



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

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JUNE 30, 2019

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

1150 18<sup>TH</sup> STREET, NW  
SUITE 550  
WASHINGTON, DC 20036  
(T) 202.822.0717

## **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, 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 NLGLA 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 Association

***Emphasis of Matter***

As discussed in Note 3 of the financial statements, NLGLA 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 NLGLA'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 ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

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

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 138,439	\$ 110,136
Accounts Receivable	5,694	1,709
Due from Foundation	77,973	53,935
Prepaid Expenses	<u>3,558</u>	<u>3,391</u>
Total Current Assets	225,664	169,171
<b>Investments</b>	155,095	148,220
<b>Investments, Deferred Compensation</b>	20,050	16,368
<b>Property and Equipment</b>		
Furniture and Equipment	3,075	2,775
Less Accumulated Depreciation	<u>(2,473)</u>	<u>(2,102)</u>
Net Property and Equipment	602	673
<b>Security Deposit</b>	<u>888</u>	<u>788</u>
<b>Total Assets</b>	<u><u>\$ 402,299</u></u>	<u><u>\$ 335,220</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Deferred Revenue	\$ 50,964	\$ 56,579
Accrued Liabilities	<u>40,200</u>	<u>13,370</u>
Total Current Liabilities	91,164	69,949
<b>Deferred Compensation Payable</b>	20,050	16,368
<b>Net Assets</b>		
Net Assets Without Donor Restrictions	<u>291,085</u>	<u>248,903</u>
Total Net Assets Without Donor Restrictions	<u>291,085</u>	<u>248,903</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 402,299</u></u>	<u><u>\$ 335,220</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

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

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
<b>Revenue</b>		
Membership Dues	\$ 122,219	\$ 113,874
Licensing Agreement Royalties	190,306	103,389
Interest and Dividends	7,058	4,338
Investment Gain	1,113	260
Other Income	<u>28,479</u>	<u>18,573</u>
Total Revenue	349,175	240,434
<b>Expenses</b>		
Program Services		
American Bar Association	15,978	19,850
Member Services	132,723	115,967
Outreach Services	57,846	58,668
Advocacy	<u>10,572</u>	<u>12,078</u>
Total Program Services	217,119	206,563
Management and General	<u>89,874</u>	<u>52,763</u>
Total Expenses	<u>306,993</u>	<u>259,326</u>
Change in Net Assets Without Donor Restrictions	42,182	(18,892)
Net Assets Without Donor Restrictions, Beginning of Year	<u>248,903</u>	<u>267,795</u>
<b>Net Assets Without Donor Restrictions, End of Year</b>	<u><u>\$ 291,085</u></u>	<u><u>\$ 248,903</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

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

	Program Services				Total Program Services	Management and General	2019 Total Expenses	2018 Total Expenses
	American Bar Association	Member Services	Outreach Services	Advocacy				
Personnel Related Costs	\$ 13,222	\$ 84,922	\$ 47,869	\$ 8,749	\$ 154,762	\$ 55,033	\$ 209,795	\$ 151,013
Contract Services	1,684	10,817	6,097	1,114	19,712	29,679	49,391	85,128
Office and Operations	1,072	36,984	3,880	709	42,645	5,162	47,807	20,918
Conferences and Meetings	-	-	-	-	-	-	-	2,267
<b>Total</b>	<b>\$ 15,978</b>	<b>\$ 132,723</b>	<b>\$ 57,846</b>	<b>\$ 10,572</b>	<b>\$ 217,119</b>	<b>\$ 89,874</b>	<b>\$ 306,993</b>	<b>\$ 259,326</b>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

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

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 42,182	\$ (18,892)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	371	395
Investment Gain	(1,113)	(260)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(3,985)	1,084
Due from Foundation	(24,038)	26,965
Prepaid Expenses	(167)	3,737
Security Deposit	(100)	75
Investments, Deferred Compensation	(3,682)	(3,662)
<u>Increase (Decrease) in Liabilities</u>		
Deferred Revenue	(5,615)	5,003
Accrued Liabilities	26,830	6,425
Deferred Compensation Payable	3,682	3,662
Net Cash Provided by Operating Activities	34,365	24,532
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(300)	(395)
Purchases of Investments	(136,507)	(102,881)
Proceeds from the Sales of Investments	130,745	99,683
Net Cash Used in Investing Activities	(6,062)	(3,593)
Net Increase in Cash and Cash Equivalents	28,303	20,939
Cash and Cash Equivalents, Beginning of Year	110,136	89,197
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 138,439</b>	<b>\$ 110,136</b>

*See accompanying Notes to Financial Statements.*



NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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. Investment revenues are reported net of external investment advisory fees in the statement of activities. The amount of expenses netted with revenues was \$1,120 for the year ended June 30, 2019.

*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, 2019

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*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.

*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*

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*

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 2018 amounts have been reclassified for comparative purposes.

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 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, NLGLA 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 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

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 recur 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, 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	\$ 138,439
Accounts Receivables Available for General Operations	5,694
Due from Foundation	77,973
Investments Available for Operating Purposes	<u>155,095</u>
Total Financial Assets and Resources Available within One Year	<u>\$ 377,201</u>

**NATIONAL LESBIAN AND GAY LAW ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019:

Description	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 580	\$ -	\$ -	\$ 580
Certificates of Deposit	-	31,071	-	31,071
Exchange-Traded Funds and Closer-End Funds	8,592	-	-	8,592
Mutual Funds	114,852	-	-	114,852
Total Investments at Fair Value	124,024	31,071	-	155,095
Investments, Deferred Compensation				
Mutual Funds	20,050	-	-	20,050
Total Assets at Fair Value	\$ 144,074	\$ 31,071	\$ -	\$ 175,145
Deferred Compensation Liability	\$ 20,050	\$ -	\$ -	\$ 20,050
Total Liabilities at Fair Value	\$ 20,050	\$ -	\$ -	\$ 20,050

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

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

NATIONAL LESBIAN AND GAY LAW ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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**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, 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.

**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, 2019, totaled approximately \$4,900.

**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. SUBSEQUENT EVENTS**

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