National Center for Lesbian Rights

Financial Statements &

Independent Auditor's Report

for the Year Ended

June 30, 2018

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, 2018, 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.

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, 2018, 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, 2017, financial statements of National Center for Lesbian Rights and our report dated December 13, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
May 6, 2019

870 Market Street, Suite 880 San Francisco, CA 94102
Toll Free: (855) 676-2727 **Fax:** (855) 568-8895
www.cookandcompanycpa.com

National Center for Lesbian Rights

Statement of Financial Position
June 30, 2018
with Comparative Totals for June 30, 2017

ASSETS	6/30/18	6/30/17 (Note 2)
Current Assets:		
Cash & equivalents	$ 322,932	$ 335,988
Marketable securities	200,120	188,834
Pledges & grants receivable, current (Note 3)	733,439	684,865
Other receivables	46,925	11,648
Prepaid expenses & other current assets	39,530	53,660
Total current assets	1,342,946	1,274,995
Pledges & grants receivable, non-current (Note 3)	94,305	160,000
Deposits	31,428	33,273
Property & equipment, net (Note 4)	21,284	30,516
TOTAL ASSETS	$ 1,489,963	$ 1,498,784
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$ 124,612	$ 104,131
Accrued payroll liabilities	300,202	306,579
Deferred rent (Note 2)	1,149	31,032
Deferred revenue	1,872	1,872
Total current liabilities	427,835	443,614
Deferred rent, long-term (Note 2)	53,576	-
TOTAL LIABILITIES	481,411	443,614
Net Assets		
Unrestricted (Note 5)	(85,447)	265,370
Temporarily restricted (Note 6)	1,093,999	789,800
TOTAL NET ASSETS	1,008,552	1,055,170
TOTAL LIABILITIES & NET ASSETS	$ 1,489,963	$ 1,498,784

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, 2018
with Comparative Totals for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total (Note 2)
Support & Revenue:				
Contributions & grants	$ 2,642,886	$ 2,152,509	$ 4,795,395	$ 3,960,223
Net assets released from restriction:				
Satisfaction of donor requirements	2,060,360	(2,060,360)	-	-
Special events, net (Note 7)	300,781	212,050	512,831	330,986
Contributed goods	1,790		1,790	5,000
Case fees	187,653		187,653	217,182
Program revenue	105,588		105,588	44,048
Investment income (Note 8)	10,163		10,163	8,985
Other income	4,452		4,452	254
Total support & revenue before contributed services	5,313,673	304,199	5,617,872	4,566,678
Contributed services (Notes 2, 9)	1,565,420		1,565,420	5,416,391
Total support & revenue	6,879,093	304,199	7,183,292	9,983,069
Expenses:				
Program services	4,100,747		4,100,747	3,687,444
Management & general	270,085		270,085	260,625
Fundraising	1,293,658		1,293,658	913,218
Total expenses before contributed services	5,664,490	-	5,664,490	4,861,287
Contributed services (Notes 2, 9)	1,565,420		1,565,420	5,416,391
Total expenses	7,229,910	-	7,229,910	10,277,678
CHANGE IN NET ASSETS	(350,817)	304,199	(46,618)	(294,609)
NET ASSETS, July 1	265,370	789,800	1,055,170	1,349,779
NET ASSETS, June 30	$ (85,447)	$ 1,093,999	$ 1,008,552	$ 1,055,170

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, 2018
with Comparative Totals for the Year Ended June 30, 2017

	Program Services	Management & General	Development	2018 Total	2017 Total (Note 2)
Salaries	$ 2,196,302	$ 103,159	$ 283,689	$ 2,583,150	$ 2,356,768
Payroll taxes	159,475	7,490	20,597	187,562	169,518
Benefits	422,200	23,076	63,425	508,701	460,460
Contract services	284,174	84,852	203,494	572,520	327,282
Case expenses	47,979	-	-	47,979	30,118
Advertising & public relations	39,400	37	10,418	49,855	23,996
Occupancy	315,139	12,641	31,966	359,746	260,347
Books, dues & publications	69,968	849	752	71,569	69,287
Telephone & Internet	51,819	3,823	8,137	63,779	80,928
Information technology	85,855	13,042	96,285	195,182	156,099
Postage	15,934	769	2,266	18,969	14,522
Printing	1,256	117	108	1,481	2,139
Direct mail expenses	-	-	220,034	220,034	204,421
Supplies & equipment	49,075	3,472	21,023	73,570	54,278
Staff development	27,230	286	4,591	32,107	13,164
Travel	242,237	3,800	50,701	296,738	281,602
Conferences & meetings	29,035	1,347	8,972	39,354	51,186
Gala event production	-	-	169,891	169,891	120,230
Other event production	2,246	8	48,520	50,774	31,593
Insurance	20,281	6,004	2,267	28,552	33,427
Taxes & licenses	10,263	1,164	3,132	14,559	6,999
Bank fees & merchant charges	-	2,864	38,053	40,917	49,451
Depreciation & amortization	21,978	1,034	2,844	25,856	25,968
Miscellaneous expenses	8,901	251	2,493	11,645	37,504
Total expenses before contributed services	4,100,747	270,085	1,293,658	5,664,490	4,861,287
Contributed services (Notes 2, 9)	1,565,420			1,565,420	5,416,391
Total Expenses	$ 5,666,167	$ 270,085	$ 1,293,658	$ 7,229,910	$ 10,277,678

