

**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
D/B/A SIECUS**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

SEPTEMBER 30, 2016 AND 2015

**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
D/B/A SIECUS**

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Independent Auditor's Report

**Board of Directors
Sexuality Information and Education Council
of the United States, Inc. d/b/a SIECUS**

Report on the Financial Statements

We have audited the accompanying financial statements of Sexuality Information and Education Council of the United States, Inc. d/b/a SIECUS, which comprise the balance sheet as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Sexuality Information and Education Council of the United States, Inc. d/b/a SIECUS as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

January 24, 2017

**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
D/B/A SIECUS**

BALANCE SHEET

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 201,094	\$ 101,166
Investments (Note 2)	32,125	61,374
Grant and contributions receivable	207,503	
Prepaid expenses and other assets	7,265	1
Security deposits	67,294	70,780
Fixed assets - net (Note 3)	<u>21,315</u>	<u>10,387</u>
Total assets	<u>\$ 536,596</u>	<u>\$ 243,708</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 19,927	\$ 28,066
Security deposits	10,000	10,000
Deferred rent (Note 4)	<u>7,966</u>	
Total liabilities	<u>37,893</u>	<u>38,066</u>
Net assets (Exhibit B)		
Unrestricted	286,838	156,892
Temporarily restricted (Note 5)	<u>211,865</u>	<u>48,750</u>
Total net assets	<u>498,703</u>	<u>205,642</u>
Total liabilities and net assets	<u>\$ 536,596</u>	<u>\$ 243,708</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
D/B/A SIECUS

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support						
Foundation grants	\$ 346,250	\$ 211,865	\$ 558,115	\$ 218,568	\$ 50,000	\$ 268,568
Contributions	178,670		178,670	234,241		234,241
Fees for service	7,500		7,500	7,500		7,500
Interest income	1,117		1,117	1,096		1,096
Publications and other earned income	388		388	7,268		7,268
Realized and unrealized gain on investments	168		168	1,825		1,825
Miscellaneous income	50		50	2,616		2,616
Net assets released from restrictions (Note 5)	48,750	(48,750)		201,250	(201,250)	
Total revenue and other support	582,893	163,115	746,008	674,364	(151,250)	523,114
Expenses (Exhibit C)						
Program services						
Public policy	285,048		285,048	331,408		331,408
Education	84,230		84,230	221,719		221,719
Total program services	369,278		369,278	553,127		553,127
Supporting services						
Management and general	59,001		59,001	119,565		119,565
Fundraising	24,668		24,668	181,156		181,156
Total supporting services	83,669		83,669	300,721		300,721
Total expenses	452,947		452,947	853,848		853,848
Change in net assets (Exhibit D)	129,946	163,115	293,061	(179,484)	(151,250)	(330,734)
Net assets - beginning of year	156,892	48,750	205,642	336,376	200,000	536,376
Net assets - end of year (Exhibit A)	\$ 286,838	\$ 211,865	\$ 498,703	\$ 156,892	\$ 48,750	\$ 205,642

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SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
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EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016							2015						
	Program Services			Supporting Services				Program Services			Supporting Services			
	Public Policy	Education	Total	Management and General	Fund-Raising	Total	Total	Public Policy	Education	Total	Management and General	Fund-Raising	Total	Total
Salaries and fringe benefits	\$ 146,705	\$ 28,962	\$ 175,667	\$ 20,096	\$ 11,917	\$ 32,013	\$ 207,680	\$ 179,774	\$ 142,775	\$ 322,549	\$ 40,234	\$ 109,029	\$ 149,263	\$ 471,812
Professional fees	46,589	32,803	79,392	24,677	4,613	29,290	108,682	17,014	7,971	24,985	50,941	3,512	54,453	79,438
Communication	25,867	5,565	31,432	3,716	2,214	5,930	37,362	19,558	18,738	38,296	3,901	8,829	12,730	51,026
Postage and mailing	379	72	451	51	57	108	559	153	161	314	240	4,312	4,552	4,866
Printing and publications	2,685	447	3,132	320	192	512	3,644	5,995	599	6,594		21,227	21,227	27,821
Office expense	2,651	765	3,416	889	446	1,335	4,751	6,693	8,288	14,981	2,387	2,423	4,810	19,791
Travel and meetings	22,828	8,469	31,297	147	172	319	31,616	34,517	12,342	46,859	3,985	3,066	7,051	53,910
Occupancy (Note 4)	23,748	4,451	28,199	3,179	1,907	5,086	33,285	52,754	18,980	71,734	4,942	16,704	21,646	93,380
Insurance	11,188	2,238	13,426	1,598	959	2,557	15,983	8,230	6,536	14,766	1,843	4,992	6,835	21,601
Dues and subscriptions	328	42	370	93	2,013	2,106	2,476	10		10	4,338	2,992	7,330	7,340
Bank charges				3,938		3,938	3,938				3,060		3,060	3,060
Depreciation	2,080	416	2,496	297	178	475	2,971	6,710	5,329	12,039	1,478	4,070	5,548	17,587
Miscellaneous											2,216		2,216	2,216
Total expenses reported by function on the statement of activities (Exhibit B)	<u>\$ 285,048</u>	<u>\$ 84,230</u>	<u>\$ 369,278</u>	<u>\$ 59,001</u>	<u>\$ 24,668</u>	<u>\$ 83,669</u>	<u>\$ 452,947</u>	<u>\$ 331,408</u>	<u>\$ 221,719</u>	<u>\$ 553,127</u>	<u>\$ 119,565</u>	<u>\$ 181,156</u>	<u>\$ 300,721</u>	<u>\$ 853,848</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
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STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 293,061	\$ (330,734)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	2,971	17,587
Net realized and unrealized gain on investments	(168)	(1,825)
Decrease (increase) in assets		
Grant and contributions receivable	(207,503)	200,000
Accounts receivable		12,722
Prepaid expenses and other assets	(7,264)	18,307
Security deposits	3,486	(4,358)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(8,139)	(25,778)
Security deposits		10,000
Deferred rent	7,966	(4,222)
Net cash provided (used) by operating activities	<u>84,410</u>	<u>(108,301)</u>
Cash flows from investing activities		
Fixed asset additions	(13,899)	(6,969)
Purchase of investments	(583)	(640)
Proceeds from sales of investment	30,000	100,000
Net cash provided by investing activities	<u>15,518</u>	<u>92,391</u>
Net change in cash	99,928	(15,910)
Cash - beginning of year	<u>101,166</u>	<u>117,076</u>
Cash - end of year	<u>\$ 201,094</u>	<u>\$ 101,166</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
D/B/A SIECUS**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 1 - NATURE OF ORGANIZATION

