National Center for Lesbian Rights

Financial Statements &

Independent Auditor's Report

for the Year Ended

June 30, 2021

COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
National Center for Lesbian Rights
San Francisco, California

We have audited the accompanying financial statements of National Center for Lesbian Rights (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, 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.

Auditor's 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 of 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 auditor's judgment, including an assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Lesbian Rights as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the June 30, 2020, financial statements of National Center for Lesbian Rights and our report dated April 8, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
San Francisco, California
December 10, 2021

National Center for Lesbian Rights

Statement of Financial Position
June 30, 2021
with Comparative Totals for June 30, 2020

ASSETS	6/30/21	6/30/20 (Note 2)
Current Assets:		
Cash & equivalents	$ 6,123,072	$ 2,197,387
Investments (Note 3)	315,409	249,184
Grants & contributions receivable, current (Note 4)	633,988	718,733
Other receivables	9,949	-
Prepaid expenses & other current assets	89,272	64,355
Total current assets	7,171,690	3,229,659
Grants & contributions receivable, non-current (Note 4)	100,000	31,212
Deposits	27,678	43,278
Property & equipment, net (Note 5)	38,531	52,590
TOTAL ASSETS	$ 7,337,899	$ 3,356,739
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$ 148,638	$ 199,894
Accrued vacation pay	297,942	206,934
Deferred rent (Note 2)	33,906	18,786
Total current liabilities	480,486	425,614
Long-term debt (Note 7)	468,627	468,478
Deferred rent, long-term (Note 2)	-	24,955
TOTAL LIABILITIES	949,113	919,047
Net Assets		
Without donor restrictions		
Undesignated	2,304,756	1,238,604
Board-designated (Note 8)	2,683,198	181,587
Total without donor restricions	4,987,954	1,420,191
With donor restrictions (Note 9)	1,400,832	1,017,501
TOTAL NET ASSETS	6,388,786	2,437,692
TOTAL LIABILITIES & NET ASSETS	$ 7,337,899	$ 3,356,739

See accompanying notes to financial statements and independent auditor's report.

National Center for Lesbian Rights

Statement of Activities and Changes in Net Assets
for the Year Ended June 30, 2021
with Comparative Totals for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total (Note 2)
Support & Revenue:				
Grants & contributions	$ 5,724,080	$ 1,906,874	$ 7,630,954	$ 5,732,271
Government grant	328,763		328,763	-
Net assets released from restriction:				
Satisfaction of donor requirements	1,523,543	(1,523,543)	-	-
Special events - contributions	334,058	-	334,058	358,565
Special events - fair value portion	-	-	-	6,352
In-kind goods & use of facilities (Note 10)	26,126	-	26,126	7,360
Court awards	-	-	-	133,173
Contracts with customers	50,872	-	50,872	36,583
Interest income	46,211	-	46,211	8,899
Realized and unrealized gains on investments	67,464	-	67,464	17,409
Forgiveness of debt	467,700	-	467,700	-
Other income	453	-	453	9,682
Total support & revenue before contributed services	8,569,270	383,331	8,952,601	6,310,294
Contributed services (Notes 2, 11)	3,622,035	-	3,622,035	5,884,592
Total support & revenue	12,191,305	383,331	12,574,636	12,194,886
Expenses:				
Program services	3,742,803	-	3,742,803	3,423,436
Management & general	561,156	-	561,156	655,709
Fundraising	697,548	-	697,548	888,213
Total expenses before contributed services	5,001,507	-	5,001,507	4,967,358
Contributed services (Notes 2, 11)	3,622,035	-	3,622,035	5,884,592
Total expenses	8,623,542	-	8,623,542	10,851,950
CHANGE IN NET ASSETS	3,567,763	383,331	3,951,094	1,342,936
NET ASSETS, July 1	1,420,191	1,017,501	2,437,692	1,094,756
NET ASSETS, June 30	$ 4,987,954	$ 1,400,832	$ 6,388,786	$ 2,437,692

See accompanying notes to financial statements and independent auditor's report.