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, 2018
with Comparative Totals for the Year Ended June 30, 2017

	6/30/18	6/30/17 (Note 2)
Cash flows from operating activities:		
Change in net assets	$ (46,618)	$ (294,609)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation & amortization expense	25,856	25,968
Change in fair value of marketable securities	(6,491)	10,674
Other non-cash item	(166)	-
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	17,121	82,582
(Increase) decrease in other receivables	(35,277)	(2,977)
(Increase) decrease in prepaid expenses & deposits	15,975	(22,827)
Increase (decrease) in accounts payable & accrued expenses	14,104	(17,743)
Increase (decrease) in deferred rent & revenue	23,693	7,090
Cash provided (used) by operating activities:	8,197	(211,842)
Cash flows from investing activities:		
Sales (purchase) of marketable securities	(4,795)	(380)
Acquisition of property & equipment	(16,458)	(8,956)
Cash provided (used) by investing activities:	(21,253)	(9,336)
Cash flows from financing activities:		
Repayments on loan	-	(173,333)
Cash provided (used) by financing activities:	-	(173,333)
Cash provided (used) during year	(13,056)	(394,511)
Cash and cash equivalents:		
Beginning of year, July 1	335,988	730,499
End of year, June 30	$ 322,932	$ 335,988

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

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2018

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.

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. In accordance with generally accepted accounting principles, the accompanying financial statements include the accounts of both entities.

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.

Basis of Presentation
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:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2018

Accounting for Restricted Support
The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

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 primarily consist of funds deposited in a World Balanced Fund held with a brokerage firm. This publicly-traded mutual fund is invested in various securities in a balanced approach that ranges from 60% to 75% for equities and from 25% to 40% for fixed income securities. This investment is 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).

Pledges & Grants Receivable
Pledges and grants 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%.

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 Sam Francisco office lease stipulates a staggered rent schedule, whereby monthly rent is increased 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.

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.

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, 2018, approximately one-half 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.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated according to a formula based on the estimated amount of staff time spent on the particular function.

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.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. The Organization does not believe its financial statements include any material uncertain tax positions.

The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2015 through 2018 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 2014 through 2018 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.

Comparative Data
The financial statement information for the year ended June 30, 2017, 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 2017 financial statements have been reclassified to conform to the current year presentation.

3. Pledges & Grants Receivable

Due within one year	$733,439
Due in one to five years	
Face value	100,000
Less: discount to present value (at 4%)	(5,695)
	94,305
Total	$827,744

4. Property & Equipment

Computers & software	$64,348
Website	55,378
Leasehold improvements	25,497
Furniture & equipment	22,288
Trademarks	825
Total cost	$168,336
Less: accumulated depreciation and amortization	(147,052)
Net book value	$21,284

5. Negative Unrestricted Net Asset Balance

NCLR ended the fiscal year with negative unrestricted net assets, meaning that the Organization has borrowed from its donor-restricted funds for immediate operating needs.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2018

6. Temporarily Restricted Net Assets

As of June 30, 2018, temporarily restricted net assets consisted of contributions designated by donors for the following:

General support for future periods	$913,189
Sports program	20,000
#BornPerfect Campaign	87,500
Fellowships	43,333
Reproductive Justice work	25,187
Other projects	4,790
Total	$1,093,999

7. Special Events

Gross receipts	$846,655
Less: cost of direct benefits to donors	(333,824)
	$512,831

8. Investment Income

Interest & dividends	$3,672
Unrealized gains	9,412
Realized losses	(2,921)
Total	$10,163

9. Contributed Services

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

Pro bono contributed services reported	$1,263,425
Estimate of additional contributed services (see Note 2)	301,995
Total	$1,565,420

10. Line of Credit

In September 2015, the Organization received a revolving credit line of $100,000 at 7% annual interest with the Northern California Community Loan Fund. The line has an expiration date of September 30, 2018, and is renewable annually. As of June 30, 2018, there was no outstanding balance on the line of credit.

National Center for Lesbian Rights

Notes to Financial Statements
June 30, 2018

11. Leases

NCLR rents its San Francisco office under a 5-year operating lease that extends through May 2022. Monthly rent was $24,048 as of June 30, 2018, and is scheduled to increase by approximately 3% annually.

The Organization also rents a satellite office in Washington, D.C. under an 11-month lease that expires in January 2019. Rent expense was $3,150 per month as of June 30, 2018,

Future minimum lease payments are as follows:

2018-2019	$311,780
2019-2020	298,416
2020-2021	307,367
2021-2022	289,487
Total future minimum lease payments	$1,207,050

12. 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, 2018, the Organization made $43,055 in employer contributions.

13. Contingencies

Investment Risk
NCLR has invested $200,120 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.

Compliance with Funding Source Restrictions
The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor requirements have been met for grants and contributions that have been released from temporarily restricted net assets.

14. Management's Review of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 6, 2019, the date the financial statements were available to be issued.