



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

PRELIMINARY DRAFT  
FOR DISCUSSION AND REVIEW ONLY  
- SUBJECT TO CHANGE -

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

TABLE OF CONTENTS  
JUNE 30, 2016

---

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statement of Financial Position .....	5
Statement of Activities.....	6
Statement of Functional Expenses.....	7
Statement of Cash Flows .....	8
Notes to Financial Statements.....	9-12

PRELIMINARY DRAFT  
- SUBJECT TO CHANGE -  
FOR DISCUSSION AND REVIEW ONLY

## Independent Auditors' Report

To the Board of Directors  
National Lesbian and Gay Law Association  
DBA The National LGBT Bar Association  
Washington, D.C.

We have audited the accompanying financial statements of National Lesbian and Gay Law Association (NLGLA), which comprise the statement of financial position as of June 30, 2016, 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 auditors consider 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, 2016, 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.

To the Board of Directors  
National Lesbian and Gay Law Association

***Report on Summarized Comparative Information***

We have previously audited NLGLA's 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Washington, D.C.  
**MRL DATE**

Certified Public Accountants

PRELIMINARY DRAFT  
FOR DISCUSSION AND REVIEW ONLY  
- SUBJECT TO CHANGE -

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 72,457	\$ 58,488
Accounts Receivable	2,202	1,572
Prepaid Expenses	<u>3,499</u>	<u>2,043</u>
<b>Total Current Assets</b>	<b>78,158</b>	<b>62,103</b>
<b>Investments</b>	<b>139,821</b>	<b>138,203</b>
<b>Investments, Deferred Compensation</b>	<b>9,250</b>	<b>6,408</b>
<b>Property and Equipment</b>		
Furniture and Equipment	1,842	1,557
Less Accumulated Depreciation	<u>(1,605)</u>	<u>(1,142)</u>
<b>Net Property and Equipment</b>	<b>237</b>	<b>415</b>
<b>Security Deposit</b>	<u>750</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 228,216</u></b>	<b><u>\$ 207,129</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Due to the Foundation	\$ 19,912	\$ 27,600
Deferred Revenue	43,979	44,515
Accrued Salaries	<u>7,488</u>	<u>8,164</u>
<b>Total Current Liabilities</b>	<b>71,379</b>	<b>80,279</b>
<b>Deferred Compensation Payable</b>	<b>9,250</b>	<b>6,408</b>
<b>Net Assets</b>		
Unrestricted	<u>147,587</u>	<u>120,442</u>
<b>Total Net Assets</b>	<b><u>147,587</u></b>	<b><u>120,442</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 228,216</u></b>	<b><u>\$ 207,129</u></b>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Membership Dues	\$ 96,006	\$ 101,847
Licensing Agreement Royalties	73,231	71,454
Donated Office Space	5,260	10,612
Interest and Dividends	1,095	199
Investment Gain	1,315	148
Other Income	12,926	20,724
<b>Total Revenue</b>	<b>189,833</b>	<b>204,984</b>
<b>Expenses</b>		
Program Services		
American Bar Association	12,731	19,347
Member Services	69,711	60,771
Outreach Services	39,092	58,051
<b>Total Program Services</b>	<b>121,534</b>	<b>138,169</b>
Management and General	41,154	34,298
<b>Total Expenses</b>	<b>162,688</b>	<b>172,467</b>
<b>Change in Net Assets</b>	<b>27,145</b>	<b>32,517</b>
<b>Net Assets, Beginning of Year</b>	<b>120,442</b>	<b>87,925</b>
<b>Net Assets, End of Year</b>	<b>\$ 147,587</b>	<b>\$ 120,442</b>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services				Management and General	2016 Total Expenses	2015 Total Expenses
	American Bar Association	Member Services	Outreach Services	Total Program Services			
Personnel Related Costs	\$ 7,561	\$ 38,786	\$ 28,782	\$ 75,129	\$ 30,300	\$ 105,429	\$ 119,907
Contract Services	1,811	10,954	6,896	19,661	7,259	26,920	17,492
Office and Operations	2,969	6,550	1,929	11,448	2,031	13,479	14,002
Conferences and Meetings	-	11,600	-	11,600	-	11,600	10,454
Donated Office Space	390	1,821	1,485	3,696	1,564	5,260	10,612
<b>Total</b>	<b>\$ 12,731</b>	<b>\$ 69,711</b>	<b>\$ 39,092</b>	<b>\$ 121,534</b>	<b>\$ 41,154</b>	<b>\$ 162,688</b>	<b>\$ 172,467</b>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 27,145	\$ 32,517
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	462	519
Realized and Unrealized Gain on Investments	(1,315)	(165)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(630)	2,833
Prepaid Expenses	(1,456)	1,140
Security Deposit	(750)	-
Investments, Deferred Compensation	(2,842)	(2,390)
<u>Increase (Decrease) in Liabilities</u>		
Due to the Foundation	(7,688)	(10,770)
Deferred Revenue	(536)	(1,568)
Accrued Salaries	(676)	(494)
Deferred Compensation Payable	2,842	2,390
Net Cash Provided by Operating Activities	<u>14,556</u>	<u>24,012</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	(284)	-
Purchases of Investments	(55,503)	-
Proceeds from the Sales of Investments	55,200	-
Net Cash Used in Investing Activities	<u>(587)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	13,969	24,012
Cash and Cash Equivalents, Beginning of Year	<u>58,488</u>	<u>34,476</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 72,457</u></u>	<u><u>\$ 58,488</u></u>

