

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

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2009**

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**September 30, 2009**

---

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, 2009, 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 the financial statements of PFLAG as of September 30, 2008, that were audited by other auditors, whose report dated January 27, 2009, 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, 2009, 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, 2010

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

**September 30, 2009**

(With Summarized Financial Information for September 30, 2008)

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 431,972	\$ 569,814
Contributions and other receivables	821,742	527,488
Prepaid expenses	96,538	79,632
Inventory	42,667	15,337
<b>TOTAL CURRENT ASSETS</b>	<b>1,392,919</b>	<b>1,192,271</b>
<b>CONTRIBUTIONS RECEIVABLE,</b> net of current portion	<b>1,052,378</b>	<b>1,211,305</b>
<b>FIXED ASSETS</b>		
Furniture, fixtures and office equipment	117,490	105,617
Fundraising and membership software	125,506	116,312
Leasehold improvements	8,690	8,690
Website	4,100	4,100
	<b>255,786</b>	<b>234,719</b>
Accumulated depreciation and amortization	<b>(189,850)</b>	<b>(163,319)</b>
<b>NET FIXED ASSETS</b>	<b>65,936</b>	<b>71,400</b>
<b>SECURITY DEPOSIT</b>	<b>28,857</b>	<b>12,937</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,540,090</b>	<b>\$ 2,487,913</b>

*Continued*

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**September 30, 2009**  
(With Summarized Financial Information for September 30, 2008)

	2009	2008
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 280,183	\$ 185,468
Note payable	-0-	77,327
Deferred rent	4,230	16,006
Obligation under capital lease	10,916	6,296
Deferred revenue	4,467	5,621
<b>TOTAL CURRENT LIABILITIES</b>	<b>299,796</b>	290,718
<b>SECURITY DEPOSIT</b>	<b>4,040</b>	4,040
<b>DEFERRED RENT</b> , net of current portion	<b>-0-</b>	4,229
<b>OBLIGATION UNDER CAPITAL LEASE</b> , net of current portion	<b>30,520</b>	3,790
<b>TOTAL LIABILITIES</b>	<b>334,356</b>	302,777
<b>NET ASSETS</b>		
Unrestricted	157,563	79,227
Temporarily restricted	2,048,171	2,105,909
<b>TOTAL NET ASSETS</b>	<b>2,205,734</b>	2,185,136
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,540,090</b>	\$ 2,487,913

*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, 2009**  
(With Summarized Financial Information for the Year Ended September 30, 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
<b>REVENUES</b>				
Contributions and gifts	\$ 1,854,192	\$ 909,865	\$ 2,764,057	\$ 2,827,333
Conference income	21,000		21,000	96,507
Chapter dues	99,496		99,496	103,800
Sublease rental	50,417		50,417	48,945
Product and publications	36,567		36,567	46,564
Special events	259,509		259,509	182,503
(Loss) gain on sale of investments	(33,378)		(33,378)	295
Other income	3,756		3,756	28,895
Net assets released from restrictions	967,603	(967,603)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>3,259,162</b>	<b>(57,738)</b>	<b>3,201,424</b>	<b>3,334,842</b>
<b>EXPENSES</b>				
<b>PROGRAM</b>				
Policy and programs	1,520,265		1,520,265	1,829,093
Outreach and education	941,877		941,877	510,792
<b>TOTAL PROGRAM</b>	<b>2,462,142</b>	<b>-0-</b>	<b>2,462,142</b>	<b>2,339,885</b>
<b>SUPPORTING</b>				
Fundraising and development	552,953		552,953	419,534
General and administrative	165,731		165,731	232,869
<b>TOTAL SUPPORTING</b>	<b>718,684</b>	<b>-0-</b>	<b>718,684</b>	<b>652,403</b>
<b>TOTAL EXPENSES</b>	<b>3,180,826</b>	<b>-0-</b>	<b>3,180,826</b>	<b>2,992,288</b>
<b>CHANGE IN NET ASSETS</b>	<b>78,336</b>	<b>(57,738)</b>	<b>20,598</b>	<b>342,554</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>79,227</b>	<b>2,105,909</b>	<b>2,185,136</b>	<b>1,842,582</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 157,563</b>	<b>\$ 2,048,171</b>	<b>\$ 2,205,734</b>	<b>\$ 2,185,136</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, 2009**  
(With Summarized Financial Information for the Year Ended September 30, 2008)