National Center for Lesbian Rights

Statement of Functional Expenses
for the Year Ended June 30, 2021
with Comparative Totals for the Year Ended June 30, 2020

	Program Services	Communications	Management & General	Fundraising	Shared Costs	2021 Total	2020 Total (Note 2)
Salaries	$ 2,048,647	$ 182,578	$ 275,222	$ 236,485	$ -	$ 2,742,932	$ 2,327,358
Payroll taxes	151,698	13,518	20,377	17,509	-	203,102	177,924
Benefits	339,166	30,661	45,631	39,713	-	455,171	395,865
Accounting	-	-	86,583	-	-	86,583	126,175
Communications consultants	4,935	279	-	-	11,810	17,024	133,928
Organizational consultants	-	-	1,131	-	29,634	30,765	136,124
Other contractors & consultants	350,206	-	4,695	204,183	-	559,084	290,827
Grants awarded	5,000	-	-	-	-	5,000	43,159
Case expenses	3,820	-	-	-	-	3,820	16,747
Advertising & public relations	12,500	-	-	13,674	3,079	29,253	12,829
Occupancy	-	-	25,928	-	274,238	300,166	295,694
Books, dues & publications	41,973	-	(22)	138	-	42,089	95,809
Telephone & Internet	3,590	100	337	100	50,064	54,191	32,398
Information technology	60,159	529	4,212	11,430	138,208	214,538	196,696
Postage	4,518	133	1,680	3,111	4,966	14,408	110,449
Printing	2,145	-	239	-	4,951	7,335	3,640
Direct mail expenses	67	-	-	15,027	7,591	22,685	121,785
Supplies & equipment	5,695	157	3,725	6,214	9,782	25,573	30,229
Staff development	13,963	-	2,288	712	4,220	21,183	20,100
Travel	14,309	87	1,915	2,096	256	18,663	169,084
Conferences & meetings	519	-	-	-	-	519	4,488
Gala event production	-	-	-	46,145	-	46,145	13,234
Other event production	4,375	-	-	1,036	1,000	6,411	41,400
Insurance	-	-	2,218	-	38,892	41,110	39,893
Taxes & licenses	91	-	324	-	13,666	14,081	34,582
Interest expense	-	-	-	-	3,526	3,526	13,189
Bank fees & merchant charges	-	-	3,919	939	1,760	6,618	24,179
Depreciation & amortization	-	-	-	-	14,518	14,518	9,531
Miscellaneous expenses	30	-	225	8,176	6,583	15,014	50,042
Communications allocation	181,886	(228,042)	21,687	24,469	-	-	-
Shared cost allocation	493,511	-	58,842	66,391	(618,744)	-	-
Total expenses before contributed services	3,742,803	-	561,156	697,548	-	5,001,507	4,967,358
Contributed services (Notes 2, 10)	3,622,035	-	-	-	-	3,622,035	5,884,592
Total Expenses	$ 7,364,838	$ -	$ 561,156	$ 697,548	$ -	$ 8,623,542	$ 10,851,950

See accompanying notes to financial statements and independent auditor's report.

National Center for Lesbian Rights

Statement of Cash Flows
for the Year Ended June 30, 2021
with Comparative Totals for the Year Ended June 30, 2020

	6/30/21	6/30/20 (Note 2)
Cash flows from operating activities:		
Change in net assets	$ 3,951,094	$ 1,342,936
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Forgiveness of debt	(468,478)	-
Depreciation & amortization expense	14,518	9,531
Realized and unrealized gains on investments	(67,464)	(17,409)
Other non-cash item	(459)	-
Changes in assets and liabilities:		
(Increase) decrease in grants & contributions receivable	15,957	397,399
(Increase) decrease in other receivables	(9,949)	39,768
(Increase) decrease in prepaid expenses & deposits	(9,317)	22,434
Increase (decrease) in accounts payable & accrued expenses	39,752	(27,879)
Increase (decrease) in grants payable	-	(100,000)
Increase (decrease) in deferred rent & revenue	(9,835)	(9,835)
Cash provided (used) by operating activities:	3,455,819	1,656,945
Cash flows from investing activities:		
Sales (purchase) of marketable securities	1,239	758
Acquisition of property & equipment	-	(49,658)
Cash provided (used) by investing activities:	1,239	(48,900)
Cash flows from financing activities:		
Cash provided by forgivable government loans	468,627	468,478
Cash repaid to line of credit	-	(249,503)
Cash provided (used) by financing activities:	468,627	218,975
Cash provided (used) during year	3,925,685	1,827,020
Cash and cash equivalents:		
Beginning of year, July 1	2,197,387	370,367
End of year, June 30	$ 6,123,072	$ 2,197,387
Additional disclosure:		
Interest paid during the year	$ 2,696	$ 12,411

See accompanying notes to financial statements and independent auditor's report.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2021

1. The Organization

Nature of Activities
Founded in 1977, the National Center for Lesbian Rights (NCLR or the Organization) is a national nonprofit public interest law firm committed to advancing the civil and human rights of lesbian, gay, bisexual, and transgender people (LGBT) and their families through precedent-setting litigation, legislation, policy, direct services, and public education.

