



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

FINANCIAL STATEMENTS

JUNE 30, 2019

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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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, 2019, 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, 2019, 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

Emphasis of Matter

As discussed in Note 3 of the financial statements, the Foundation adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 26, 2019

Certified Public Accountants

NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,152,646	\$ 1,140,349
Accounts Receivable	350,200	87,725
Prepaid Expenses	<u>92,618</u>	<u>31,708</u>
Total Current Assets	1,595,464	1,259,782
Investments	983,764	940,686
Investments, Deferred Compensation	60,150	49,104
Property and Equipment		
Furniture and Equipment	11,900	11,000
Less Accumulated Depreciation	<u>(10,094)</u>	<u>(8,981)</u>
Net Property and Equipment	1,806	2,019
Security Deposit	<u>3,525</u>	<u>3,225</u>
Total Assets	<u>\$ 2,644,709</u>	<u>\$ 2,254,816</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 77,048	\$ 45,058
Due to NLGLA	77,972	53,935
Deferred Revenue	<u>1,416,082</u>	<u>1,226,202</u>
Total Current Liabilities	1,571,102	1,325,195
Deferred Compensation Payable	60,150	49,104
Net Assets		
Without Donor Restrictions	1,013,457	865,211
With Donor Restrictions	<u>-</u>	<u>15,306</u>
Total Net Assets	<u>1,013,457</u>	<u>880,517</u>
Total Liabilities and Net Assets	<u>\$ 2,644,709</u>	<u>\$ 2,254,816</u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue				
Conference Sponsorships	\$ 1,588,050	\$ -	\$ 1,588,050	\$ 1,283,425
Conference Registration	205,393	-	205,393	169,166
Corporation Counsel Ticket Sales	8,425	-	8,425	21,500
Grants and Contributions	40,836	-	40,836	144,688
Donated Space and Legal Services	145,543	-	145,543	231,612
Interest and Dividends	41,678	-	41,678	25,611
Investment Gain	5,248	-	5,248	2,310
Other Income	266	-	266	615
Net Assets Released from Restrictions	15,306	(15,306)	-	-
Total Revenue	2,050,745	(15,306)	2,035,439	1,878,927
Expenses				
Program Services				
Speaking/Outreach Services	272,092	-	272,092	351,479
Annual Conference and Career Fair	938,294	-	938,294	991,924
Gill Foundation Project	21,501	-	21,501	59,694
Other Programs	229,468	-	229,468	186,401
Advocacy	13,277	-	13,277	15,579
Total Program Services	1,474,632	-	1,474,632	1,605,077
Supporting Services				
Fundraising	272,998	-	272,998	307,029
Management and General	154,869	-	154,869	54,386
Total Supporting Services	427,867	-	427,867	361,415
Total Expenses	1,902,499	-	1,902,499	1,966,492
Change in Net Assets	148,246	(15,306)	132,940	(87,565)
Net Assets, Beginning of Year	865,211	15,306	880,517	968,082
Net Assets, End of Year	\$ 1,013,457	\$ -	\$ 1,013,457	\$ 880,517

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Program Services					Supporting Services			2019 Total Expenses	2018 Total Expenses	
	Speaking/ Outreach Services	Annual Conference and Career Fair	Gill Foundation Project	Other Programs	Advocacy	Total Program Services	Fundraising	Management and General			Total Supporting Services
Personnel Related Costs	\$ 84,095	\$ 199,194	\$ 12,953	\$ 171,866	\$ 10,470	\$ 478,578	\$ 214,095	\$ 48,914	\$ 263,009	\$ 741,587	\$ 533,255
Contract Services	16,333	43,343	6,747	25,637	1,382	93,442	28,844	90,730	119,574	213,016	377,622
Office and Operations	14,619	57,905	1,338	23,872	1,059	98,793	22,421	11,421	33,842	132,635	140,838
Conferences and Meetings	33,627	631,113	21	2,448	16	667,225	342	2,151	2,493	669,718	683,165
Donated Legal Services	123,418	6,739	442	5,645	350	136,594	7,296	1,653	8,949	145,543	231,612
Total	\$ 272,092	\$ 938,294	\$ 21,501	\$ 229,468	\$ 13,277	\$ 1,474,632	\$ 272,998	\$ 154,869	\$ 427,867	\$ 1,902,499	\$ 1,966,492