	Policy and programs	Outreach and education	Programs total	Fundraising and development	General and administrative	2009 Total	2008 Total
Salaries	\$ 534,319	\$ 382,076	\$ 916,395	\$ 124,543	\$ 62,716	\$ 1,103,654	\$ 937,132
Professional fees	133,590	71,923	205,513	169,763	36,233	411,509	464,922
Travel	105,208	74,995	180,203	21,679	10,397	212,279	337,375
Printing	81,259	60,315	141,574	64,553	1,089	207,216	274,246
Occupancy	116,349	83,198	199,547	27,119	13,656	240,322	241,819
Employee benefits and payroll taxes	116,277	83,146	199,423	27,103	13,648	240,174	196,696
Conferences, conventions and meetings	182,969	76,646	259,615	26,051	3,149	288,815	123,392
Postage and delivery	57,009	23,641	80,650	43,443	1,434	125,527	91,231
Depreciation and amortization	21,387	15,293	36,680	4,985	2,511	44,176	65,534
Telecommunications	22,929	12,130	35,059	5,542	3,526	44,127	47,020
Scholarships and awards	94,955		94,955			94,955	46,150
Advertising	5,000	20,125	25,125	558	640	26,323	44,050
Bank charges and credit card fees	9,395	6,718	16,113	2,190	1,103	19,406	26,486
IT services	8,657	7,811	16,468	2,413	1,579	20,460	18,686
Supplies	6,314	5,195	11,509	1,240	2,779	15,528	16,843
Equipment and maintenance	930	812	1,742	316	1,137	3,195	6,409
Staff development and appreciation	12,543	8,969	21,512	2,924	1,472	25,908	19,382
State charitable registrations			-0-	9,954	40	9,994	9,098
Miscellaneous	1,196	150	1,346	358	5,968	7,672	3,091
Dues and subscriptions	1,164	2,386	3,550	4,021	1,376	8,947	6,465
List rental			-0-	12,070		12,070	3,382
Insurance	4,401	3,145	7,546	1,154	641	9,341	9,599
Taxes and licenses	3,277	2,317	5,594	640	411	6,645	-0-
Interest	1,137	886	2,023	334	226	2,583	3,280
<b>TOTAL EXPENSES</b>	<b>\$ 1,520,265</b>	<b>\$ 941,877</b>	<b>\$ 2,462,142</b>	<b>\$ 552,953</b>	<b>\$ 165,731</b>	<b>\$ 3,180,826</b>	<b>\$ 2,992,288</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, 2009**  
(With Summarized Financial Information for the Year Ended September 30, 2008)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 20,598</b>	<b>\$ 342,554</b>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	44,176	65,534
Loss (gain) on disposal of fixed assets	5,369	(200)
Net loss on investments	32,847	310
Increase in contributions and other receivables	(135,327)	(205,338)
(Increase) decrease in prepaid expenses	(16,906)	32,521
Increase in inventory	(27,330)	(1,547)
Increase in security deposit	(15,920)	(4,039)
Increase accounts payable and accrued expenses	94,715	25,721
Decrease in deferred rent	(16,005)	(12,375)
Decrease in deferred revenue	(1,154)	(92,157)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(14,937)</b>	<b>150,984</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases and donations of investments	(142,161)	(13,257)
Proceeds from sales of investments	109,314	12,947
Purchases and donations of fixed assets	(11,581)	(41,227)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(44,428)</b>	<b>(41,537)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	(77,327)	(83,770)
Capital lease obligation incurred	10,500	-0-
Principal payments on capital lease obligations	(11,650)	(4,904)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(78,477)</b>	<b>(88,674)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(137,842)</b>	<b>20,773</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>569,814</b>	<b>549,041</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 431,972</b>	<b>\$ 569,814</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 2,583	\$ 3,280
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
During the year ended September 30, 2009 PFLAG entered into a new lease agreement for office equipment valued at approximately \$32,500.		

*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, 2009**

---

**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 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 National helps to strengthen chapters by fostering greater networking among chapters and allies in the same states and building state leadership teams to coordinate activities. National also endeavors to create stronger and more unified statewide PFLAG family voices to address the many issues including but not limited to marriage equality. Other areas supported include parenting rights, employment discrimination, hate crimes and more. PFLAG National scholarships provide an important, positive statement to a group of young people that is often marginalized, and subjected to harassment and discrimination.

*Outreach and education* - Consists of interviews, press releases and other areas related to maintaining PFLAG's public presence. The public also has access through the PFLAG web-site. PFLAG coordinates public appearances by national leadership and public appearances speaking about families of gays and lesbians. PFLAG provides publications to members and the general public about sexual orientation and relevant issues. PFLAG provides newsletters which inform members about PFLAG and public issues.

**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.

**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.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009**

---

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

**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.

**Accounting for  
Uncertain Tax  
Positions**

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. On December 30, 2008 the FASB issued FASB Staff Position FIN 48-3 which allowed PFLAG the option to defer the effective implementation date of FIN 48 to PFLAG's annual financial statements ending September 30, 2010. PFLAG has elected to defer application of FIN 48.