NCLR's programs focus on employment, immigration, youth, elder law, transgender law, sports, marriage, relationship protections, reproductive justice, and family law to create safer homes, communities, and a more just world.

For four decades, NCLR has led historic cases, and it is still blazing trails in pursuit of justice, fairness, and legal protections for all LGBT people.

Major Funding
NCLR receives funding from foundations, corporations and individuals. In addition, a substantial amount of support is received in the form of pro bono legal services from attorneys and law firms around the country.

2. Summary of Significant Accounting Policies

Basis of Accounting
The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Social Justice Fund
The National Center for Lesbian Rights Social Justice Fund (SJF) is a nonprofit organization that was formed to support the activities of NCLR. SJF is exempt from income taxes under Internal Revenue Code 501(c)(4). Although NCLR and SJF are two distinct legal entities, they are governed by one board of directors and operated as a single organization. Generally accepted accounting principles requires that the accompanying financial statements include the accounts of both entities. However, SJF did not have any revenues, expenses, assets or liabilities at any point during the fiscal year ended June 30, 2021. As such, no consolidation has been performed.

Cash & Cash Equivalents
Cash and cash equivalents include deposits held in bank checking accounts, as well as money market funds held with an investment brokerage.

Marketable Securities
Marketable securities, consisting of a publicly traded mutual fund held with investment brokerage firms, are carried on the books at fair value using unadjusted quoted prices for identical assets in active markets that are accessible at the measurement date (level 1 inputs as defined by generally accepted accounting principles).

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2021

Grants & Contributions Receivable

Grants & contributions receivable are reported at the amount management expects to receive from contributors based on written promises received. As management believes all amounts are fully collectible, no allowance for doubtful accounts has been established. Amounts due within one year are stated at face value. Amounts due beyond one year are discounted to present value (using an annual rate of 4%) only in cases where such discounts would be material to the financial statements. Currently there are no discounts reflected in the financial statements.

Property & Equipment

Property and equipment, stated at cost, consist of leasehold improvements, office equipment and furnishings with an initial cost of $500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years.

In addition, NCLR has incurred costs for the design, development and implementation of its organizational website. Costs relating to the development of the site's infrastructure have been capitalized. Other costs pertaining to the website are recorded as expense in the year they are incurred. Amortization is computed using the straight-line method over the estimated useful life of the site in its current form, which is five years.

Deferred Rent

NCLR's San Francisco office lease stipulates a staggered rent schedule, whereby monthly rent is increases by approximately 3% to 5% each year. In addition, the lease provides for a two-month rent abatement during the first year of the lease term. In accordance with generally accounting principles, rent expense is recorded on a straight-line basis so that the cost of each lease is recognized evenly over the term. This has resulted in a deferred rent liability that will be fully amortized when the lease expires in May 2022.

Long-Term Debt

Long-term debt consists of forgivable loans received from the Paycheck Protection Program (PPP) through the U.S. Small Business Administration. Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization has elected the latter method, the total amount received, but not forgiven as of the balance sheet date, is presented as long-term debt on the *statement of financial position*.

One loan was received in early 2020 and subsequently forgiven during the fiscal year ending June 30, 2021. This loan was recognized as *forgiveness of debt* on the *statement of activities*. A second loan was received in early 2021 and is reflected as long-term debt on the *statement of financial position*. Repayment is scheduled to begin approximately in August 2022 and must be completed by March 2026. The repayment amount shall be reduced by the amount, if any, which is forgiven.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and payables approximate fair value because of the short maturity of these instruments.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2021

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> **Net assets without donor restrictions**, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.
>
> **Net assets with donor restrictions**, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributed Services

In order to accomplish its mission, NCLR relies heavily on pro bono services provided by attorneys. These attorneys assist NCLR with various civil rights court cases. In accordance with generally accepted accounting principles, the Organization records the estimated fair market value of these services in the *statement of activities and changes in net assets*. Each year, NCLR solicits information from its volunteer attorneys in order to calculate and record the contributions. For the year ended June 30, 2021, approximately 80% of the volunteer attorneys responded to these requests. Based on the responses, median composite valuation rates are developed for the various types of law firm respondents (using firm size and estimated contribution level to categorize each one) and applied to the total population of NCLR's volunteer attorneys in order to determine the total value of contributed services to record in the financial statements. Due to the fact that certain assumptions must be made when calculating and recording estimates, it is at least reasonably possible that the actual value of services received differs from the amount recorded in the financial statements.