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 132,940	\$ (87,565)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,113	1,185
Net Investment Return	(5,248)	(2,310)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(262,475)	68,435
Prepaid Expenses	(60,910)	22,712
Security Deposit	(300)	225
Investments, Deferred Compensation	(11,046)	(10,986)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	31,990	287
Due to NLGLA	24,037	(26,965)
Deferred Revenue	189,880	184,663
Deferred Compensation Payable	11,046	10,986
Net Cash Provided by Operating Activities	<u>51,027</u>	<u>160,667</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(900)	(1,187)
Purchases of Investments	(903,578)	(677,235)
Proceeds from Sales of Investments	<u>865,748</u>	<u>655,017</u>
Net Cash Used in Investing Activities	<u>(38,730)</u>	<u>(23,405)</u>
Net Increase in Cash and Cash Equivalents	12,297	137,262
Cash and Cash Equivalents, Beginning of Year	<u>1,140,349</u>	<u>1,003,087</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,152,646</u></u>	<u><u>\$ 1,140,349</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. ORGANIZATION

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 Forms 990, *Return of Organization Exempt from Income Tax*, 990-T, *Exempt Organization Business Income Tax Return*, and D-20, *Corporate Franchise Tax Return*, are subject to examination by the federal and state authorities, generally for three years after filing.

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 and 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 therefore, 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. Investment revenues are reported net of external investment advisory fees in the statement of activities. The amount of expenses netted with revenues was \$5,642 for the year ended June 30, 2019.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

Revenue Recognition

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

Grants

Grants are reported as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Restricted grants for which the restrictions are met in the year received are considered grants without donor restrictions for financial statement purposes. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 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 satisfied, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted support is recorded as unrestricted support if the restriction is satisfied in the same accounting period as the support is received.

Net Asset Classification

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Functional Allocation of Expenses

Certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, taxes, and benefits which are allocated on the basis of time and effort by employees; office rent, depreciation, and other expenses are also based on time allocated to programs. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

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 2018 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, 2018. 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, 2018, from which the summarized information was derived.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended June 30, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 (CONTINUED)

classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities, and other obligations as they come due. The Foundation's working capital and cash flows come from the collection of conference revenues and contributions that recur at various times throughout the year. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Foundation's cash flow related to the Foundation's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As of June 30, 2019, the following financial assets and liquidity resources are available for general expenditures in the year ending June 30, 2020:

Financial Assets

Cash and Cash Equivalents	\$ 1,152,646
Accounts Receivables Available for General Operations	350,200
Investments Available for Operating Purposes	<u>983,764</u>
Total Financial Assets and Resources Available within One Year	<u>\$ 2,486,610</u>

5. 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, 2019, the NLGLA's share of the Conference profits was approximately \$190,000 in royalties. As of June 30, 2019, the Foundation owed NLGLA approximately \$78,000 of these royalties.

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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5. RELATED PARTY TRANSACTIONS (CONTINUED)

For the year ended June 30, 2019, expenses allocated to NLGLA were approximately \$288,000 and revenue collected on behalf of NLGLA was approximately \$121,000. NLGLA did not owe anything to the Foundation as of June 30, 2019.

6. DONATED LEGAL SERVICES

The Foundation received donated legal services valued at approximately \$145,500 for the year ended June 30, 2019. Such amounts have been allocated fully to the Speaking/Outreach Services program.

7. 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).

The following presents the Foundation's assets and liabilities measured at fair value as of June 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 2,477	\$ -	\$ -	\$ 2,477
Certificates of Deposit	-	194,430	-	194,430
Exchange-Traded Funds and Closer-End Funds	35,800	-	-	35,800
Mutual Funds	751,057	-	-	751,057
Total Investments at Fair Value	789,334	194,430	-	983,764
Investments Deferred Compensation				
Mutual Funds	60,150	-	-	60,150
Total Assets at Fair Value	<u>\$ 849,484</u>	<u>\$ 194,430</u>	<u>\$ -</u>	<u>\$ 1,043,914</u>
Deferred Compensation Liability	<u>\$ 60,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,150</u>
Total Liabilities at Fair Value	<u>\$ 60,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,150</u>

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

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

8. RETIREMENT PLAN

A qualified plan (the Plan) under Section 403(b) of the Internal Revenue Code was adopted by the Foundation, 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 the Plan, contributions by the Foundation for the year ended June 30, 2019, totaled approximately \$16,800.

9. DEFERRED COMPENSATION PLAN

Effective January 1, 2012, the Foundation 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.

10. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

<u>Purpose</u>	<u>Amount</u>
Gill Foundation Grant	\$ 15,306
Total Releases	<u>\$ 15,306</u>

11. COMMITMENTS

The Foundation is committed under agreements for hotel conference space through the calendar year 2019. The total commitments under the agreements are not determined as they depend 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 over time until the date of the event. Management does not believe any cancellations will occur.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 26, 2019, which is the date the financial statements were available to be issued.