

*Sexuality Information and Education Council of
the United States, Inc.*

Financial Statements
and
Independent Auditors' Report

September 30, 2017 and 2016



Halt Buzas & Powell, LTD

TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

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Independent Auditors' Report

To the Board of Directors
Sexuality Information and Education Council of the United States, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Sexuality Information and Education Council of the United States, Inc. (SIECUS), which comprise the statement of financial position as of September 30, 2017, 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.

Auditors' 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 auditors' 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of SIECUS as of September 30, 2017, 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.

Prior Period Financial Statements

The financial statements of SIECUS as of September 30 2016, were audited by other auditors whose report dated January 24, 2017, expressed an unmodified opinion on those statements.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

April 2, 2018

Sexuality Information and Education Council of the United States, Inc.

Statements of Financial Position

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 453,742	\$ 201,094
Grant and contributions receivable	150,000	207,503
Investments	34,385	32,125
Prepaid expenses and other assets	7,578	7,265
Security deposits	67,309	67,294
Property and equipment, net	<u>13,483</u>	<u>21,315</u>
Total assets	<u>\$ 726,497</u>	<u>\$ 536,596</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 7,389	\$ 19,927
Security deposits	10,000	10,000
Deferred rent	<u>6,327</u>	<u>7,966</u>
Total liabilities	<u>23,716</u>	<u>37,893</u>
Net assets:		
Unrestricted	547,268	286,838
Temporarily restricted	<u>155,513</u>	<u>211,865</u>
Total net assets	<u>702,781</u>	<u>498,703</u>
Total liabilities and net assets	<u>\$ 726,497</u>	<u>\$ 536,596</u>

See accompanying notes to the financial statements.

3.

Sexuality Information and Education Council of the United States, Inc.

Statement of Activities

For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Foundation grants	\$ 287,500	\$ 200,000	\$ 487,500
Contributions	219,752	-	219,752
Loss on disposal of assets	(4,292)	-	(4,292)
Realized and unrealized gain on investment	1,514	-	1,514
Interest income	906	-	906
Publications and other earned income	414	-	414
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>256,352</u>	<u>(256,352)</u>	<u>-</u>
Total revenues	<u>762,146</u>	<u>(56,352)</u>	<u>705,794</u>
Expenses:			
Program services:			
Public policy	<u>391,795</u>	<u>-</u>	<u>391,795</u>
Support services:			
Management and general	57,843	-	57,843
Fundraising	<u>52,078</u>	<u>-</u>	<u>52,078</u>
Total support services	<u>109,921</u>	<u>-</u>	<u>109,921</u>
Total expenses	<u>501,716</u>	<u>-</u>	<u>501,716</u>
Change in net assets	260,430	(56,352)	204,078
Net assets, beginning of year	<u>286,838</u>	<u>211,865</u>	<u>498,703</u>
Net assets, end of year	<u>\$ 547,268</u>	<u>\$ 155,513</u>	<u>\$ 702,781</u>

See accompanying notes to the financial statements.

4.

Sexuality Information and Education Council of the United States, Inc.

Statement of Activities

For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Foundation grants	\$ 346,250	\$ 211,865	\$ 558,115
Contributions	178,670	-	178,670
Fees for service	7,500	-	7,500
Interest income	1,117	-	1,117
Publications and other earned income	388	-	388
Unrealized gain on investment	168	-	168
Miscellaneous income	50	-	50
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>48,750</u>	<u>(48,750)</u>	<u>-</u>
Total revenues	<u>582,893</u>	<u>163,115</u>	<u>746,008</u>
Expenses:			
Program services:			
Public policy	285,048	-	285,048
Education	<u>84,230</u>	<u>-</u>	<u>84,230</u>
Total program services	<u>369,278</u>	<u>-</u>	<u>369,278</u>
Support services:			
Management and general	59,001	-	59,001
Fundraising	<u>24,668</u>	<u>-</u>	<u>24,668</u>
Total support services	<u>83,669</u>	<u>-</u>	<u>83,669</u>
Total expenses	<u>452,947</u>	<u>-</u>	<u>452,947</u>
Change in net assets	129,946	163,115	293,061
Net assets, beginning of year	<u>156,892</u>	<u>48,750</u>	<u>205,642</u>
Net assets, end of year	<u>\$ 286,838</u>	<u>\$ 211,865</u>	<u>\$ 498,703</u>

See accompanying notes to the financial statements.

5.

