



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

FINANCIAL STATEMENTS

JUNE 30, 2018

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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.
December 13, 2018

Certified Public Accountants

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 110,136	\$ 89,197
Accounts Receivable	1,709	2,793
Due from Foundation	53,935	80,900
Prepaid Expenses	<u>3,391</u>	<u>7,128</u>
Total Current Assets	169,171	180,018
Investments	148,220	144,762
Investments, Deferred Compensation	16,368	12,706
Property and Equipment		
Furniture and Equipment	2,775	2,380
Less Accumulated Depreciation	<u>(2,102)</u>	<u>(1,707)</u>
Net Property and Equipment	673	673
Security Deposit	<u>788</u>	<u>863</u>
Total Assets	<u>\$ 335,220</u>	<u>\$ 339,022</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred Revenue	\$ 56,579	\$ 51,576
Accrued Liabilities	<u>13,370</u>	<u>6,945</u>
Total Current Liabilities	69,949	58,521
Deferred Compensation Payable	16,368	12,706
Net Assets		
Unrestricted	<u>248,903</u>	<u>267,795</u>
Total Net Assets	<u>248,903</u>	<u>267,795</u>
Total Liabilities and Net Assets	<u>\$ 335,220</u>	<u>\$ 339,022</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Revenue		
Membership Dues	\$ 113,874	\$ 97,398
Licensing Agreement Royalties	103,389	169,851
Interest and Dividends	4,338	3,308
Investment Gain	260	3,101
Other Income	18,573	14,600
	<u>240,434</u>	<u>288,258</u>
Expenses		
Program Services		
American Bar Association	19,850	13,866
Member Services	115,967	90,183
Outreach Services	58,668	37,026
Advocacy	12,078	-
	<u>206,563</u>	<u>141,075</u>
Total Program Services	206,563	141,075
Management and General	52,763	26,975
	<u>52,763</u>	<u>26,975</u>
Total Expenses	259,326	168,050
	<u>259,326</u>	<u>168,050</u>
Change in Net Assets	(18,892)	120,208
Net Assets, Beginning of Year	267,795	147,587
	<u>267,795</u>	<u>147,587</u>
Net Assets, End of Year	<u>\$ 248,903</u>	<u>\$ 267,795</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	Program Services				Total Program Services	Management and General	2018 Total Expenses	2017 Total Expenses
	American Bar Association	Member Services	Outreach Services	Advocacy				
Personnel Related Costs	\$ 11,136	\$ 61,439	\$ 37,178	\$ 7,654	\$ 117,407	\$ 33,606	\$ 151,013	\$ 104,027
Contract Services	5,160	43,711	17,288	3,559	69,718	15,410	85,128	41,882
Office and Operations	1,334	10,770	4,202	865	17,171	3,747	20,918	18,302
Conferences and Meetings	2,220	47	-	-	2,267	-	2,267	3,839
Total	\$ 19,850	\$ 115,967	\$ 58,668	\$ 12,078	\$ 206,563	\$ 52,763	\$ 259,326	\$ 168,050

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (18,892)	\$ 120,208
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	395	102
Investment Gain	(260)	(3,101)
(Increase) Decrease in Assets		
Accounts Receivable	1,084	(591)
Due from Foundation	26,965	(80,900)
Prepaid Expenses	3,737	(3,629)
Security Deposit	75	(113)
Investments, Deferred Compensation	(3,662)	(3,456)
Increase (Decrease) in Liabilities		
Due to the Foundation	-	(19,912)
Deferred Revenue	5,003	7,597
Accrued Salaries	6,425	(543)
Deferred Compensation Payable	3,662	3,456
Net Cash Provided by Operating Activities	<u>24,532</u>	19,118
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(395)	(538)
Purchases of Investments	(102,881)	(120,792)
Proceeds from the Sales of Investments	<u>99,683</u>	<u>118,952</u>
Net Cash Used in Investing Activities	<u>(3,593)</u>	<u>(2,378)</u>
Net Increase in Cash and Cash Equivalents	20,939	16,740
Cash and Cash Equivalents, Beginning of Year	<u>89,197</u>	<u>72,457</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 110,136</u></u>	<u><u>\$ 89,197</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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 2017 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, 2017. 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, 2017, from which the summarized information was derived.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

Description	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 703	\$ -	\$ -	\$ 703
Certificates of Deposit	-	30,178	-	30,178
Exchange-Traded Funds and Closer-End Funds	11,009	-	-	11,009
Mutual Funds	106,330	-	-	106,330
Total Investments at Fair Value	118,042	30,178	-	148,220
Investments, Deferred Compensation				
Mutual Funds	16,368	-	-	16,368
Total Assets at Fair Value	<u>\$ 134,410</u>	<u>\$ 30,178</u>	<u>\$ -</u>	<u>\$ 164,588</u>
Deferred Compensation Liability	<u>\$ 16,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,368</u>
Total Liabilities at Fair Value	<u>\$ 16,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,368</u>

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, 2018, the NLGLA's share of the Conference profits was approximately \$103,000 in royalties. As of June 30, 2018, NLGLA was owed \$53,935 of these royalties.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, expenses allocated to NLGLA were approximately \$244,000 and revenue collected on behalf of NLGLA was approximately \$114,000. NLGLA did not owe anything to the Foundation as of June 30, 2018.

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, 2018, totaled approximately \$4,300.

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 December 13, 2018, which is the date the financial statements were available to be issued.