

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

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2012**

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**September 30, 2012**

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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, 2012, 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 2011 financial statements and, in our report dated April 2, 2012, 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, 2012, 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  
February 13, 2013

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

**September 30, 2012**

(With Summarized Financial Information for September 30, 2011)

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 271,604	\$ 410,693
Contributions and other receivables	611,415	313,832
Prepaid expenses	80,833	98,381
Inventory	32,395	28,369
<b>TOTAL CURRENT ASSETS</b>	<b>996,247</b>	851,275
<b>CONTRIBUTIONS AND OTHER RECEIVABLES,</b> net of current portion	425,582	581,505
<b>FIXED ASSETS</b>		
Furniture, fixtures and office equipment	210,417	210,417
Fundraising and membership software	227,791	227,791
Leasehold improvements	221,300	221,300
Website	4,100	4,100
	<b>663,608</b>	663,608
Accumulated depreciation and amortization	(402,590)	(319,617)
<b>NET FIXED ASSETS</b>	<b>261,018</b>	343,991
<b>SECURITY DEPOSIT</b>	<b>16,621</b>	16,621
<b>TOTAL ASSETS</b>	<b>\$ 1,699,468</b>	\$ 1,793,392

*Continued*

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**September 30, 2012**  
(With Summarized Financial Information for September 30, 2011)

	2012	2011
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 202,136	\$ 120,634
Deferred rent	21,157	21,157
Obligation under capital lease	9,375	8,800
Deferred revenue	4,250	62,989
<b>TOTAL CURRENT LIABILITIES</b>	<b>236,918</b>	213,580
<b>DEFERRED RENT</b> , net of current portion	<b>276,318</b>	287,742
<b>OBLIGATION UNDER CAPITAL LEASE</b> , net of current portion	<b>4,085</b>	13,460
<b>TOTAL LIABILITIES</b>	<b>517,321</b>	514,782
<b>NET ASSETS</b>		
Unrestricted	122,052	298,617
Temporarily restricted	1,060,095	979,993
<b>TOTAL NET ASSETS</b>	<b>1,182,147</b>	1,278,610
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,699,468</b>	\$ 1,793,392

*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, 2012**  
(With Summarized Financial Information for the Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<b>REVENUES</b>				
Contributions and gifts	\$ 1,691,879	\$ 698,616	\$ 2,390,495	\$ 1,847,482
Chapter dues	75,308		75,308	86,840
Care with Pride fees	232,100		232,100	-0-
Training service fees	193,030		193,030	134,647
Product and publications	45,643		45,643	64,522
Special events (net of direct expenses of approximately \$136,000)	209,217		209,217	293,583
Gain on sale of investments	77		77	11
Other income	9,171		9,171	3,309
Net assets released from restrictions	618,514	(618,514)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>3,074,939</b>	<b>80,102</b>	<b>3,155,041</b>	<b>2,430,394</b>
<b>EXPENSES</b>				
<b>PROGRAM</b>				
Policy and programs	1,658,105		1,658,105	1,348,260
Outreach and education	1,004,041		1,004,041	983,612
<b>TOTAL PROGRAM</b>	<b>2,662,146</b>	<b>-0-</b>	<b>2,662,146</b>	<b>2,331,872</b>
<b>SUPPORTING</b>				
Fundraising and development	425,692		425,692	623,374
General and administrative	163,666		163,666	132,712
<b>TOTAL SUPPORTING</b>	<b>589,358</b>	<b>-0-</b>	<b>589,358</b>	<b>756,086</b>
<b>TOTAL EXPENSES</b>	<b>3,251,504</b>	<b>-0-</b>	<b>3,251,504</b>	<b>3,087,958</b>
<b>CHANGE IN NET ASSETS</b>	<b>(176,565)</b>	<b>80,102</b>	<b>(96,463)</b>	<b>(657,564)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>298,617</b>	<b>979,993</b>	<b>1,278,610</b>	<b>1,936,174</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 122,052</b>	<b>\$ 1,060,095</b>	<b>\$ 1,182,147</b>	<b>\$ 1,278,610</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, 2012**  
(With Summarized Financial Information for the Year Ended September 30, 2011)

