



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

FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 3, 2020

Certified Public Accountants

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 162,132	\$ 138,439
Accounts Receivable	969	5,694
Due from Foundation	194,381	77,973
Prepaid Expenses	<u>3,359</u>	<u>3,558</u>
Total Current Assets	360,841	225,664
Investments	152,269	155,095
Investments, Deferred Compensation	24,102	20,050
Property and Equipment		
Furniture and Equipment	3,404	3,075
Less Accumulated Depreciation	<u>(2,950)</u>	<u>(2,473)</u>
Net Property and Equipment	454	602
Security Deposit	<u>4,431</u>	<u>888</u>
Total Assets	<u><u>\$ 542,097</u></u>	<u><u>\$ 402,299</u></u>
Liabilities and Net Assets		
Current Liabilities		
Deferred Revenue	\$ 51,073	\$ 50,964
Accrued Liabilities	<u>53,078</u>	<u>40,200</u>
Total Current Liabilities	104,151	91,164
Deferred Compensation Payable	<u>24,102</u>	<u>20,050</u>
Total Liabilities	128,253	111,214
Net Assets		
Net Assets Without Donor Restrictions	<u>413,844</u>	<u>291,085</u>
Total Net Assets Without Donor Restrictions	<u>413,844</u>	<u>291,085</u>
Total Liabilities and Net Assets	<u><u>\$ 542,097</u></u>	<u><u>\$ 402,299</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
Changes in Net Assets Without Donor Restrictions		
Revenue		
Membership Dues	\$ 109,305	\$ 122,219
Licensing Agreement Royalties	227,462	190,306
Interest and Dividends	5,997	7,058
Investment (Loss) Gain	(7,474)	1,113
Other Income	26,195	28,479
Total Revenue	361,485	349,175
Expenses		
Program Services		
American Bar Association	35,415	15,978
Member Services	67,073	132,723
Outreach Services	42,375	57,846
Advocacy	6,566	10,572
Total Program Services	151,429	217,119
Management and General	87,297	89,874
Total Expenses	238,726	306,993
Change in Net Assets Without Donor Restrictions	122,759	42,182
Net Assets Without Donor Restrictions, Beginning of Year	291,085	248,903
Net Assets Without Donor Restrictions, End of Year	\$ 413,844	\$ 291,085

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Program Services				Total Program Services	Management and General	2020 Total Expenses	2019 Total Expenses
	American Bar Association	Member Services	Outreach Services	Advocacy				
Personnel Related Costs	\$ 30,316	\$ 54,148	\$ 36,274	\$ 5,621	\$ 126,359	\$ 61,006	\$ 187,365	\$ 209,795
Contract Services	2,365	4,224	2,829	438	9,856	20,328	30,184	49,391
Office and Operations	2,734	8,701	3,272	507	15,214	5,963	21,177	47,807
Total	\$ 35,415	\$ 67,073	\$ 42,375	\$ 6,566	\$ 151,429	\$ 87,297	\$ 238,726	\$ 306,993

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 122,759	\$ 42,182
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	477	371
Investment Loss (Gain)	7,474	(1,113)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	4,725	(3,985)
Due from Foundation	(116,408)	(24,038)
Prepaid Expenses	199	(167)
Investments, Deferred Compensation	(4,052)	(3,682)
Security Deposit	(3,543)	(100)
<u>Increase (Decrease) in Liabilities</u>		
Deferred Revenue	109	(5,615)
Accrued Liabilities	12,878	26,830
Deferred Compensation Payable	4,052	3,682
Net Cash Provided by Operating Activities	<u>28,670</u>	<u>34,365</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(329)	(300)
Purchases of Investments	(91,277)	(136,507)
Proceeds from the Sales of Investments	86,629	130,745
Net Cash Used in Investing Activities	<u>(4,977)</u>	<u>(6,062)</u>
Net Increase in Cash and Cash Equivalents	23,693	28,303
Cash and Cash Equivalents, Beginning of Year	<u>138,439</u>	<u>110,136</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 162,132</u></u>	<u><u>\$ 138,439</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 membership 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 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

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.

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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Net Asset Classification

The financial statements of NLGLA have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires NLGLA 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 NLGLA. These net assets may be used at the discretion of NLGLA'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 NLGLA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

NLGLA recognizes membership dues on a pro-rata basis over the annual membership period. NLGLA recognizes licensing agreement royalties when the related event has occurred.

Payments received in advance for membership dues are recorded in the year of receipt as deferred revenues and recognized as revenues in the years they are earned.

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 personnel related costs which are allocated on the basis of time and effort by employees; office rent, depreciation, and other expenses included in office operations are also based on time allocated to programs. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

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.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended June 30, 2019. 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, 2019, from which the summarized information was derived.

Reclassifications

Certain 2019 amounts have been reclassified for comparative purposes.

3. ADOPTION OF ACCOUNTING STANDARD

During the year ended June 30, 2020, NLGLA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2020. The impact of adoption was not material to the financial statements.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

NLGLA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. NLGLA 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. NLGLA's working capital and cash flows come from the collection of membership dues and royalties that are received on an annual basis at various times throughout the year. Management is focused on sustaining the financial liquidity of NLGLA throughout the year. This is done through monitoring and reviewing NLGLA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NLGLA's cash flow related to NLGLA's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As of June 30, 2020, the following financial assets and liquidity resources are available for general expenditures in the year ending June 30, 2021:

Financial Assets

Cash and Cash Equivalents	\$ 162,132
Accounts Receivables Available for General Operations	969
Due from Foundation	194,381
Investments Available for Operating Purposes	152,269
Total Financial Assets and Resources Available within One Year	<u>\$ 509,751</u>

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 and split-interest agreements).

The following presents NLGLA's assets and liabilities measured at fair value as of June 30, 2020:

Description	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 368	\$ -	\$ -	\$ 368
Exchange-Traded Funds and Closer-End Funds	8,898	-	-	8,898
Mutual Funds	143,003	-	-	143,003
Total Investments at Fair Value	152,269	-	-	152,269
Investments, Deferred Compensation				
Mutual Funds	24,102	-	-	24,102
Total Assets at Fair Value	<u>\$ 176,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,371</u>
Deferred Compensation Liability	<u>\$ 24,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,102</u>
Total Liabilities at Fair Value	<u>\$ 24,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,102</u>

6. 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, 2020, the NLGLA's share of the Conference profits was approximately \$227,000 in royalties. As of June 30, 2020, NLGLA was owed approximately \$194,000 of these royalties.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. 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, 2020, expenses allocated to NLGLA were approximately \$229,000 and revenue collected on behalf of NLGLA was approximately \$118,000. NLGLA did not owe anything to the Foundation as of June 30, 2020.

7. 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, 2020, totaled approximately \$3,980.

8. 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.

9. COVID-19 IMPACT

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 3, 2020, which is the date the financial statements were available to be issued.