



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

FINANCIAL STATEMENTS

JUNE 30, 2020

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, 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 the Foundation 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 Foundation

Report on Summarized Comparative Information

We have previously audited the Foundation'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 FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

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

Assets	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 943,238	\$ 1,152,646
Accounts Receivable	336,468	350,200
Prepaid Expenses	<u>215,269</u>	<u>92,618</u>
Total Current Assets	1,494,975	1,595,464
Investments	968,049	983,764
Investments, Deferred Compensation	72,306	60,150
Property and Equipment		
Furniture and Equipment	12,887	11,900
Less Accumulated Depreciation	<u>(11,524)</u>	<u>(10,094)</u>
Net Property and Equipment	1,363	1,806
Security Deposit	<u>14,156</u>	<u>3,525</u>
Total Assets	<u><u>\$ 2,550,849</u></u>	<u><u>\$ 2,644,709</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 139,448	\$ 77,048
Due to NLGLA	194,381	77,972
PPP Refundable Advance	120,165	-
Deferred Revenue	<u>983,452</u>	<u>1,416,082</u>
Total Current Liabilities	1,437,446	1,571,102
Deferred Compensation Payable	<u>72,306</u>	<u>60,150</u>
Total Liabilities	72,306	60,150
Net Assets		
Without Donor Restrictions	<u>1,041,097</u>	<u>1,013,457</u>
Total Net Assets	<u>1,041,097</u>	<u>1,013,457</u>
Total Liabilities and Net Assets	<u><u>\$ 2,550,849</u></u>	<u><u>\$ 2,644,709</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue				
Conference Sponsorships	\$ 1,545,478	\$ -	\$ 1,545,478	\$ 1,588,050
Conference Registration	212,979	-	212,979	205,393
Corporation Counsel Ticket Sales	900	-	900	8,425
Grants and Contributions	31,955	-	31,955	40,836
In-Kind Contributions	15,846	-	15,846	145,543
Interest and Dividends	35,948	-	35,948	41,678
Investment (Loss) Gain	(47,648)	-	(47,648)	5,248
Other Income	512	-	512	266
Net Assets Released from Restrictions	-	-	-	-
Total Revenue	1,795,970	-	1,795,970	2,035,439
Expenses				
Program Services				
Speaking/Outreach Services	182,352	-	182,352	272,092
Annual Conference and Career Fair	947,952	-	947,952	938,294
Gill Foundation Project	-	-	-	21,501
Other Programs	224,257	-	224,257	229,468
Advocacy	6,752	-	6,752	13,277
Total Program Services	1,361,313	-	1,361,313	1,474,632
Supporting Services				
Fundraising	285,473	-	285,473	272,998
Management and General	121,544	-	121,544	154,869
Total Supporting Services	407,017	-	407,017	427,867
Total Expenses	1,768,330	-	1,768,330	1,902,499
Change in Net Assets	27,640	-	27,640	132,940
Net Assets, Beginning of Year	1,013,457	-	1,013,457	880,517
Net Assets, End of Year	\$ 1,041,097	\$ -	\$ 1,041,097	\$ 1,013,457

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

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

	Program Services				Supporting Services			2020 Total Expenses	2019 Total Expenses	
	Speaking/ Outreach Services	Annual Conference and Career Fair	Other Programs	Advocacy	Total Program Services	Fundraising	Management and General			Total Supporting Services
Personnel Related Costs	\$ 117,503	\$ 240,825	\$ 185,995	\$ 5,656	\$ 549,979	\$ 239,105	\$ 33,449	\$ 272,554	\$ 822,533	\$ 741,587
Contract Services	26,041	79,656	16,700	517	122,914	21,875	71,350	93,225	216,139	213,016
Office and Operations	11,935	61,054	20,782	574	94,345	24,270	16,203	40,473	134,818	132,635
Conferences and Meetings	16,873	560,571	780	5	578,229	223	542	765	578,994	669,718
Donated Legal Services	10,000	5,846	-	-	15,846	-	-	-	15,846	145,543
Total	\$ 182,352	\$ 947,952	\$ 224,257	\$ 6,752	\$ 1,361,313	\$ 285,473	\$ 121,544	\$ 407,017	\$ 1,768,330	\$ 1,902,499

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

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	\$ 27,640	\$ 132,940
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	1,430	1,113
Investment Loss (Gain)	47,648	(5,248)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	13,732	(262,475)
Prepaid Expenses	(122,651)	(60,910)
Security Deposit	(10,631)	(300)
Investments, Deferred Compensation	(12,156)	(11,046)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	62,400	31,990
Due to NLGLA	116,409	24,037
PPP Refundable Advance	120,165	-
Deferred Revenue	(432,630)	189,880
Deferred Compensation Payable	12,156	11,046
Net Cash (Used in) Provided by Operating Activities	<u>(176,488)</u>	<u>51,027</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(987)	(900)
Purchases of Investments	(560,578)	(903,578)
Proceeds from Sales of Investments	<u>528,645</u>	<u>865,748</u>
Net Cash Used in Investing Activities	<u>(32,920)</u>	<u>(38,730)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(209,408)</u>	<u>12,297</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,152,646</u>	<u>1,140,349</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 943,238</u></u>	<u><u>\$ 1,152,646</u></u>

See accompanying Notes to Financial Statements.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

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.

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.

Grants and Contributions

Grants and contributions 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 and contributions for which the restrictions are met in the year received are considered grants and contributions 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.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met. Grants and contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Payments received in advance for the convention and other events are recorded in the year of receipt as deferred revenues and recognized as revenues when the event occurs.

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

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.

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, the Foundation 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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 grants and contributions that are received 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, 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	\$ 943,238
Accounts Receivables Available for General Operations	336,468
Investments Available for Operating Purposes	<u>968,049</u>
Total Financial Assets and Resources Available within One Year	<u><u>\$ 2,247,755</u></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, 2020, the NLGLA's share of the Conference profits was approximately \$227,000 in royalties. As of June 30, 2020, the Foundation owed NLGLA approximately \$194,000 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. 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.

6. IN-KIND CONTRIBUTIONS

The Foundation received in-kind contributions valued at approximately \$15,800 for the year ended June 30, 2020. Such amounts have been allocated to the Annual Conference and Speaking/Outreach Services programs.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020:

Description	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,055	\$ -	\$ -	\$ 1,055
Exchange-Traded Funds and Closer-End Funds	33,311	-	-	33,311
Mutual Funds	933,683	-	-	933,683
Total Investments at Fair Value	968,049	-	-	968,049
Investments Deferred Compensation				
Mutual Funds	72,306	-	-	72,306
Total Assets at Fair Value	<u>\$ 1,040,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,355</u>
Deferred Compensation Liability	\$ 72,306	\$ -	\$ -	\$ 72,306
Total Liabilities at Fair Value	<u>\$ 72,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,306</u>

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, 2020, totaled approximately \$17,100.

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.

NATIONAL LESBIAN AND GAY LAW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

10. PPP REFUNDABLE ADVANCE

During 2020, the Foundation received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$120,165. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If the Foundation maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

The Foundation is accounting for this SBA loan as a conditional contribution since repayment has not been waived as of June 30, 2020, and as such the loan proceeds are shown as PPP Refundable Advance in the statement of financial position.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Foundation is committed under agreements for hotel conference space through the calendar year 2023. 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.

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.

12. SUBSEQUENT EVENTS

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