain in effect until September 30, 2012.

**NOTE L - JOINT COST ALLOCATION**

In 2010, PFLAG incurred joint costs of approximately \$498,000 for direct mail that included both a program component and a fundraising appeal. Of these costs, approximately \$222,000 was allocated to program services and \$276,000 was allocated to fundraising in the accompanying statement of functional expenses.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010**

**NOTE M – DONATED SERVICES**

The fair value of donated services included as revenue in the financial statements and the corresponding program and supporting expenses for the year ended September 30, 2010, are as follows:

<b>Description</b>	<b>Policy and programs</b>	<b>Outreach and education</b>	<b>Fundraising and development</b>	<b>General and administrative</b>
Professional fees	\$ 23,731	\$ 16,275	\$ 10,521	\$ 1,714
Conferences, conventions and meetings	4,543	3,115	2,014	328
<b>Total donated services</b>	<b>\$ 28,274</b>	<b>\$ 19,390</b>	<b>\$ 12,535</b>	<b>\$ 2,042</b>

**NOTE N - SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 28, 2011 which is the date the financial statements were available to be issued.