

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

SEPTEMBER 30, 2013 AND 2012

**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, 2013 and 2012, 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 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 Sexuality Information and Education Council of the United States, Inc. d/b/a SIECUS, as of September 30, 2013 and 2012, 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.

Loeb + Troper LLP

December 5, 2013

EXHIBIT A

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

BALANCE SHEET**SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 135,574	\$ 29,550
Investments (Note 2)	150,321	
Grants receivable	29,958	700,000
Contributions receivable		9,988
Prepaid expenses and other assets	23,357	13,136
Security deposits	66,422	66,358
Fixed assets - net (Note 3)	<u>30,079</u>	<u>37,624</u>
Total assets	<u>\$ 435,711</u>	<u>\$ 856,656</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 41,623	\$ 27,057
Deferred rent	<u>2,511</u>	<u>3,385</u>
Total liabilities	<u>44,134</u>	<u>30,442</u>
Net assets (Exhibit B)		
Unrestricted	331,577	126,214
Temporarily restricted (Note 6)	<u>60,000</u>	<u>700,000</u>
Total net assets	<u>391,577</u>	<u>826,214</u>
Total liabilities and net assets	<u>\$ 435,711</u>	<u>\$ 856,656</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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support						
Foundation grants	\$ 280,000	\$ 60,000	\$ 340,000	\$ 530,000	\$ 700,000	\$ 1,230,000
Contributions	215,593		215,593	211,417		211,417
Government grant income	29,958		29,958	231,946		231,946
Bequests				46,078		46,078
Organizational grants	8,612		8,612	48,220		48,220
Fees for service	308		308	175		175
Interest income	3,916		3,916	8,774		8,774
Publications and other earned income	2,781		2,781	4,754		4,754
Miscellaneous income	700,000	(700,000)				
Net assets released from restrictions (Note 6)						
	1,241,168	(640,000)	601,168	1,081,364	700,000	1,781,364
Total revenue and other support						
Expenses (Exhibit C)						
Program services						
Public policy	347,888		347,888	398,407		398,407
Education	304,458		304,458	267,625		267,625
	652,346		652,346	666,032		666,032
Total program services						
Supporting services						
Management and general	168,947		168,947	211,695		211,695
Fund raising	214,512		214,512	189,057		189,057
	383,459		383,459	400,752		400,752
Total supporting services						
Total expenses	1,035,805		1,035,805	1,066,784		1,066,784
Change in net assets (Exhibit D)	205,363	(640,000)	(434,637)	14,580	700,000	714,580
Net assets - beginning of year	126,214	700,000	826,214	111,634		111,634
Net assets - end of year (Exhibit A)	\$ 331,577	\$ 60,000	\$ 391,577	\$ 126,214	\$ 700,000	\$ 826,214

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013							2012						
	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	\$ 180,957	\$ 194,598	\$ 375,555	\$ 91,790	\$ 134,120	\$ 225,910	\$ 601,465	\$ 217,275	\$ 151,548	\$ 368,823	\$ 104,132	\$ 121,575	\$ 225,707	\$ 594,530
Professional fees	8,507	11,556	20,063	9,656	3,789	13,445	33,508	8,350	36,758	45,108	39,376	300	39,676	84,784
Communication	19,976	18,441	38,417	12,424	16,189	28,613	67,030	20,176	14,350	34,526	10,646	7,536	18,182	52,708
Postage and mailing	716	573	1,289	349	4,772	5,121	6,410	2,257	913	3,170	755	4,601	5,356	8,526
Printing and publications	1,559	2,881	4,440	1,244	28,156	29,400	33,840	4,259	304	4,563	2,154	22,563	24,717	29,280
Office expense	17,341	7,205	24,546	4,875	3,832	8,707	33,253	18,149	6,729	24,878	6,585	4,322	10,907	35,785
Travel and meetings	53,759	28,557	82,316	4,430	2,327	6,757	89,073	52,951	28,983	81,934	15,927	2,647	18,574	100,508
Occupancy (Note 4)	55,532	31,070	86,602	20,836	12,163	32,999	119,601	65,633	19,763	85,396	13,755	11,145	24,900	110,296
Insurance	5,626	6,086	11,712	2,871	4,194	7,065	18,777	3,516	3,719	7,235	2,436	2,577	5,013	12,248
Dues and subscriptions	669		669	3,329	2,629	5,958	6,627	250	170	420	3,642	8,564	12,206	12,626
Interest				2,338		2,338	2,338				726		726	726
Bank charges				4,716		4,716	4,716				6,172		6,172	6,172
Depreciation	3,020	3,267	6,287	1,541	2,252	3,793	10,080	3,912	3,174	7,086	2,001	2,336	4,337	11,423
Bad debt				6,000		6,000	6,000							
Miscellaneous	226	224	450	2,548	89	2,637	3,087	1,679	1,214	2,893	3,388	891	4,279	7,172
Total expenses (Exhibit B)	\$ 347,888	\$ 304,458	\$ 652,346	\$ 168,947	\$ 214,512	\$ 383,459	\$ 1,035,805	\$ 398,407	\$ 267,625	\$ 666,032	\$ 211,695	\$ 189,057	\$ 400,752	\$ 1,066,784