Contracts with Customers

As a philanthropy-driven nonprofit, contracts with customers represent a small fraction of NCLR's total funding. Revenues from contracts with customers (as defined by FASB ASC 606) primarily consist of occasional honoraria, stipends, technical assistance and consultant fees that the Organization receives for services performed for other organizations. For the vast majority of contracts, revenue is recognized at the point in time when performance obligations are satisfied (e.g., completion of assigned professional services, attendance at speaking event, etc.).

Due to the short timeframe of most contracts, the Organization's books reflect very few receivables from contracts with customers. Such receivables pertain to revenue recognized, but not yet collected, from performance obligations satisfied as of fiscal year-end. These amounted to $7,000 as of June 30, 2021, and $0 as of June 30, 2020.

As of June 30, 2021, unrecognized contract assets approximating $82,000, for which no amounts were received in advance, were excluded from the accompanying financial statements. These contract assets are scheduled to be recognized during the 2021-2022 fiscal year when the underlying performance obligations are satisfied. Such performance obligations relate to technical assistance services to be provided to a county government. Unrecognized contract assets were $50,000 as of June 30, 2020. There were no contract liabilities as of June 30, 2021, or June 30, 2020.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities. The Organization employs a *communications* staff responsible for promoting NCLR and its activities to various external stakeholders. Any communications activities that involve a solicitation of contributions are allocated to *fundraising*, while communications involving a programmatic call to action are allocated to *program services*. All other communications activities are allocated to *management & general.*

Each month, the Organization allocates each employee's compensation to the major functions according to management's estimate of that individual's time and effort (based on job titles and major responsibilities). Other shared costs, consisting primarily of occupancy and office expenses, are allocated according to each major function's proportionate share of salaries expense.

The staff time estimates and respective payroll allocations discussed above are reevaluated at the close of the fiscal year and adjusted as deemed necessary. Of the Organization's 32 employees, 18 were expensed entirely to *program services*, 2 individuals (an operations manager and an administrative assistant) were charged entirely to *management & general*, and the development database manager was charged entirely to *fundraising*. The remaining 11 employees were allocated to two or more functions based on management's estimate of time and effort.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), NCLR is exempt from income taxes, except on activities unrelated to its mission.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2021

The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2018 through 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's *California Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2017 through 2021 are subject to examination by the Internal Revenue Service, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement is reflected in the Organization's financial statements for the year ended June 30, 2021. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

These financial statements also reflect the provisions Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement was effective for the Organization's fiscal year ended June 30, 2020.

Comparative Data

The financial statement information for the year ended June 30, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that fiscal year. Certain amounts in the 2020 financial statements have been reclassified to conform to the current year presentation.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2021

3. Investments – Fair Value Disclosures

The Organization values its investments on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

Fair value of assets measured on a recurring basis at June 30, 2021, consists of various categories of securities held with investment brokerage firms:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Blended debt and equity mutual fund	$315,409	$315,409		
Total	$315,409	$315,409		

4. Grants & Contributions Receivable

Due within one year (current)	$633,988
Due within two years (non-current)	100,000
Total	$733,988

5. Property & Equipment

Computers & software	$68,946
Website	45,000
Leasehold improvements	25,497
Furniture & equipment	25,445
Trademarks	825
Total cost	$165,713
Less: accumulated depreciation and amortization	(127,182)
Net book value	$38,531

6. Line of Credit

NCLR holds a $250,000 bank line of credit with an expiration date of January 30, 2022. Interest on outstanding balances accrues at a variable rate, which was 4.25% during the 20-21 fiscal year. As of June 30, 2021, there was no outstanding balance.

7. Long-Term Debt

Long-term debt consists of a Paycheck Protection Program loan that originated in April 2021. The terms of the loan specify that repayment of principal and interest (accrued at an annual rate of 1%) shall begin approximately 16 months after the loan was funded and must be repaid by March 2026.

The future scheduled maturities of long-term debt are as follows:

Year ending June 30:	
2023	$111,448
2024	128,749
2025	130,042
2026	98,388
Total	$468,627

8. Board-Designated Net Assets

The balance of board-designated net assets consists of *net assets without donor restrictions* which the board has elected to set aside for emergencies and unforeseen expenses. The board may undesignate these funds at any time.