Sexuality Information and Education Council of the United States, Inc. (doing business as “SIECUS”) was incorporated under the laws of Delaware in 1964. It is a Section 501(c)(3) not-for-profit organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”). SIECUS has been classified as a publicly supported organization as described in Section 509(a)(1) of the Code.

SIECUS, which maintains offices in Washington, D.C., affirms that sexuality is a fundamental part of being human, one that is worthy of dignity and respect. SIECUS advocates for the right of all people to accurate information, comprehensive education about sexuality, and sexual health services. SIECUS works to create a world that ensures social justice and sexual rights.

The primary sources of revenue are grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments - Investments are stated at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets’ fluctuations, and that such changes could affect the amounts reported in the financial statements.

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**SEXUALITY INFORMATION AND EDUCATION
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SIECUS has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at September 30, 2016 as compared to the methodology used at September 30, 2015.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

At September 30, 2016 and 2015, investments consisted of the following:

	2016	2015
	Level 1	Level 1
Mutual funds - Growth	\$ <u>32,125</u>	\$ <u>61,374</u>

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SIECUS believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Grant and contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - Receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. As of September 30, 2016 and 2015, management has determined that an allowance for doubtful accounts does not need to be recorded.

Fixed assets - Fixed assets are stated at cost or fair value at date of donation. Items costing in excess of \$500 with an estimated useful life greater than one year are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Operating leases - Operating leases are recorded on the straight-line basis over the terms of the leases. Deferred rent, when material, is recorded for the difference between the fixed payments and the rent expense.

Unrestricted net assets - Unrestricted net assets include net assets having no restriction as to use or purpose imposed by donors.

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**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily restricted net assets - Temporarily restricted net assets are net assets whose use has been restricted by donors to a specific time period or purpose.

Foundation grants and contributions - Unconditional foundation grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported 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. Donor-restricted grants and contributions whose restrictions are met within the same year as received are reflected as unrestricted grants and contributions in the accompanying financial statements.

Publications and other earned income - Revenues from publications and honoraria are recorded when earned.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Uncertainty in income taxes - SIECUS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through January 24, 2017, which is the date the financial statements were available to be issued.

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**SEXUALITY INFORMATION AND EDUCATION
COUNCIL OF THE UNITED STATES, INC.
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 3 - FIXED ASSETS

At September 30, 2016 and 2015, fixed assets consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Computer and communication equipment	\$ 100,290	\$ 88,153	5-10 years
Furniture and office equipment	<u>58,700</u>	<u>56,938</u>	7 years
	158,990	145,091	
Less accumulated depreciation	<u>(137,675)</u>	<u>(134,704)</u>	
	<u>\$ 21,315</u>	<u>\$ 10,387</u>	

NOTE 4 - LEASE COMMITMENT

SIECUS is currently obligated under noncancelable leases for office space in New York (expiring October 2017) and Washington, D.C. (expiring September 2019). In July 2015, SIECUS entered into a sublease agreement for its New York space. It was agreed that the subtenant will pay the rent owed directly to the landlord. Rental income and expenses are, therefore, not being recognized on the books of SIECUS for the sublet. SIECUS's rent expense for the years ended September 30, 2016 and 2015 was \$30,907 and \$86,885, respectively. A schedule of future rent commitments is as follows:

<u>Year Ending September 30,</u>	
2017	\$ 129,895
2018	42,729
2019	<u>35,543</u>
	<u>\$ 208,167</u>

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**SEXUALITY INFORMATION AND EDUCATION
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2016 and 2015, temporarily restricted net assets were restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
For periods after September 30	\$ 200,000	
Organizational effectiveness	10,000	
Primary care clinicians program		\$ 48,750
Equipment	<u>1,865</u>	<u></u>
	<u>\$ 211,865</u>	<u>\$ 48,750</u>

For the years ended September 30, 2016 and 2015, net assets were released from donor restrictions as follows:

	<u>2016</u>	<u>2015</u>
Primary care clinicians program	\$ 48,750	\$ 1,250
Passage of time	<u></u>	<u>200,000</u>
	<u>\$ 48,750</u>	<u>\$ 201,250</u>

NOTE 6 - CONCENTRATIONS

In June 2016, a foundation made a multi-year grant commitment to SIECUS, with the first installment of \$200,000 being paid during 2016 and the second installment of \$200,000 to be paid in 2017. The first installment accounted for approximately 34% of total unrestricted revenue and other support for the year ended September 30, 2016. The second installment accounted for approximately 96% of grant and contributions receivable and 94% of temporarily restricted foundation grants revenue as of and for the year ended September 30, 2016.