



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

FINANCIAL STATEMENTS

JUNE 30, 2016

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

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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JUNE 30, 2016

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Independent Auditors' Report

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

We have audited the accompanying financial statements of National Lesbian and Gay Law Foundation (the Foundation), 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 the Foundation 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 Foundation

Report on Summarized Comparative Information

We have previously audited the Foundation'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
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NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

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

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and Cash Equivalents	\$ 619,136	\$ 526,062
Accounts Receivable	274,000	109,410
Due from NLGLA	19,912	27,600
Prepaid Expenses	<u>52,104</u>	<u>46,373</u>
Total Current Assets	965,152	709,445
Investments	882,056	863,203
Investments, Deferred Compensation	27,749	19,224
Property and Equipment		
Furniture and Equipment	8,201	7,346
Less Accumulated Depreciation	<u>(7,489)</u>	<u>(6,102)</u>
Net Property and Equipment	712	1,244
Security Deposit	<u>2,250</u>	<u>-</u>
Total Assets	<u>\$ 1,877,919</u>	<u>\$ 1,593,116</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 40,246	\$ 59,810
Deferred Revenue	<u>930,935</u>	<u>771,818</u>
Total Current Liabilities	971,181	831,628
Deferred Compensation Payable	27,749	19,224
Net Assets		
Unrestricted	<u>878,989</u>	<u>742,264</u>
Total Net Assets	<u>878,989</u>	<u>742,264</u>
Total Liabilities and Net Assets	<u>\$ 1,877,919</u>	<u>\$ 1,593,116</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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>
Revenue		
Sponsorships	\$ 825,750	\$ 969,144
Conference Registration	175,118	210,924
Corporation Counsel Ticket Sales	61,767	62,227
Individual Contributions	23,598	26,745
Grants	-	13,600
Donated Space and Legal Services	20,915	284,740
Interest and Dividends	8,001	1,360
Investment Gain	12,914	545
Other Income	423	7,875
Total Revenue	1,128,486	1,577,160
Expenses		
Program Services		
Speaking/Outreach Services	134,484	237,137
Annual Conference and Career Fair	741,190	1,022,533
Advocacy	-	3,600
Tax Equity Project	-	13,845
Total Program Services	875,674	1,277,115
Supporting Services		
Fundraising	25,749	47,680
Management and General	90,338	149,941
Total Supporting Services	116,087	197,621
Total Expenses	991,761	1,474,736
Change in Net Assets	136,725	102,424
Net Assets, Beginning of Year	742,264	639,840
Net Assets, End of Year	\$ 878,989	\$ 742,264

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

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

	Program Services			Supporting Services			2016 Total Expenses	2015 Total Expenses
	Speaking/ Outreach Services	Annual Conference and Career Fair	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Personnel Related Costs	\$ 62,968	\$ 189,645	\$ 252,613	\$ 17,752	\$ 50,664	\$ 68,416	\$ 321,029	\$ 389,428
Contract Services	18,383	101,048	119,431	4,246	25,502	29,748	149,179	164,435
Office and Operations	13,743	66,789	80,532	2,797	10,250	13,047	93,579	83,936
Conferences and Meetings	33,396	373,640	407,036	6	17	23	407,059	552,198
Donated Space	5,994	10,068	16,062	948	3,905	4,853	20,915	57,565
Donated Legal Services	-	-	-	-	-	-	-	227,174
Total	\$ 134,484	\$ 741,190	\$ 875,674	\$ 25,749	\$ 90,338	\$ 116,087	\$ 991,761	\$ 1,474,736

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	\$ 136,725	\$ 102,424
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,387	1,557
Realized and Unrealized Gain on Investments	(12,914)	(1,372)
(Increase) Decrease in Assets		
Accounts Receivable	(164,590)	44,390
Due from NLGLA	7,688	10,770
Prepaid Expenses	(5,731)	52,102
Security Deposit	(2,250)	-
Investments, Deferred Compensation	(8,525)	(7,169)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	(19,564)	(780)
Deferred Revenue	159,117	4,081
Deferred Compensation Payable	8,525	7,169
Net Cash Provided by Operating Activities	99,868	213,172
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(855)	-
Purchases of Investments	(361,439)	(100,000)
Proceeds from Sales of Investments	355,500	-
Net Cash Used in Investing Activities	(6,794)	(100,000)
Net Increase in Cash and Cash Equivalents	93,074	113,172
Cash and Cash Equivalents, Beginning of Year	526,062	412,890
Cash and Cash Equivalents, End of Year	\$ 619,136	\$ 526,062

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. 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 the gay and lesbian community in their profession. The Foundation's support comes primarily from conference sponsorship and registration fees and from donor contributions.

2. 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 determined not to be a private foundation under Section 509(a) of the IRC.

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

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.

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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment, which consist of furniture and 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.

Revenue Recognition

The Foundation recognizes sponsorship revenue and conference registration revenue when the related event has occurred.

Grants

Grants 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 or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted support is recorded as unrestricted support if the restriction is met in the same accounting period as the support is received.

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. Temporarily restricted support is recorded as unrestricted support if the restriction is met in the same accounting period as the support is received.

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 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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. RELATED PARTY TRANSACTIONS

The Foundation is related to National Lesbian and Gay Law Association (NLGLA) through common purposes and sharing of personnel 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 interests in each other, so no controlling interest exists. Therefore, the financial statements of the Foundation and NLGLA 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 allow 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, 2016, the Foundation paid approximately \$73,000 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, 2016, NLGLA owed the Foundation approximately \$19,900.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4. **DONATED SPACE**

Donated office and conference space of approximately \$20,900 represents the fair value of the space used by the Foundation.

5. **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 following presents investments measured at fair value as of June 30, 2016:

Description	(Level 1)	(Level 2)	(Level 3)	Total
Money Market Fund	\$ 358,503	\$ -	\$ -	\$ 358,503
Certificates of Deposit	-	149,997	-	149,997
Mutual Funds	373,556	-	-	373,556
Total Investments at Fair Value	732,059	149,997	-	882,056
Investments Deferred Compensation				
Mutual Funds	27,749	-	-	27,749
Total Assets at Fair Value	\$ 759,808	\$ 149,997	\$ -	\$ 909,805
Deferred Compensation Liability	\$ 27,749	\$ -	\$ -	\$ 27,749
Total Liabilities at Fair Value	\$ 27,749	\$ -	\$ -	\$ 27,749

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

6. **RETIREMENT PLAN**

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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. RETIREMENT PLAN (CONTINUED)

Under this Plan, contributions by the Foundation for the year ended June 30, 2016, totaled approximately \$9,200.

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 the Foundation's share of the investment account has been recorded as a separate asset with an offsetting liability for deferred compensation.

8. COMMITMENTS

The Foundation is committed under agreements for hotel conference space through the calendar year 2016. 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.

9. SUBSEQUENT EVENTS

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