

**THE NATIONAL LESBIAN AND GAY  
LAW ASSOCIATION  
dba THE NATIONAL LGBT BAR ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2013**

**NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2013**

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To the Board of Directors  
The National Lesbian and Gay Law Association  
Washington, DC

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying financial statements of the National Lesbian and Gay Law Association (NLGLA), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 NLGLA as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited NLGLA's June 30, 2012 financial statements, and our report dated February 8, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Drolet + Associates, P.L.L.C.*

Washington, DC  
January 3, 2014

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2013**  
(with summarized financial information for June 30, 2012)

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 18,518	\$ 6,546
Investments	137,779	137,609
Accounts receivable	420	640
Prepaid expenses	2,803	1,497
<b>TOTAL CURRENT ASSETS</b>	<b>159,520</b>	<b>146,292</b>
<b>INVESTMENTS, DEFERRED COMPENSATION</b>	<b>1,563</b>	<b>-0-</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	1,557	1,006
Less: accumulated depreciation	(104)	(1,006)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>1,453</b>	<b>-0-</b>
<b>TOTAL ASSETS</b>	<b>\$ 162,536</b>	<b>\$ 146,292</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Due to the Foundation	\$ 35,644	\$ 95,967
Deferred revenue	49,824	35,896
Accrued salaries	8,092	-0-
<b>TOTAL CURRENT LIABILITIES</b>	<b>93,560</b>	<b>131,863</b>
<b>DEFERRED COMPENSATION PAYABLE</b>	<b>1,563</b>	<b>-0-</b>
<b>NET ASSETS</b>		
Unrestricted	67,413	14,429
<b>TOTAL NET ASSETS</b>	<b>67,413</b>	<b>14,429</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 162,536</b>	<b>\$ 146,292</b>

*The accompanying notes are an integral part of these financial statements.*

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**  
(with summarized financial information for the year ended June 30, 2012)

	2013	2012
<b>REVENUE</b>		
Membership	\$ 103,767	\$ 84,258
Licensing agreement revenue	76,005	52,096
Donated goods and services	12,021	11,728
Investment income	196	377
Other income	6,865	4,891
<b>TOTAL REVENUE</b>	<b>198,854</b>	<b>153,350</b>
<b>EXPENSES</b>		
Program Services:		
American Bar Association	13,998	12,568
Member services	61,074	42,136
Outreach services	40,663	41,069
<b>TOTAL PROGRAM SERVICES</b>	<b>115,735</b>	<b>95,773</b>
Management and general	30,135	21,822
<b>TOTAL EXPENSES</b>	<b>145,870</b>	<b>117,595</b>
<b>CHANGE IN NET ASSETS</b>	<b>52,984</b>	<b>35,755</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>14,429</b>	<b>(21,326)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 67,413</b>	<b>\$ 14,429</b>

*The accompanying notes are an integral part of these financial statements.*

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2013**  
(with summarized financial information for the year ended June 30, 2012)

	Program Services			Total Program Services	Management and General	2013	2012
	American Bar Association	Member Services	Outreach Services			Total Expenses	Total Expenses
Personnel related costs	\$ 8,481	\$ 34,813	\$ 30,337	\$ 73,631	\$ 20,524	\$ 94,155	\$ 72,656
Contract services	1,381	6,125	4,941	12,447	3,342	15,789	20,535
General and administrative	3,053	11,137	1,513	15,703	3,648	19,351	2,761
Conferences and meetings		4,554		4,554		4,554	9,915
Donated goods and services	1,083	4,445	3,872	9,400	2,621	12,021	11,728
<b>Total</b>	<b>\$ 13,998</b>	<b>\$ 61,074</b>	<b>\$ 40,663</b>	<b>\$ 115,735</b>	<b>\$ 30,135</b>	<b>\$ 145,870</b>	<b>\$ 117,595</b>

*The accompanying notes are an integral part of these financial statements.*

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2013**  
(with summarized financial information for the year ended June 30, 2012)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 52,984</b>	<b>\$ 35,755</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104	-0-
Gain on investments	(196)	(377)
Decrease (increase) in accounts receivable	220	(640)
Increase in prepaid expenses	(1,306)	(527)
Decrease in due to the Foundation	(60,323)	(40,607)
Increase in deferred revenue	13,928	9,596
Increase in accrued salaries	8,092	-0-
Increase in investments, deferred compensation	(1,563)	-0-
Increase in deferred compensation payable	1,563	-0-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,503</b>	<b>3,200</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(100,000)	-0-
Proceeds from the sale of investments	100,026	-0-
Purchase of office equipment	(1,557)	-0-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,531)</b>	<b>-0-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,972</b>	<b>3,200</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,546</b>	<b>3,346</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 18,518</b>	<b>\$ 6,546</b>

*The accompanying notes are an integral part of these financial statements.*



**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE A - ORGANIZATION**

The National Lesbian and Gay Law Association dba The National LGBT Bar Association (NLGLA) was incorporated in 1990. Its purposes are to promote justice in and through the legal profession for the lesbian, gay, bisexual and transgender community (referred to collectively as the Community), and to provide a means to serve, develop, and support programs and activities to advance the Community.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of**

**Accounting**

NLGLA's financial statements have been prepared on the accrual basis of accounting. Consequently revenue is recognized when earned and expenses when the obligation is incurred.