Sexuality Information and Education Council of the United States, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2017

	<u>Public policy</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support</u>	<u>Total expenses</u>
Salaries and fringe benefits	\$ 238,603	\$ 29,962	\$ 27,455	\$ 57,417	\$ 296,020
Professional fees	68,256	14,761	9,599	24,360	92,616
Occupancy	24,852	3,731	3,360	7,091	31,943
Communication	24,000	3,594	3,236	6,830	30,830
Travel and meetings	17,656	2,774	486	3,260	20,916
Insurance	5,212	782	705	1,487	6,699
Office expense	4,771	655	604	1,259	6,030
Depreciation	2,753	414	372	786	3,539
Dues and subscriptions	966	66	3,005	3,071	4,037
Bank charges	3,064	460	414	874	3,938
Printing and publications	134	395	1,870	2,265	2,399
Miscellaneous	1,306	194	170	364	1,670
Postage and mailing	<u>222</u>	<u>55</u>	<u>802</u>	<u>857</u>	<u>1,079</u>
Total expenses	<u>\$ 391,795</u>	<u>\$ 57,843</u>	<u>\$ 52,078</u>	<u>\$ 109,921</u>	<u>\$ 501,716</u>

See accompanying notes to the financial statements

6.

Sexuality Information and Education Council of the United States, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2016

	Public policy	Education	Total program	Management and general	Fundraising	Total support	Total expenses
Salaries and fringe benefits	\$ 146,705	\$ 28,962	\$ 175,667	\$ 20,096	\$ 11,917	\$ 32,013	\$ 207,680
Professional fees	46,589	32,803	79,392	24,677	4,613	29,290	108,682
Communication	25,867	5,565	31,432	3,716	2,214	5,930	37,362
Occupancy	23,748	4,451	28,199	3,179	1,907	5,086	33,285
Travel and meetings	22,828	8,469	31,297	147	172	319	31,616
Insurance	11,188	2,238	13,426	1,598	959	2,557	15,983
Office expense	2,651	765	3,416	889	446	1,335	4,751
Bank charges	-	-	-	3,938	-	3,938	3,938
Printing and publications	2,685	447	3,132	320	192	512	3,644
Depreciation	2,080	416	2,496	297	178	475	2,971
Dues and subscriptions	328	42	370	93	2,013	2,106	2,476
Postage and mailing	379	72	451	51	57	108	559
Total expenses	<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>

See accompanying notes to the financial statements

7.

Sexuality Information and Education Council of the United States, Inc.

Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ <u>204,078</u>	\$ <u>293,061</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,539	2,971
Unrealized gain on investments	(1,514)	(168)
Deferred rent	(1,639)	7,966
Loss on disposal of assets	4,292	-
Decrease (increase) in assets:		
Grant and contributions receivable	57,503	(207,503)
Prepaid expenses and other assets	(313)	(7,264)
Security deposits	(15)	3,486
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,537)	(8,139)
Total adjustments	<u>49,316</u>	<u>(208,651)</u>
Net cash provided by operating activities	<u>253,394</u>	<u>84,410</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(13,899)
Purchases of investments	(746)	(583)
Proceeds from sales of investments	-	30,000
Net cash (used in) provided by investing activities	<u>(746)</u>	<u>15,518</u>
Net increase in cash	252,648	99,928
Cash, beginning of year	<u>201,094</u>	<u>101,166</u>
Cash, end of year	<u>\$ 453,742</u>	<u>\$ 201,094</u>

See accompanying notes to the financial statements.

8.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

1. Organization

Sexuality Information and Education Council of the United States, Inc. was incorporated under the laws of Delaware in 1964. 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.

2. Significant Accounting Policies

a. Basis of presentation

SIECUS's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, SIECUS is required to report information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted Net Assets* represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.
- *Temporarily Restricted Net Assets* represent resources restricted by donors as to purpose or by the passage of time.
- *Permanently Restricted Net Assets* represent resources whose use by SIECUS is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of SIECUS. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

SIECUS has no permanently restricted net assets at September 30, 2017 and 2016.

b. Basis of accounting

SIECUS's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

SIECUS reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on SIECUS's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, SIECUS performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 and 3 inputs for any assets held by SIECUS at September 30, 2017 and 2016.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

e. Income taxes

SIECUS is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables SIECUS to accept donations that qualify as charitable contributions to the donor. SIECUS is subject to income taxes on taxable income from unrelated business activities. For the years ended September 30, 2017 and 2016, SIECUS did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