9. Net Assets with Donor Restrictions

As of June 30, 2021, the balance of *net assets with donor restrictions* consisted of contributions designated by donors for the following:

The Stuart M. Biegel Trust*	$588,100
Other activities:	
General support for future periods	303,725
Transforming systems to address needs of HIV+	200,000
Public education on trans military ban and conversion therapy	160,314
Inclusion playbook fiscal sponsorship	125,193
Other projects	23,500
Total	$1400,832

*In the spring of 2020, NCLR received a bequest for the purpose of establishing and maintaining programs in support of three activities:

Clerkship – Each year, NCLR shall select at least one individual to serve in a legal clerkship. Each clerk shall be compensated at least $5,000, but no more than $20,000, (in 2020 dollars) for a clerkship spanning 8 to 14 weeks.

Campaign – Each year, NCLR shall conduct a public education campaign to educate the public at large and/or certain cohorts about issues of highest priority to NCLR.

Internship – Each year, NCLR shall select at least one individual to serve as a public education campaign intern. Each intern shall be compensated at least $5,000, but no more than $20,000, (in 2020 dollars) for an internship spanning 8 to 14 weeks.

The minimum expenditure levels noted above shall be adjusted annually for inflation. In the event that the trust distribution becomes depleted, NCLR will be required to satisfy the minimum annual expenditure requirements through the use of other funds including, but not limited to, the Organization's general operating support. Under the terms of the trust, these activities and the respective spending requirements shall remain in perpetuity.

10. In-kind Goods and Facilities

Gifts in kind and donated use of facilities included the following:

Discounted use of office space	$25,550
Supplies	576
Total	$26,126

11. Contributed Services

The Organization recognized the following pro bono legal services for the year:

Pro bono contributed services reported	$3,585,475
Estimate of additional contributed services (see Note 2)	36,560
Total	$3,622,035

12. Leases

NCLR rents its San Francisco office under a 5-year operating lease that extends through May 2022. Monthly rent was $26,317 as of June 30, 2021, and is scheduled to remain at this level for the remainder of the lease. As of June 30, 2021, future minimum lease payments are $289,487 for the fiscal year ending June 30, 2022.

13. Retirement Plan

NCLR maintains a defined contribution 403(b) retirement plan. Contributions to the plan are made at the discretion of the board and management and are allocated to eligible individual employee accounts pro rata based on respective salaries. For the period ended June 30, 2021, the Organization made $8,308 in employer contributions.

14. Contingencies, Risks & Uncertainties

Compliance with Funding Source Requirements

The Organization receives contributions, grants and government assistance restricted for a specific program or purpose. This includes approximately $935,000 in forgivable loans from the Paycheck Program, of which approximately half is recognized on the statement of activities as *forgiveness of debt* income and half is reflected on the statement of financial position as long-term debt. Such funding also includes approximately $329,000 claimed in the form of Employee Retention Credits under recent federal legislation. This amount has been recognized as income and reflected as a receivable but has not been received as of December 10, 2021, the date the financial statements were available to be issued.

If it is determined that restrictions or conditions are not met in accordance with applicable program requirements, there is the possibility that the Organization's claims for reimbursement may be denied or that monies received to date would have to be returned to the funding source. It is management's opinion that all applicable program requirements have been met as of June 30, 2021, for amounts that have been recognized as revenue and support in the *without donor restrictions* net asset class.

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Investment Risk

NCLR has invested $315,409 in marketable securities that are subject to fluctuation in fair value. Although this presents the possibility of loss, the Organization believes that its investment fund is adequately diversified to mitigate this risk.

Cash Deposits in Excess of FDIC Insurance Limits

As of June 30, 2021, the Organization held approximately $6 million in a single financial institution. The Federal Deposit Insurance Corporation only insures $250,000 of this amount.

15. Management's Liquidity Disclosure

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of immediate cash requirements are invested in a money market fund.

The following table reflects the Organization's financial assets as of June 30, 2021, that are available to meet general expenditures within one year of the statement of financial position date. Amounts available to meet general expenditures within one year include net assets with donor restrictions when the time restrictions are expected to be fulfilled within the next year. To help manage unanticipated liquidity needs, the Organization has a line of credit (as discussed in Note 6), which it could utilize.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	$6,123,072
Marketable securities	315,409
Grants & contributions receivable	633,988
Other receivable	9,949
Less: purpose-restricted net assets	(1,097,107)
Total	$5,985,311

16. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events for potential recognition or disclosure through December 10, 2021, the date the financial statements were available to be issued.