**Income Taxes**

NLGLA is exempt from U.S. Federal income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation.

NLGLA requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. NLGLA does not believe its financial statements include, or reflect, any uncertain tax positions. NLGLA's IRS Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the federal and state authorities, generally for three years after they are filed.

**Cash and Cash  
Equivalents**

NLGLA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents except for amounts included in investments.

At times during the year, NLGLA maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

**Investments**

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities.

**Property and  
Equipment**

Property and equipment, which consist of furniture and office equipment, are stated at cost, if purchased or fair market value at date of donation, if contributed. NLGLA capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue**

**Recognition** NLGLA recognizes member dues on a pro-rata basis over the annual membership period. NLGLA recognizes licensing agreement revenue when the related event has occurred.

**Net Asset**

**Classification** Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restriction. These net assets are available for the operations of NLGLA.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Functional  
Allocation of  
Expenses**

The costs of providing the 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.

**Risks and  
Uncertainties**

NLGLA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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 and that such changes could materially affect the amounts reported in the accompanying financial statements.

**Reclassifications**

Certain 2012 amounts have been reclassified for comparative purposes.

**Prior Year  
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended June 30, 2012. 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 June 30, 2012, from which the summarized information was derived.

**NOTE C - DONATED GOODS AND SERVICES**

Donated goods and services consist of donated office space. Donated goods and services of approximately \$12,021 represents the fair value of the office space and has been recorded as donated goods and services revenue and rent expense in the accompanying financial statements.

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013**

**NOTE D - FAIR VALUE MEASUREMENTS**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**Level 1** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

**Level 2** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds and certificates of deposit);

**Level 3** - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

Following is a description of the valuation methodology used for investments measured at fair market value.

The following presents investments carried at fair value as of June 30, 2013

<b>Description</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>	<b>Total</b>
Money Market Fund	\$ 37,871			\$ 37,871
Certificates of Deposit		\$ 99,908		99,908
<b>Total</b>	<b>\$ 37,871</b>	<b>\$ 99,908</b>	<b>\$ -0-</b>	<b>\$ 137,779</b>

**NOTE E - RELATED PARTY TRANSACTIONS**

NLGLA is related to the National Lesbian and Gay Law Foundation (the Foundation) through common purposes and sharing of personnel and operating expenses. The Executive Director of NLGLA serves in the same position at the Foundation; however, the two organizations have separate and independent Boards, and do not have majority voting interest in each other, so no controlling interest exists. Therefore, these financial statements are not consolidated.

The Foundation has entered into a licensing agreement with NLGLA for the Foundation's annual legal conference (the Conference). The terms of the agreement allows the Foundation to use the trademarks of NLGLA in promoting the Conference, as well as an agreement by the Foundation to pay NLGLA 25% of any profits derived from the Conference. For the period ended June 30, 2013, the Foundation paid approximately \$76,000 in royalties to NLGLA from the Conference.

NLGLA reimburses the Foundation for its use of the Foundation's employees and their share of operating expenses. As of June 30, 2013, NLGLA owed the Foundation approximately \$36,000.

**THE NATIONAL LESBIAN AND GAY LAW ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013**

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**NOTE F - RETIREMENT PLAN**

A qualified plan (the Plan) under section 403(b) of the Internal Revenue Code was adopted by the NLGLA, covering all employees who meet certain eligibility requirements. Employees may make contributions to the Plan up to statutory limits. The NLGLA makes its share of discretionary contributions for all eligible employees.

Under this Plan, NLGLA's share of the contributions for the year ended June 30, 2013 totaled approximately \$2,500.

Effective January 1, 2013, NLGLA elected the safe harbor method of meeting certain nondiscrimination requirements under the Internal Revenue Code with respect to the Plan.

**NOTE G - DEFERRED COMPENSATION PLAN**

Effective January 1, 2012 NLGLA adopted a deferred compensation plan (the Deferred Plan) under Section 457(b) of the Code. The Deferred Plan allows for certain management employees to defer a portion of their salary and to direct the investment of amounts deferred. The current value of NLGLA's share of the investment account has been recorded on the books as a separate asset with an offsetting liability for deferred compensation.

The investment account value and related deferred compensation payable liability are classified as Level 1 financial instruments.

**NOTE H - COMMITMENTS**

NLGLA is committed under agreements for hotel conference space through the calendar year 2014. The total commitments under the agreements are not determined as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event. Management does not believe any cancellations will occur.

**NOTE I - SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 3, 2014, which is the date the financial statements were available to be issued.