SIECUS is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is SIECUS's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of September 30, 2017 and 2016, SIECUS had no uncertain tax positions which should be recognized as a liability.

f. Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At September 30, 2017 and 2016, all receivables are considered collectible, therefore no allowance for doubtful accounts have been recognized.

g. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. SIECUS's investments are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

h. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer and communication equipment	5 - 10 years
Furniture and office equipment	7 years

SIECUS's policy is to capitalize major additions and improvements over \$500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

i. Deferred rent and lease incentives

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

j. Revenue recognition

i. Contributions

Contributions, including unconditional promises to give and foundation grants, are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. SIECUS reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to SIECUS's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions and grants whose restrictions are met within the same year as received are reflected as unrestricted contributions and grants in the accompanying financial statements.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

k. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

3. Concentrations of Credit Risk

SIECUS maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At September 30, 2017, SIECUS had bank deposits in excess of FDIC limits of \$205,777. There were no deposits in excess of FDIC limits at September 30, 2016.

4. Investments and Fair Value Measurements

All investments are classified as Level 1 on the fair value hierarchy and are comprised of the following at September 30:

	<u>2017</u> Fair Value	<u>2016</u> Fair Value
Mutual fund - Growth	\$ <u>34,385</u>	\$ <u>32,125</u>
Total investments	\$ <u><u>34,385</u></u>	\$ <u><u>32,125</u></u>

5. Property and Equipment, Net

The following is a summary of property and equipment held at September 30:

	<u>2017</u>	<u>2016</u>
Computer and communication equipment	\$ 16,437	\$ 100,290
Furniture and office equipment	<u>1,762</u>	<u>58,700</u>
Property and equipment	18,199	158,990
Accumulated depreciation	<u>(4,716)</u>	<u>(137,675)</u>
Total property and equipment, net	\$ <u><u>13,483</u></u>	\$ <u><u>21,315</u></u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$3,539 and \$2,971, respectively.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

6. Commitments and Contingency

Operating leases

SIECUS is obligated under noncancelable leases for office space in New York, which expired in October 2017 and Washington, D.C. which expires in September 2019. The office space in New York has base monthly rent payments of \$14,467 with a 2.75% annual increase, and the office space in Washington D.C. has base monthly rent payments of \$2,771 with a 3% annual increase. 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 recognized in the accompanying financial statements of SIECUS for the sublet. SIECUS's rent expense for the years ended September 30, 2017 and 2016 was \$31,943 and \$30,907, respectively.

Aggregate future minimum lease payments are as follows for the years ending September 30:

2018	\$	35,153
2019		<u>35,543</u>
Total	\$	<u>70,696</u>

Employment agreement

SIECUS has entered into an employment agreement with a key executive that expires on September 30, 2018. If the employment extends beyond the term of this agreement, then this agreement will continue month to month until terminated, renewed or replaced by a new agreement. SIECUS is obligated to pay the executive an agreed upon salary each year. SIECUS has the right to terminate this agreement without cause, but is obligated to pay compensation in an amount equal to six weeks and an additional two weeks for each year of employment at the time of termination.

Sexuality Information and Education Council of the United States, Inc.

Notes to the Financial Statements

September 30, 2017 and 2016

7. Temporarily Restricted Net Assets

Net assets were released from donor restrictions during the years ended September 30, 2017 and 2016 for the following purposes:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 200,000	\$ -
Organizational effectiveness	10,000	-
Equipment	1,865	-
State Sex Education Summit	44,487	-
Primary care clinicians program	<u>-</u>	<u>48,750</u>
Total net assets released from restrictions	<u>\$ 256,352</u>	<u>\$ 48,750</u>

At September 30, 2017 and 2016, temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 150,000	\$ 200,000
Organizational effectiveness	-	10,000
Equipment	-	1,865
State Sex Education Summit	<u>5,513</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 155,513</u>	<u>\$ 211,865</u>

8. Concentrations of Revenue Risk

During the years ended September 30, 2017 and 2016, SIECUS received \$100,000 and \$200,000, respectively, from two grantors, which is approximately 14% and 27%, respectively, of its total revenue and support. Any significant reduction in revenue and support may adversely impact SIECUS's financial position and operations.

9. Subsequent Events

In preparing the financial statements, SIECUS has evaluated events and transactions for potential recognition or disclosure through April 2, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.