	Policy and programs	Outreach and education	Programs total	Fundraising and development	General and administrative	2012 Total	2011 Total
Salaries	\$ 621,435	\$ 469,578	\$ 1,091,013	\$ 61,233	\$ 55,465	\$ 1,207,711	\$ 1,145,502
Employee benefits and payroll taxes	136,113	102,851	238,964	13,412	12,148	264,524	226,082
Professional fees	148,432	53,696	202,128	109,522	42,794	354,444	472,031
Travel	163,196	88,400	251,596	12,265	21,907	285,768	270,716
Printing	88,015	28,893	116,908	76,225	878	194,011	128,868
Occupancy	103,392	78,127	181,519	10,188	9,228	200,935	189,692
Conferences, conventions and meetings	30,324	13,070	43,394	42,787	5,181	91,362	96,607
Postage and delivery	62,748	30,887	93,635	54,351	1,157	149,143	127,691
Depreciation and amortization	42,695	32,262	74,957	4,207	3,811	82,975	94,605
Telecommunications	20,032	20,690	40,722	1,368	1,936	44,026	46,191
Scholarships and awards	137,513	500	138,013	-0-	-0-	138,013	47,300
Advertising	998	450	1,448	53	65	1,566	2,800
Bank charges and credit card fees	10,604	8,013	18,617	1,045	1,392	21,054	29,052
IT services	9,333	8,718	18,051	892	834	19,777	12,575
Supplies	21,115	18,491	39,606	3,324	3,695	46,625	92,100
Equipment and maintenance	4,607	4,185	8,792	434	393	9,619	5,540
Staff development and appreciation	2,366	1,456	3,822	199	181	4,202	8,636
State charitable registrations	67	21	88	9,453	3	9,544	8,855
Miscellaneous	426	57	483	97	232	812	2,875
Dues and subscriptions	2,913	2,513	5,426	88	182	5,696	6,989
List rental	21,096	-0-	21,096	19,385	-0-	40,481	25,196
Insurance	6,943	5,246	12,189	684	620	13,493	11,163
Taxes and licenses	16,817	12,708	29,525	1,657	1,501	32,683	1,001
Cost of goods sold	6,218	22,695	28,913	2,753	-0-	31,666	32,288
Interest	707	534	1,241	70	63	1,374	3,603
<b>TOTAL EXPENSES</b>	<b>\$ 1,658,105</b>	<b>\$ 1,004,041</b>	<b>\$ 2,662,146</b>	<b>\$ 425,692</b>	<b>\$ 163,666</b>	<b>\$ 3,251,504</b>	<b>\$ 3,087,958</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, 2012**  
(With Summarized Financial Information for the Year Ended September 30, 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ (96,463)</b>	<b>\$ (657,564)</b>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	82,974	94,606
Net gain on investments	(77)	(11)
(Increase) decrease in contributions and other receivables	(141,660)	642,950
Decrease in prepaid expenses	17,548	97,054
Increase in inventory	(4,026)	(7,152)
Increase in security deposit	-0-	(400)
Increase (decrease) in accounts payable and accrued expenses	81,502	(66,813)
(Decrease) increase in deferred rent	(11,424)	10,535
Decrease in deferred revenue	(58,739)	(42,821)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(130,365)</b>	<b>70,384</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases and donations of investments	(7,249)	(11,793)
Proceeds from sales of investments	7,325	11,804
Purchases and donations of fixed assets	-0-	(2,780)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>76</b>	<b>(2,769)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on line of credit	-0-	(100,000)
Principal payments on capital lease obligations	(8,800)	(8,260)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,800)</b>	<b>(108,260)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(139,089)</b>	<b>(40,645)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>410,693</b>	<b>451,338</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 271,604</b>	<b>\$ 410,693</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 1,374	\$ 3,603

*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, 2012**

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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. 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, 2012**

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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. For the year ended September 30, 2012 PFLAG has a contract with for-profit plant nursery which is subject to tax on unrelated business income. At September 30, 2012, PFLAG recorded a tax liability of approximately \$32,000 on this unrelated business activity. PFLAG believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

PFLAG's federal Exempt Organization Business Income Tax Returns (Form 990T) for 2011 is subject to examination by the IRS, generally for three years after it is filed.

**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.

**Contributions**

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.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012**

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

**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.

**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.

**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.

**Prior Year Information** The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2011. 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, 2011, from which the summarized information was derived.

