

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

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2014**

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**September 30, 2014**

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

### Independent Auditor's Report

We have audited the accompanying financial statements of Parents, Families and Friends of Lesbians and Gays, Inc. (PFLAG), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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 PFLAG as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited PFLAG's September 30, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, DC  
February 25, 2015

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

**September 30, 2014**

(With Summarized Financial Information for September 30, 2013)

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,263,753	\$ 298,189
Contributions receivable	1,651,903	2,476,903
Other receivables	30,875	90,432
Prepaid expenses	69,545	87,733
Inventory	38,540	51,018
<b>TOTAL CURRENT ASSETS</b>	<b>3,054,616</b>	<b>3,004,275</b>
<b>CONTRIBUTIONS AND OTHER RECEIVABLES,</b> net of current portion	<b>143,293</b>	<b>241,016</b>
<b>FIXED ASSETS</b>		
Furniture, fixtures and office equipment	136,298	178,117
Office equipment under capital lease	12,135	32,300
Software	227,791	227,791
Leasehold improvements	221,300	221,300
Website	4,100	4,100
	<b>601,624</b>	<b>663,608</b>
Accumulated depreciation and amortization	<b>(437,836)</b>	<b>(472,688)</b>
<b>NET FIXED ASSETS</b>	<b>163,788</b>	<b>190,920</b>
<b>SECURITY DEPOSIT</b>	<b>15,921</b>	<b>16,621</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,377,618</b>	<b>\$ 3,452,832</b>

*Continued*

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**September 30, 2014**  
(With Summarized Financial Information for September 30, 2013)

	2014	2013
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 457,949	\$ 229,908
Deferred rent	28,818	21,157
Obligation under capital lease	2,910	4,085
Deferred revenue	-0-	57,875
<b>TOTAL CURRENT LIABILITIES</b>	<b>489,677</b>	<b>313,025</b>
<b>DEFERRED RENT</b> , net of current portion	<b>230,781</b>	<b>259,929</b>
<b>OBLIGATION UNDER CAPITAL LEASE</b> , net of current portion	<b>6,862</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>727,320</b>	<b>572,954</b>
<b>NET ASSETS</b>		
Unrestricted	800,280	115,662
Temporarily restricted	1,850,018	2,764,216
<b>TOTAL NET ASSETS</b>	<b>2,650,298</b>	<b>2,879,878</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,377,618</b>	<b>\$ 3,452,832</b>

*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, 2014**  
(With Summarized Financial Information for the Year Ended September 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
<b>REVENUES</b>				
Contributions and gifts	\$ 1,869,480	\$ 556,692	\$ 2,426,172	\$ 4,135,337
Chapter dues	85,703		85,703	71,255
Care with Pride fees and contributions	150,000		150,000	150,000
Training service fees	230,764		230,764	151,785
Product and publications	48,299		48,299	56,848
Special events (net of direct expenses of approximately \$160,000)	183,865	60,705	244,570	170,614
Other income	23,810		23,810	8,027
Net assets released from restrictions	1,531,595	(1,531,595)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>4,123,516</b>	<b>(914,198)</b>	<b>3,209,318</b>	<b>4,743,866</b>
<b>EXPENSES</b>				
<b>PROGRAM</b>				
Policy and programs	1,890,687		1,890,687	1,509,307
Outreach and education	834,704		834,704	925,559
<b>TOTAL PROGRAM</b>	<b>2,725,391</b>	<b>-0-</b>	<b>2,725,391</b>	<b>2,434,866</b>
<b>SUPPORTING</b>				
Fundraising and development	452,955		452,955	375,320
General and administrative	260,552		260,552	235,949
<b>TOTAL SUPPORTING</b>	<b>713,507</b>	<b>-0-</b>	<b>713,507</b>	<b>611,269</b>
<b>TOTAL EXPENSES</b>	<b>3,438,898</b>	<b>-0-</b>	<b>3,438,898</b>	<b>3,046,135</b>
<b>CHANGE IN NET ASSETS</b>	<b>684,618</b>	<b>(914,198)</b>	<b>(229,580)</b>	<b>1,697,731</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>115,662</b>	<b>2,764,216</b>	<b>2,879,878</b>	<b>1,182,147</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 800,280</b>	<b>\$ 1,850,018</b>	<b>\$ 2,650,298</b>	<b>\$ 2,879,878</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, 2014**  
(With Summarized Financial Information for the Year Ended September 30, 2013)