See accompanying Notes to Financial Statements.



NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

---

**1. 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. NLGLA's support comes primarily from member dues and licensing royalties.

**2. 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).

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 it is 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) insurance limits. Management believes the risk in these situations to be minimal.

*Investments*

Investments are recorded at fair value based on quotations on national exchanges for identical or similar investments. Realized and unrealized gains and losses are included in investment gain or loss 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.

**2. 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 restrictions. 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 2015 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, 2015. 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, 2015, from which the summarized information was derived.

**3. DONATED OFFICE SPACE**

Donated office space of approximately \$5,300 represents the fair value of the office space occupied by the NLGLA.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

4. 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).

The following presents investments measured at fair value as of June 30, 2016:

Description	(Level 1)	(Level 2)	(Level 3)	Total
Money Market Fund	\$ 186	\$ -	\$ -	\$ 186
Certificates of Deposit	-	82,986	-	82,986
Mutual Funds	56,649	-	-	56,649
<b>Total Investments at Fair Value</b>	<b>56,835</b>	<b>82,986</b>	<b>-</b>	<b>139,821</b>
Investments Deferred Compensation				
Mutual Funds	9,250	-	-	9,250
<b>Total Assets at Fair Value</b>	<b>\$ 66,085</b>	<b>\$ 82,986</b>	<b>\$ -</b>	<b>\$ 149,071</b>
Deferred Compensation Liability	\$ 9,250	\$ -	\$ -	\$ 9,250
<b>Total Liabilities at Fair Value</b>	<b>\$ 9,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,250</b>

NLGLA's Level 2 investments are valued based on readily available pricing sources for comparable investments.

5. RELATED PARTY TRANSACTIONS

NLGLA is related to 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 interests in each other, so no controlling interest exists. Therefore, the financial statements of NLGLA's and the Foundation 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 year ended June 30, 2016, the Foundation paid approximately \$73,000 in royalties to NLGLA from the Conference.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

---

**5. RELATED PARTY TRANSACTIONS (CONTINUED)**

NLGLA reimburses the Foundation for its use of the Foundation's employees and their share of operating expenses. As of June 30, 2016, NLGLA owed the Foundation approximately \$19,900.

**6. 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, 2016, totaled approximately \$3,200.

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.

**7. 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 as a separate asset with an offsetting liability for deferred compensation.

**8. SUBSEQUENT EVENTS**

Subsequent events were evaluated through **MRL DATE**, which is the date the financial statements were available to be issued.