The determination of uncertain tax positions for financial statements prior to the implementation of FIN 48 uses the tax judgments reported on PFLAG's tax returns which are based on the requirements for tax filings under taxing authorities for the applicable year. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of PFLAG's tax assets or liabilities included in the financial statements. PFLAG does not expect the impact of adopting FIN 48 on its financial statements to be material.

**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 2008 amounts have been reclassified for comparative purposes.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009**

---

**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 in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, 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 under SFAS No. 116 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, 2008, from which the summarized information was derived.

**NOTE B - CONCENTRATIONS**

As of September 30, 2009, one donor comprised 61% of the contributions and other receivables.

As of September 30, 2009, approximately 56% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFC-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, 2009**

**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. Cash payments will be received once each year for the next two years. The amounts will vary depending on investment results over those intervening years. The potential amount to be received over the next two years has been estimated, for financial statement purposes, at approximately \$230,000. 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, 2009, the value is estimated to be \$1,142,000. 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, 2009 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, 2009. Contributions receivable as of September 30, 2009 are summarized below:

<b>Description</b>	<b>Amount</b>
Receivable in less than one year	<b>\$ 821,742</b>
Receivable in one to five years	<b>946,288</b>
Receivable in more than five years	<b>266,444</b>
Total contributions receivable	<b>2,034,474</b>
Less: discount to net present value	<b>(160,354)</b>
<b>Net contributions receivable</b>	<b>\$ 1,874,120</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 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 \$6,000 for the year ended September 30, 2009 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, 2009**

---

**NOTE E - HOTEL CONTRACTS**

PFLAG has entered into an agreement with a hotel to provide event and banqueting facilities and accommodations for its event to be held in June 2010. The agreement contains a clause whereby PFLAG is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. At September 30, 2009, management of PFLAG has estimated that the maximum possible amount of liquidated damages is approximately \$81,000. Management does not believe any cancellation under this contract will occur.

In addition, subsequent to year end PFLAG has entered into various agreements to provide facilities and accommodations for its event to be held April 29 through May 2, 2010. The agreements contain clauses whereby PFLAG is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. As of September 30, 2009, management of PFLAG estimated that the maximum possible amount of liquidated damages is approximately \$106,000. However, management does not believe any cancellation under these contracts will occur.

**NOTE F - 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, 2009 was approximately \$4,000.

Minimum future lease payments under the leases as of September 30, 2009 are as follows:

<i>Year Ending September 30,</i>	<b>Amount</b>
2010	<b>\$ 13,205</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>47,235</b>
<b>Less amount representing interest</b>	<b>(5,799)</b>
<b>Present value of total minimum lease payments</b>	<b>\$ 41,436</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009**

**NOTE G - 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, 2009, 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>
2010	<b>\$ 31,842</b>
2011	<b>177,914</b>
2012	<b>198,681</b>
2013	<b>203,648</b>
2014	<b>208,739</b>
Thereafter	<b>1,346,326</b>
<b>Total</b>	<b>\$ 2,167,150</b>

Occupancy expense totaled approximately \$240,000 for the year ended September 30, 2009.

**NOTE H - RESTRICTIONS ON NET ASSETS**

At September 30, 2009, PFLAG's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	<b>\$ 162,165</b>
Scholarship/Safe Schools Program	<b>197,382</b>
2009 PFLAG National Convention	<b>5,000</b>
National Safe Schools Roundtable	<b>28,877</b>
Time restriction	<b>1,654,747</b>
<b>Total temporarily restricted</b>	<b>\$ 2,048,171</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009**

---

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

Net assets released from restrictions for the year ended September 30, 2009 were as follows:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	\$ 233,692
Scholarship/Safe Schools Program	204,660
State Marriage Project	30,000
Diversity Outreach Project	110,303
2009 PFLAG Gala	10,000
National Safe Schools Roundtable	57,638
Policy and Programs	65,000
Time restriction	256,310
<b>Total releases</b>	<b>\$ 967,603</b>

**NOTE I - 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 J - COLLECTIVE BARGAINING AGREEMENT**

On June 27, 2006, PFLAG entered into a collective bargaining agreement with the Office and Professional Employees International Union, Local 2, AFC-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 expired on June 30, 2009. On October 1, 2009 PFLAG entered into a new agreement with the Union.

**NOTE K - JOINT COST ALLOCATION**

In 2009, PFLAG incurred joint costs of approximately \$353,000 for direct mail that included both a program component and a fundraising appeal. Of these costs, approximately \$176,000 was allocated to program services and \$177,000 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, 2009**

---

**NOTE L - SUBSEQUENT EVENTS**

We have evaluated whether events or transactions have occurred after September 30, 2009 that would require recognition or disclosure in these financial statements through January 28, 2010, which is the date the financial statements were available to be issued.