	Policy and programs	Outreach and education	Programs total	Fundraising and development	General and administrative	2014 Total	2013 Total
Salaries	\$ 677,126	\$ 426,378	\$ 1,103,504	\$ 135,633	\$ 124,515	\$ 1,363,652	\$ 1,217,225
Employee benefits and payroll taxes	130,303	82,050	212,353	26,101	23,961	262,415	240,920
Professional fees	264,052	36,691	300,743	54,918	59,086	414,747	394,930
Travel	143,448	83,397	226,845	25,449	19,993	272,287	223,994
Printing	122,959	37,661	160,620	55,985	192	216,797	167,264
Occupancy	86,693	56,486	143,179	16,386	15,043	174,608	195,710
Conferences, conventions and meetings	19,928	6,939	26,867	64,291	1,087	92,245	68,446
Postage and delivery	65,995	21,628	87,623	32,892	310	120,825	133,053
Depreciation and amortization	19,499	12,278	31,777	3,906	3,586	39,269	70,098
Telecommunications	21,217	9,622	30,839	2,925	2,924	36,688	42,036
Scholarships and awards	254,193	2,500	256,693			256,693	106,387
Advertising	337	1,200	1,537			1,537	1,302
Bank charges and credit card fees	11,386	7,169	18,555	2,281	2,094	22,930	28,837
IT services	12,340	8,253	20,593	3,926	2,219	26,738	21,772
Supplies	21,562	13,685	35,247	4,033	3,323	42,603	36,494
Equipment and maintenance	2,515	1,902	4,417	604	430	5,451	5,581
Staff development and appreciation	2,868	2,056	4,924	567	521	6,012	3,332
State charitable registrations			-0-	9,330		9,330	9,704
Miscellaneous	37	3	40	167	6	213	547
Dues and subscriptions	1,000	241	1,241	77	123	1,441	1,595
List rental	27,357		27,357	12,539		39,896	35,423
Insurance	4,378	2,777	7,155	877	805	8,837	11,116
Taxes and licenses	3		3		271	274	4,225
Cost of goods sold	1,150	21,573	22,723			22,723	25,281
Interest	341	215	556	68	63	687	863
<b>TOTAL EXPENSES</b>	<b>\$ 1,890,687</b>	<b>\$ 834,704</b>	<b>\$ 2,725,391</b>	<b>\$ 452,955</b>	<b>\$ 260,552</b>	<b>\$ 3,438,898</b>	<b>\$ 3,046,135</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, 2014**  
(With Summarized Financial Information for the Year Ended September 30, 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ (229,580)</b>	<b>\$ 1,697,731</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,268	70,098
Net loss on investments	-0-	100
Decrease (increase) in contributions receivable	922,723	(1,760,123)
Decrease (increase) in other receivables	59,557	(11,231)
Decrease (increase) in prepaid expenses	18,188	(6,900)
Decrease (increase) in inventory	12,478	(18,623)
Decrease in security deposit	700	-0-
Increase in accounts payable and accrued expenses	228,041	27,772
Decrease in deferred rent	(21,487)	(16,389)
(Decrease) increase in deferred revenue	(57,875)	53,625
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>972,013</b>	<b>36,060</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	-0-	(1,044)
Proceeds from sales of investments	-0-	944
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-0-</b>	<b>(100)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	(6,449)	(9,375)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6,449)</b>	<b>(9,375)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>965,564</b>	<b>26,585</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>298,189</b>	<b>271,604</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,263,753</b>	<b>\$ 298,189</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 687	\$ 863

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

During the year ended September 2014 PFLAG entered into a new capital lease agreement for office equipment valued at approximately \$12,000.

*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, 2014**

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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 lesbian, gay, 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. 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, 2014**

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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 except on net income derived from unrelated business activities and is not considered a "private foundation" by the Internal Revenue Service.

PFLAG 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. PFLAG does not believe its financial statements include, or reflect, any uncertain tax positions.

PFLAG's Form 990, Return of Organization Exempt from Income Tax, the Form 990-T, Federal Exempt Organization Unrelated Business Income Tax Return and the District of Columbia Form D-20 returns are subject to examination by the taxing authorities generally for three years after filing.

**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 Receivable**

Contributions receivable primarily consist of bequests and pledges from corporations, foundations and individuals. The management of PFLAG reviews the collectability of the contributions receivable on a regular basis. No reserve for doubtful accounts has been established since management expects to collect all contributions receivable in full.

**Other Receivables**

Other receivables primarily consist of amounts due from special events and training service fees. The management of PFLAG reviews the collectability of the other receivables on a regular basis. No reserve for doubtful accounts has been established since management expects to collect all other receivables in full.

**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.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014**

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

<b>Contributions</b>	Contributions 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.
<b>Training Service Fees</b>	Training service fees are recognized as revenue in the year the training is provided.
<b>Donated Services</b>	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.
<b>Estimates</b>	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.
<b>Functional Expense Allocation</b>	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.
<b>Prior Year Information</b>	The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2013. 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 the financial statements for the year ended September 30, 2013, from which the summarized information was derived.
<b>Reclassifications</b>	Certain 2013 amounts have been reclassified for comparative purposes.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014**

**NOTE B - CONTRIBUTIONS RECEIVABLE**

In July 2007, PFLAG was notified that it was the recipient of a 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, 2014, the value is estimated to be approximately \$345,000. 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, 2014 represent unconditional promises to give, which includes amounts from donors and are recorded at net realizable value.