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**

STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (434,637)	\$ 714,580
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,080	11,423
Unrealized gain on investment	(269)	
Decrease (increase) in assets		
Grants receivable	670,042	(663,878)
Contributions receivable	9,988	
Accounts receivable		(9,988)
Prepaid expenses and other assets	(10,221)	(6,353)
Security deposits	(64)	4,902
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	14,566	4,869
Deferred rent	(874)	(6,075)
Net cash provided by operating activities	<u>258,611</u>	<u>49,480</u>
Cash flows from investing activities		
Fixed asset additions	(2,535)	(7,717)
Purchase of investments	(150,052)	
Net cash used by investing activities	<u>(152,587)</u>	<u>(7,717)</u>
Cash flows from financing activities		
Repayment of loan from board member		<u>(40,000)</u>
Net change in cash	106,024	1,763
Cash - beginning of year	<u>29,550</u>	<u>27,787</u>
Cash - end of year	<u>\$ 135,574</u>	<u>\$ 29,550</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 2,338</u>	<u>\$ 726</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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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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 New York City and 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, 2013 AND 2012

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 the Organization 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 methodologies used for assets measured at fair value.

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

All of the Organization's investments are in mutual funds for the fiscal year ended September 30, 2013. The fair value hierarchy of mutual funds was Level 1.

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 the Organization 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.

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SEXUALITY INFORMATION AND EDUCATION
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants receivable - The Organization records receivables based on established rates or contracts for services provided. Interest is not charged on outstanding receivables.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Interest is not charged on outstanding receivables.

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.

Fixed assets - Fixed assets are stated at cost or fair value at date of donation. Items costing in excess of \$1,000 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.

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.

Contributions - Unconditional 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.

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

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

SEPTEMBER 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through December 5, 2013, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

At September 30, 2013 and 2012, fixed assets consisted of the following:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Computer and communication equipment	\$ 81,142	\$ 80,272	5-10 years
Furniture and office equipment	<u>56,438</u>	<u>54,773</u>	7 years
	137,580	135,045	
Less accumulated depreciation	<u>(107,501)</u>	<u>(97,421)</u>	
	<u>\$ 30,079</u>	<u>\$ 37,624</u>	

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**SEXUALITY INFORMATION AND EDUCATION
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

NOTE 4 - LEASE COMMITMENT

SIECUS is currently obligated under noncancelable leases for office space in New York (expiring 2018) and Washington, D.C. (expiring 2014). In January 2010, the New York lease was re-negotiated reducing the overall monthly rent. SIECUS's rent expense for the years ended September 30, 2013 and 2012 was \$113,031 and \$104,446, respectively. A schedule of future rent commitments is as follows:

<u>Year Ending September 30,</u>	
2014	\$ 119,606
2015	91,184
2016	93,749
2017	96,392
2018	<u>8,221</u>
	<u>\$ 409,152</u>

NOTE 5 - LOAN FROM BOARD MEMBER

A board member gave a \$40,000 noninterest bearing loan to SIECUS for working capital. The loan was repaid in 2012.

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

SEPTEMBER 30, 2013 AND 2012

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2013 and 2012, temporarily restricted net assets were restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
General operating reserve fund		\$ 500,000
For periods after September 30	\$ <u>60,000</u>	<u>200,000</u>
	<u>\$ 60,000</u>	<u>\$ 700,000</u>

For the year ended September 30, 2013 net assets were released from donor restrictions as follows:

General operating reserve fund	\$ 500,000
Passage of time	<u>200,000</u>
	<u>\$ 700,000</u>