

**THE NATIONAL LESBIAN AND GAY
LAW FOUNDATION
dba THE NATIONAL LGBT FOUNDATION**

AUDITED FINANCIAL STATEMENTS

June 30, 2013

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

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To the Board of Directors
The National Lesbian and Gay Law Foundation
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 Foundation (the Foundation), 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 the Foundation 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 the Foundation'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.A.C.

Washington, DC
January 3, 2014

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

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 332,251	\$ 447,437
Investments	760,451	430,050
Accounts receivable	154,704	140,250
Due from NLGLA	35,644	95,967
Prepaid expenses	125,967	39,490
TOTAL CURRENT ASSETS	1,409,017	1,153,194
INVESTMENTS, DEFERRED COMPENSATION	4,688	-0-
PROPERTY AND EQUIPMENT		
Furniture and equipment	9,678	9,040
Less: accumulated depreciation	(4,427)	(7,257)
TOTAL PROPERTY AND EQUIPMENT	5,251	1,783
TOTAL ASSETS	\$ 1,418,956	\$ 1,154,977
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 37,938	\$ 14,628
Deferred revenue	764,823	650,617
TOTAL CURRENT LIABILITIES	802,761	665,245
DEFERRED COMPENSATION PAYABLE	4,688	-0-
NET ASSETS		
Unrestricted	611,507	484,732
Temporarily restricted	-0-	5,000
TOTAL NET ASSETS	611,507	489,732
TOTAL LIABILITIES AND NET ASSETS	\$ 1,418,956	\$ 1,154,977

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

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

	Unrestricted	Temporarily Restricted	2013	2012
REVENUE				
Sponsorships	\$ 849,979		\$ 849,979	\$ 716,433
Conference registration	177,000		177,000	162,217
Corporation counsel ticket sales	51,968		51,968	43,540
Individual contributions	3,669		3,669	10,145
Grants			-0-	10,000
Donated good and services	36,063		36,063	49,183
Investment income	764		764	1,041
Other income	224		224	1,525
Net assets released from restrictions	5,000	\$ (5,000)	-0-	-0-
TOTAL REVENUE	1,124,667	(5,000)	1,119,667	994,084
EXPENSES				
Program Services:				
Speaking/Outreach Services	257,464		257,464	220,820
Annual Conference and Career Fair	631,385		631,385	572,668
American Bar Association	2,084		2,084	4,622
Advocacy	5,750		5,750	4,500
TOTAL PROGRAM SERVICES	896,683	-0-	896,683	802,610
Supporting Services:				
Fundraising	16,433		16,433	16,787
Management and general	84,776		84,776	55,458
TOTAL SUPPORTING SERVICES	101,209	-0-	101,209	72,245
TOTAL EXPENSES	997,892	-0-	997,892	874,855
CHANGE IN NET ASSETS	126,775	(5,000)	121,775	119,229
NET ASSETS, BEGINNING OF YEAR	484,732	5,000	489,732	370,503
NET ASSETS, END OF YEAR	\$ 611,507	\$ -0-	\$ 611,507	\$ 489,732

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

THE NATIONAL LESBIAN AND GAY LAW FOUNDATION
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	Supporting Services			2013 Total Expenses	2012 Total Expenses
	Speaking/ Outreach Services	Annual Conf. & Career Fair	American Bar Association	Advocacy		Fundraising	Mgmt and General	Total Supporting Services		
Personnel related costs	\$ 130,642	\$ 124,873	\$ 704	\$ 750	\$ 256,969	\$ 11,069	\$ 51,422	\$ 62,491	\$ 319,460	\$ 255,514
Contract services	24,500	82,335		5,000	111,835	2,496	11,590	14,086	125,921	111,041
General and administrative	15,448	45,335	1,380		62,163	1,361	14,764	16,125	78,288	49,458
Conferences and meetings	75,528	362,393			437,921	42	197	239	438,160	409,659
Donated goods and services	11,346	16,449			27,795	1,465	6,803	8,268	36,063	49,183
Total	\$ 257,464	\$ 631,385	\$ 2,084	\$ 5,750	\$ 896,683	\$ 16,433	\$ 84,776	\$ 101,209	\$ 997,892	\$ 874,855

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

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 121,775	\$ 119,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,204	892
Gain on investments	(764)	(1,041)
Increase in accounts receivable	(14,454)	(77,750)
Decrease in due from NLGLA	60,323	40,607
(Increase) decrease in prepaid expenses	(86,477)	45,259
Increase (decrease) in accounts payable and accrued liabilities	23,310	(41,930)
Increase in deferred revenue	114,206	219,487
Increase in investments, deferred compensation	(4,688)	-0-
Increase in deferred compensation payable	4,688	-0-
NET CASH PROVIDED BY OPERATING ACTIVITIES	219,123	304,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(774,023)	251
Proceeds from sale of investments	444,386	-0-
Purchase of office equipment	(4,672)	-0-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(334,309)	251
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(115,186)	305,004
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	447,437	142,433
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 332,251	\$ 447,437

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

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

NOTE A - ORGANIZATION

The National Lesbian and Gay Law Foundation dba The National LGBT Foundation (the Foundation) was incorporated in 1975. Its purposes are to promote activities that will enable lesbian and gay attorneys to become more proficient in their profession; to sponsor educational conferences and programs for lesbian and gay bar associations; and study and educate the general public about gay and lesbian community in their profession.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of

Accounting

The Foundation'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

The Foundation is exempt from U.S. Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation.

The Foundation 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. The Foundation does not believe its financial statements include, or reflect, any uncertain tax positions. The Foundation'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**

The Foundation 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, the Foundation 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. The Foundation 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 FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Recognition

Sponsorship income is recorded as deferred revenue when payment is received from the donor. The Foundation recognizes sponsorship revenue when the related event has occurred. The Foundation recognizes conference registration revenue when the related event has occurred.

Individual

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

The Foundation reports gifts of cash and other assets 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.

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 the Foundation.

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

The Foundation 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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts

Receivable Accounts receivable consists of sponsorship fees for the annual conference due from registered parties. The Foundation believes that these amounts are fully collectible and no allowance for doubtful accounts has been established.

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 \$36,000 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.

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).

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

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

NOTE D - FAIR VALUE MEASUREMENTS (continued)

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

Description	(Level 1)	(Level 2)	(Level 3)	Total
Money Market Fund	\$ 335,766			\$ 335,766
Certificates of Deposit		\$ 424,685		424,685
Total	\$ 335,766	\$ 424,685	\$ -0-	\$ 760,451

NOTE E - RELATED PARTY TRANSACTIONS

The Foundation is related to the National Lesbian and Gay Law Association (NLGLA) through common purposes and sharing of personal and operating expenses. The Executive Director of the Foundation serves in the same position at NLGLA; 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 to pay NLGLA 25% of any profits derived from the Conference. For the year 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 employees and their share of operating expenses. As of June 30, 2013, NLGLA owed the Foundation approximately \$36,000.

NOTE F - RETIREMENT PLANS

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

Under this Plan, contributions by the Foundation for the year ended June 30, 2013, totaled approximately \$7,500.

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.

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

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 the Foundation'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

The Foundation 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.