Contributions receivable as of September 30, 2014 are summarized below:

<b>Description</b>	<b>Amount</b>
Contributions receivable in less than one year	<b>\$ 1,651,903</b>
Contributions receivable in one to five years	<b>160,178</b>
Total contributions receivable	<b>1,812,081</b>
Less: discount to net present value	<b>(16,885)</b>
<b>Net contributions receivable</b>	<b>\$ 1,795,196</b>

**NOTE C - CAPITAL LEASE**

PFLAG is the lessee of certain office equipment under a capital lease. PFLAG is obligated under the lease through 2018. The asset and liability under the lease is recorded at the present value of the minimum lease payments. The asset is depreciated over the lesser of the estimated useful life or the lease term. Depreciation of the asset under the lease is included in depreciation and amortization expense. The accumulated amortization as of September 30, 2014 was approximately \$3,000.

Minimum future lease payments under the lease as of September 30, 2014 is as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2015	<b>\$ 3,360</b>
2016	<b>3,360</b>
2017	<b>3,360</b>
2018	<b>560</b>
<b>Total minimum lease payments</b>	<b>10,640</b>
<b>Less amount representing interest</b>	<b>(868)</b>
<b>Present value of total minimum lease payments</b>	<b>\$ 9,772</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014**

**NOTE D - OPERATING LEASE**

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, 2014, future minimum lease payments under the operating lease are as follows:

<i>Year Ending September 30,</i>	<b>Amount</b>
2015	<b>\$ 216,093</b>
2016	<b>223,009</b>
2017	<b>228,596</b>
2018	<b>234,316</b>
Thereafter	<b>465,626</b>
<b>Total</b>	<b>\$ 1,367,640</b>

Occupancy expense totaled approximately \$175,000 for the year ended September 30, 2014.

**NOTE E – DONATED SERVICES**

For the year ended September 30, 2014 the fair value of donated services are included in contributions and gifts in the statement of activities. The corresponding program and supporting expenses for the year ended September 30, 2014, 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>	<b>Total</b>
Professional fees	<b>\$ 130,487</b>	<b>\$ 10,854</b>	<b>\$ 3,453</b>	<b>\$ 3,170</b>	<b>\$ 147,964</b>
<b>Total donated services</b>	<b>\$ 130,487</b>	<b>\$ 10,854</b>	<b>\$ 3,453</b>	<b>\$ 3,170</b>	<b>\$ 147,964</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014**

**NOTE F - COMMITMENTS**

PFLAG has entered into agreements with hotels to provide event, banqueting facilities and accommodations for its events to be held through October 2015. The agreements contains clauses whereby PFLAG is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. At September 30, 2014, management of PFLAG has estimated that the amount of liquidated damages in the event of cancellation to be approximately \$111,000. 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 \$17,000. Management does not believe any cancellation under this contract will occur.

**NOTE G - JOINT COST ALLOCATION**

In 2014, PFLAG incurred joint costs of approximately \$492,000 for direct mail that included both a program component and a fundraising appeal. Of these costs, approximately \$321,000 was allocated to program services, \$147,000 was allocated to fundraising and development expense and \$24,000 was allocated to general and administrative expense in the accompanying statement of functional expenses.

**NOTE H - RESTRICTIONS ON NET ASSETS**

At September 30, 2014, PFLAG's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	\$ 37,500
Scholarship/Safe Schools Program	15,820
PFLAG New York City Chapter	1,500
Time restriction	1,795,198
<b>Total temporarily restricted</b>	<b>\$ 1,850,018</b>

Net assets released from restrictions for the year ended September 30, 2014 were as follows:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	\$ 50,000
Scholarship/Safe Schools Program	82,925
PFLAG New York City Chapter	145,025
Time restriction	1,253,645
<b>Total releases</b>	<b>\$ 1,531,595</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014**

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**NOTE I - PENSION PLAN**

PFLAG maintains a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code which is available to all eligible employees. Employer matching contributions are made on behalf of employees with at least one year of service. PFLAG may also make additional employer contributions. Both employer and employee contributions are fully vested. Pension expense was approximately \$38,000 for the year ended September 30, 2014 and is included in employee benefits in the accompanying schedule of functional expenses.

**NOTE J - EMPLOYMENT CONTRACT**

Effective March 8, 2011, 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, 2011 to March 7, 2015. 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 November 29, 2012, PFLAG entered into a collective bargaining agreement with the Office and Professional Employees International Union, Local 2, AFL-CIO (the 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, 2017.

**NOTE L - CONCENTRATIONS**

PFLAG maintains cash balances at a financial institution located in Washington, DC, which at times during the year exceeded the Federal Deposit Insurance Corporation limit. Management believes the risk in this situation to be minimal.

As of September 30, 2014, two donors comprised 85% of the contributions and other receivables.

As of September 30, 2014, approximately 33% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO (the Union). PFLAG's contract with the Union is subject to renegotiation in 2017.

**NOTE M - SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 25, 2015 which is the date the financial statements were available to be issued.