

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008**

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

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2009, with Summarized Financial Information for 2008	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	5
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	6
NOTES TO FINANCIAL STATEMENTS	7 - 11



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The National Lesbian and Gay Law Foundation dba The National LGBT Foundation (the Foundation) as of December 31, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2008 financial statements and, in our report dated September 3, 2009, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

November 2, 2010

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

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS			
		<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	-	\$ 5,377
Investments (Notes 2 and 5)		248,817	400,899
Accounts receivable		22	6,022
Due from NLGLA (Note 4)		114,643	66,592
Prepaid expenses		<u>34,044</u>	<u>31,898</u>
Total current assets		<u>397,526</u>	<u>510,788</u>
FIXED ASSETS			
Furniture		6,365	6,365
Less: Accumulated depreciation		<u>(4,902)</u>	<u>(3,129)</u>
Net fixed assets		<u>1,463</u>	<u>3,236</u>
TOTAL ASSETS	\$	<u>398,989</u>	<u>\$ 514,024</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	24,545	\$ 18,081
Deferred revenue		20,000	42,000
Bank overdraft		<u>991</u>	<u>-</u>
Total current liabilities		<u>45,536</u>	<u>60,081</u>
NET ASSETS			
Unrestricted		<u>353,453</u>	<u>453,943</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>398,989</u>	<u>\$ 514,024</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	<u>2009</u>	<u>2008</u>
REVENUE		
Sponsorships	\$ 478,500	\$ 760,139
Conference registration	106,446	138,681
In-kind contributions	33,075	181,431
Investment income (Note 2)	3,159	12,724
Other revenue	<u>1,770</u>	<u>-</u>
Total revenue	<u>622,950</u>	<u>1,092,975</u>
EXPENSES		
Program Services:		
Speaking/Outreach	89,952	151,115
Annual Conference and Career Fair	472,756	758,402
American Bar Association	4,432	4,490
Lobbying	<u>-</u>	<u>2,573</u>
Total program services	<u>567,140</u>	<u>916,580</u>
Supporting Services:		
Fundraising	16,316	2,767
Management and General	<u>139,984</u>	<u>138,850</u>
Total supporting services	<u>156,300</u>	<u>141,617</u>
Total expenses	<u>723,440</u>	<u>1,058,197</u>
Change in net assets (deficit)	(100,490)	34,778
Net assets at beginning of year	<u>453,943</u>	<u>419,165</u>
NET ASSETS AT END OF YEAR	<u>\$ 353,453</u>	<u>\$ 453,943</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009						2008
	Program Services			Supporting Services			
	Annual						
	Conference and Career Fair	American Bar Association	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel related costs	\$ 42,775	\$ 78,659	\$ 174	\$ 9,112	\$ 71,277	\$ 80,389	\$ 201,997
Contract services	18,883	75,005	-	3,958	43,976	47,934	141,822
General and administrative	17,693	39,627	3,714	1,082	10,434	11,516	72,550
Conference and meetings	5,636	267,198	544	82	536	618	273,996
Donated goods and services	4,965	12,267	-	2,082	13,761	15,843	33,075
TOTAL	\$ 89,952	\$ 472,756	\$ 4,432	\$ 16,316	\$ 139,984	\$ 156,300	\$ 723,440
							\$ 1,058,197

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (100,490)	\$ 34,778
Adjustments to reconcile change in net assets (deficit) to net cash used by operating activities:		
Depreciation	1,773	1,794
Unrealized loss	342	1,513
(Increase) decrease in:		
Accounts receivable	6,000	(6,022)
Due from NLGLA	(48,051)	(134,049)
Prepaid expenses	(2,146)	(31,898)
Increase (decrease) in:		
Accounts payable	6,465	4,281
Deferred revenue	(22,000)	30,500
Accounts payable and accrued liabilities	-	(41,400)
Bank overdraft	991	-
Net cash used by operating activities	<u>(157,116)</u>	<u>(140,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(2,433)
Purchase of investments	-	(127,410)
Sale of investments	<u>151,739</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>151,739</u>	<u>(129,843)</u>
Net decrease in cash and cash equivalents	(5,377)	(270,346)
Cash and cash equivalents at beginning of year	<u>5,377</u>	<u>275,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 5,377</u></u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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 association; and study and educate the general public about the gay and lesbian community in their profession.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Foundation has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact the Foundation's financial position or results of operations.

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.

At times during the year, the Foundation maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included on investment income in the Statement of Activities and Change in Net Assets.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, the Foundation has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Sponsorships -

Sponsorship income is recorded as deferred revenue when payment is received from the donor. The Foundation recognizes sponsorship 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 the Foundation and include both internally designated and designated resources.

In-kind contributions -

In-kind contributions consists of donated office space. In-kind contributions of \$33,075 represents the fair value of the office space and has been recorded as revenue and donated goods and services expense in the accompanying statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 and Change in Net Assets. 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 rates, market and credit risks.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Risks and uncertainties (continued) -

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.

Fair value measurements -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2009:

	<u>Market Value</u>
Bank deposits and money market funds	\$ 48,973
Certificate of deposits	<u>199,844</u>
TOTAL INVESTMENTS	<u>\$ 248,817</u>

Included in investment income are the following:

Interest and dividends	\$ 3,501
Unrealized loss	<u>(342)</u>
TOTAL INVESTMENT INCOME	<u>\$ 3,159</u>

3. **RETIREMENT PLAN**

A qualified plan under Section 401(k) 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 discretionary matching contributions for all eligible employees.

Under this plan, the matching expenses for the year ended December 31, 2009 totaled \$6,471.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

4. RELATED PARTY

The Foundation conducts transactions with the National Lesbian and Gay Law Association (NLGLA). The Executive Director of the Foundation serves in the same position at NLGLA. During 2009, the Foundation paid operating expenses of \$151,828 and collected revenues of \$103,778 on behalf of NLGLA. The total amount due to the Foundation as of December 31, 2009 was \$365,312. The total amount due to NLGLA as of December 31, 2009 was \$250,669.

The Foundation has entered into a licensing agreement with NLGLA for the Foundation's annual legal conference. The terms of the agreement allows 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. During 2009, the Foundation paid \$34,263 in profits to NLGLA from the conference.

5. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Money Market Funds	\$ <u>48,973</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>48,973</u>
Certificate of Deposits	\$ <u>-</u>	\$ <u>199,844</u>	\$ <u>-</u>	\$ <u>199,844</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

6. COMMITMENTS

The Foundation is committed under agreements for conference space through the year 2011. The total commitments under the agreements are not determinable 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 increase through the date of the event.

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 2, 2010, the date the financial statements were issued.