**Reclassifications** Certain 2011 amounts have been reclassified for comparative purposes.

**NOTE B - 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, 2012 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, 2012**

**NOTE C - CONTRIBUTIONS AND OTHER RECEIVABLES**

In July 2007, PFLAG was notified that it was also 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, 2012, the value is estimated to be approximately \$617,000. 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, 2012 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, 2012. Contributions receivable as of September 30, 2012 are summarized below:

<b>Description</b>	<b>Amount</b>
Receivable in less than one year	<b>\$ 611,415</b>
Receivable in one to five years	<b>480,534</b>
Total contributions receivable	<b>1,091,949</b>
Less: discount to net present value	<b>(54,952)</b>
<b>Net contributions receivable</b>	<b>\$ 1,036,997</b>

**NOTE D - 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, 2012 was approximately \$23,000.

Minimum future lease payments under the leases as of September 30, 2012 are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2013	<b>\$ 9,960</b>
2014	<b>4,150</b>
<b>Total minimum lease payments</b>	<b>14,110</b>
<b>Less amount representing interest</b>	<b>(650)</b>
<b>Present value of total minimum lease payments</b>	<b>\$ 13,460</b>

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012**

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**NOTE E - 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, 2012, 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>
2013	<b>\$ 203,663</b>
2014	<b>208,762</b>
2015	<b>216,093</b>
2016	<b>223,009</b>
Thereafter	<b>928,539</b>
<b>Total</b>	<b>\$ 1,780,066</b>

Occupancy expense totaled approximately \$201,000 for the year ended September 30, 2012.

**NOTE F - COMMITMENTS**

PFLAG has entered into an agreement with a hotel to provide event, banqueting facilities and accommodations for its event to be held in April 2013. 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, 2012, management of PFLAG has estimated that the amount of liquidated damages in the event of cancellation to be approximately \$51,000.

Subsequent to year end PFLAG has entered into an agreement with a hotel to provide event, banqueting facilities and accommodations for its event to be held in October 2013. The agreement contains a clause whereby PFLAG is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. Management of PFLAG has estimated that the amount of liquidated damages in the event of cancellation to be approximately \$49,000.

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 \$15,000. Management does not believe any cancellation under this contract will occur.

**PARENTS, FAMILIES AND FRIENDS OF LESBIANS AND GAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012**

**NOTE G – UNUSED LINE OF CREDIT**

At September 30, 2012, PFLAG had available a revolving line of credit (the 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 22, 2013. As of September 30, 2012 the outstanding balance on the Line of credit was \$-0-.

**NOTE H - RESTRICTIONS ON NET ASSETS**

At September 30, 2012, PFLAG's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	<b>\$ 70,200</b>
Time restriction	<b>989,895</b>
<b>Total temporarily restricted</b>	<b>\$ 1,060,095</b>

Net assets released from restrictions for the year ended September 30, 2012 were as follows:

<b>Description</b>	<b>Amount</b>
Straight for Equality Project	<b>\$ 62,500</b>
Scholarship/Safe Schools Program	<b>95,566</b>
National Safe Schools Roundtable	<b>18,230</b>
Policy and Programs	<b>200,700</b>
Time restriction	<b>241,518</b>
<b>Total releases</b>	<b>\$ 618,514</b>

**NOTE I - 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 J - JOINT COST ALLOCATION**

In 2012, PFLAG incurred joint costs of approximately \$490,000 for direct mail that included both a program component and a fundraising appeal. Of these costs, approximately \$255,000 was allocated to program services and \$235,000 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, 2012**

**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 (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 was in effect until September 30, 2012.

Subsequent to year end, PFLAG's management and the Union ratified a collective agreement effective October 1, 2012 until September 30, 2017.

**NOTE L – DONATED SERVICES**

For the year ended September 30, 2012 the fair value of donated services are included in contributions and gifts, and special events revenue in the statement of activities. The corresponding program and supporting expenses for the year ended September 30, 2012, 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>Totals</b>
Professional fees	\$ 27,919	\$ 23,227	\$ 3,029	\$ 2,744	\$ 56,919
<b>Total donated services</b>	<b>\$ 27,919</b>	<b>\$ 23,227</b>	<b>\$ 3,029</b>	<b>\$ 2,744</b>	<b>\$ 56,919</b>

**NOTE M - CONCENTRATIONS**

As of September 30, 2012, two donors comprised 90% of the contributions and other receivables. For the year ended September 30, 2012, 19% of contributions and gifts revenue was from one donor.

As of September 30, 2012, approximately 38% 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 during 2012.

**NOTE N - SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 13, 2013 which is the date the financial statements were available to be issued.