



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

FINANCIAL STATEMENTS

JUNE 30, 2017

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

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7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600
(F) 301.986.0432

1901 L STREET, NW
SUITE 750
WASHINGTON, DC 20036
(T) 202.822.0717
(F) 202.822.0739

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 17, 2017

Certified Public Accountants

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 89,197	\$ 72,457
Accounts Receivable	2,793	2,202
Due from Foundation	80,900	-
Prepaid Expenses	<u>7,128</u>	<u>3,499</u>
Total Current Assets	180,018	78,158
Investments	144,762	139,821
Investments, Deferred Compensation	12,706	9,250
Property and Equipment		
Furniture and Equipment	2,380	1,842
Less Accumulated Depreciation	<u>(1,707)</u>	<u>(1,605)</u>
Net Property and Equipment	673	237
Security Deposit	<u>863</u>	<u>750</u>
Total Assets	<u>\$ 339,022</u>	<u>\$ 228,216</u>
Liabilities and Net Assets		
Current Liabilities		
Due to the Foundation	\$ -	\$ 19,912
Deferred Revenue	51,576	43,979
Accrued Salaries	<u>6,945</u>	<u>7,488</u>
Total Current Liabilities	58,521	71,379
Deferred Compensation Payable	12,706	9,250
Net Assets		
Unrestricted	<u>267,795</u>	<u>147,587</u>
Total Net Assets	<u>267,795</u>	<u>147,587</u>
Total Liabilities and Net Assets	<u>\$ 339,022</u>	<u>\$ 228,216</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Revenue		
Membership Dues	\$ 97,398	\$ 96,006
Licensing Agreement Royalties	169,851	73,231
Donated Office Space	-	5,260
Interest and Dividends	3,308	1,095
Investment Gain	3,101	1,315
Other Income	<u>14,600</u>	<u>12,926</u>
 Total Revenue	 288,258	 189,833
Expenses		
Program Services		
American Bar Association	13,866	12,731
Member Services	90,183	69,711
Outreach Services	<u>37,026</u>	<u>39,092</u>
 Total Program Services	 141,075	 121,534
 Management and General	 <u>26,975</u>	 <u>41,154</u>
 Total Expenses	 <u>168,050</u>	 <u>162,688</u>
 Change in Net Assets	 120,208	 27,145
 Net Assets, Beginning of Year	 <u>147,587</u>	 <u>120,442</u>
 Net Assets, End of Year	 <u>\$ 267,795</u>	 <u>\$ 147,587</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services			Total Program Services	Management and General	2017	2016
	American Bar Association	Member Services	Outreach Services			Total Expenses	Total Expenses
Personnel Related Costs	\$ 9,222	\$ 50,182	\$ 25,815	\$ 85,219	\$ 18,808	\$ 104,027	\$ 105,429
Contract Services	2,742	25,873	7,675	36,290	5,592	41,882	26,920
Office and Operations	1,874	10,450	3,459	15,783	2,519	18,302	13,479
Conferences and Meetings	28	3,678	77	3,783	56	3,839	11,600
Donated Office Space	-	-	-	-	-	-	5,260
Total	<u>\$ 13,866</u>	<u>\$ 90,183</u>	<u>\$ 37,026</u>	<u>\$ 141,075</u>	<u>\$ 26,975</u>	<u>\$ 168,050</u>	<u>\$ 162,688</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 120,208	\$ 27,145
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	102	462
Investment Gain	(3,101)	(1,315)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(591)	(630)
Due from Foundation	(80,900)	-
Prepaid Expenses	(3,629)	(1,456)
Security Deposit	(113)	(750)
Investments, Deferred Compensation	(3,456)	(2,842)
<u>Increase (Decrease) in Liabilities</u>		
Due to the Foundation	(19,912)	(7,688)
Deferred Revenue	7,597	(536)
Accrued Salaries	(543)	(676)
Deferred Compensation Payable	3,456	2,842
Net Cash Provided by Operating Activities	<u>19,118</u>	<u>14,556</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(538)	(284)
Purchases of Investments	(120,792)	(55,503)
Proceeds from the Sales of Investments	<u>118,952</u>	<u>55,200</u>
Net Cash Used in Investing Activities	<u>(2,378)</u>	<u>(587)</u>
Net Increase in Cash and Cash Equivalents	16,740	13,969
Cash and Cash Equivalents, Beginning of Year	<u>72,457</u>	<u>58,488</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 89,197</u></u>	<u><u>\$ 72,457</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 agreement 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 Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the federal and state authorities, generally for three years after filing.

Cash and Cash Equivalents

NLGLA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and 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 in the statement of activities.

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. 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.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2016 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, 2016. 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, 2016, from which the summarized information was derived.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. 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 NLGLA's assets and liabilities measured at fair value as of June 30, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Fund	\$ 1,016	\$ -	\$ -	\$ 1,016
Certificates of Deposit	-	82,183	-	82,183
Mutual Funds	61,563	-	-	61,563
Total Investments at Fair Value	62,579	82,183	-	144,762
Investments, Deferred Compensation				
Mutual Funds	12,706	-	-	12,706
Total Assets at Fair Value	\$ 75,285	\$ 82,183	\$ -	\$ 157,468
Deferred Compensation Liability	\$ 12,706	\$ -	\$ -	\$ 12,706
Total Liabilities at Fair Value	\$ 12,706	\$ -	\$ -	\$ 12,706

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

4. 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 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, 2017, the NLGLA's share of the Conference profits was approximately \$170,000 in royalties. As of June 30, 2017, NLGLA was owed \$80,900 of these royalties.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. RELATED PARTY TRANSACTIONS (CONTINUED)

NLGLA reimburses the Foundation for its use of the Foundation's employees and their share of operating expenses and the Foundation collects membership revenue on behalf of NLGLA. For the year ended June 30, 2017, expenses allocated to NLGLA were approximately \$172,000 and revenue collected on behalf of NLGLA was approximately \$103,000. NLGLA did not owe anything to the Foundation as of June 30, 2017.

5. 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, 2017, totaled approximately \$2,600.

6. 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.

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 17, 2017, which is the date the financial statements were available to be issued.