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EQUAL JUSTICE UNDER LAW

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

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MARCH 31, 2013 AND 2012**

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Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P. C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Park Square Advocates, Inc. d/b/a Gay & Lesbian Advocates & Defenders:

Report on the Financial Statements

We have audited the accompanying financial statements of Park Square Advocates, Inc. d/b/a Gay & Lesbian Advocates & Defenders (a Massachusetts corporation, not for profit) (GLAD) which comprise the statements of financial position as of March 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 auditor's 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 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 Park Square Advocates, Inc. d/b/a Gay & Lesbian Advocates & Defenders as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.
Boston, Massachusetts
June 19, 2013

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND 2012

ASSETS	2013			2012		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
CURRENT ASSETS:						
Cash and cash equivalents	\$ 628,974	\$ 436,729	\$ 1,065,703	\$ 815,527	\$ 528,577	\$ 1,344,104
Accounts receivable	12,479	-	12,479	12,496	-	12,496
Current portion of pledges receivable	-	208,500	208,500	40,000	326,000	366,000
Short-term investments	356,580	-	356,580	324,731	-	324,731
Prepaid expenses and other	56,072	-	56,072	28,591	-	28,591
Total current assets	1,054,105	645,229	1,699,334	1,221,345	854,577	2,075,922
INVESTMENTS	1,113,071	-	1,113,071	670,037	-	670,037
PLEDGES RECEIVABLE , net of current portion, discount and allowance	-	38,856	38,856	-	5,691	5,691
PROPERTY AND EQUIPMENT , net	51,079	-	51,079	64,069	-	64,069
Total assets	<u>\$ 2,218,255</u>	<u>\$ 684,085</u>	<u>\$ 2,902,340</u>	<u>\$ 1,955,451</u>	<u>\$ 860,268</u>	<u>\$ 2,815,719</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 294,062	\$ -	\$ 294,062	\$ 333,539	\$ -	\$ 333,539
DEFERRED RENT	146,298	-	146,298	148,651	-	148,651
Total liabilities	440,360	-	440,360	482,190	-	482,190
NET ASSETS:						
Unrestricted:						
Operating	859,301	-	859,301	802,966	-	802,966
Board designated	867,515	-	867,515	606,226	-	606,226
Property and equipment	51,079	-	51,079	64,069	-	64,069
Total unrestricted	1,777,895	-	1,777,895	1,473,261	-	1,473,261
Temporarily restricted	-	684,085	684,085	-	860,268	860,268
Total net assets	1,777,895	684,085	2,461,980	1,473,261	860,268	2,333,529
Total liabilities and net assets	<u>\$ 2,218,255</u>	<u>\$ 684,085</u>	<u>\$ 2,902,340</u>	<u>\$ 1,955,451</u>	<u>\$ 860,268</u>	<u>\$ 2,815,719</u>

The accompanying notes are an integral part of these statements.

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2013

(With Summarized Comparative Totals for the Year Ended March 31, 2012)

	2013				2012	
	UNRESTRICTED			TEMPORARILY RESTRICTED	TOTAL	TOTAL
	OPERATING	BOARD DESIGNATED	TOTAL UNRESTRICTED			
SUPPORT AND OTHER OPERATING REVENUES:						
Support:						
Special events:						
Event contributions and support	\$ 825,771	\$ -	\$ 825,771	\$ -	\$ 825,771	\$ 988,538
Less - direct expenses	126,725	-	126,725	-	126,725	115,646
Net special events revenue	699,046	-	699,046	-	699,046	872,892
Individual contributions	1,857,093	-	1,857,093	498,241	2,355,334	1,744,089
Grants	78,002	-	78,002	1,276,002	1,354,004	1,203,348
Donated services	913,579	-	913,579	-	913,579	1,234,204
Net assets released from restrictions:						
Satisfaction of program restrictions	1,772,649	-	1,772,649	(1,772,649)	-	-
Satisfaction of time restrictions	177,777	-	177,777	(177,777)	-	-
Total support	5,498,146	-	5,498,146	(176,183)	5,321,963	5,054,533
Contract service revenue	66,257	-	66,257	-	66,257	66,257
Spending policy transfers	31,849	-	31,849	-	31,849	31,468
Speaker fees and other income	11,101	-	11,101	-	11,101	658
Interest and dividend income, net	8,822	-	8,822	-	8,822	9,846
Other fees	-	-	-	-	-	42,932
Total support and other operating revenues	5,616,175	-	5,616,175	(176,183)	5,439,992	5,205,694
OPERATING EXPENSES:						
Program services:						
Civil Rights	2,060,134	-	2,060,134	-	2,060,134	2,083,534
Public Affairs and Education	1,412,666	-	1,412,666	-	1,412,666	1,122,440
Transgender Rights Project	548,589	-	548,589	-	548,589	442,007
AIDS Law Project	229,540	-	229,540	-	229,540	222,437
Total program services	4,250,929	-	4,250,929	-	4,250,929	3,870,418
Support services:						
Fundraising	659,293	-	659,293	-	659,293	665,957
General and Administrative	431,735	-	431,735	-	431,735	490,945
Total support services	1,091,028	-	1,091,028	-	1,091,028	1,156,902
Total operating expenses	5,341,957	-	5,341,957	-	5,341,957	5,027,320
Changes in net assets from operations	274,218	-	274,218	(176,183)	98,035	178,374
OTHER REVENUES (EXPENSES):						
Net realized and unrealized gains (losses) on investments	9,127	38,837	47,964	-	47,964	(33,627)
Interest and dividend income	-	14,301	14,301	-	14,301	37,123
Donated equipment	-	-	-	-	-	6,766
Spending policy transfer	-	(31,849)	(31,849)	-	(31,849)	(31,468)
Board transfer	(240,000)	240,000	-	-	-	-
Changes in net assets	43,345	261,289	304,634	(176,183)	128,451	157,168
NET ASSETS, beginning of year	867,035	606,226	1,473,261	860,268	2,333,529	2,176,361
NET ASSETS, end of year	\$ 910,380	\$ 867,515	\$ 1,777,895	\$ 684,085	\$ 2,461,980	\$ 2,333,529

The accompanying notes are an integral part of these statements.

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2012

	UNRESTRICTED			TEMPORARILY RESTRICTED	TOTAL
	OPERATING	BOARD DESIGNATED	TOTAL UNRESTRICTED		
SUPPORT AND OTHER OPERATING REVENUES:					
Support:					
Special events:					
Event contributions and support	\$ 988,538	\$ -	\$ 988,538	\$ -	\$ 988,538
Less - direct expenses	<u>115,646</u>	<u>-</u>	<u>115,646</u>	<u>-</u>	<u>115,646</u>
Net special events revenue	872,892	-	872,892	-	872,892
Individual contributions	1,319,494	-	1,319,494	424,595	1,744,089
Grants	70,003	-	70,003	1,133,345	1,203,348
Donated services	1,234,204	-	1,234,204	-	1,234,204
Net assets released from restrictions:					
Satisfaction of program restrictions	1,145,780	-	1,145,780	(1,145,780)	-
Satisfaction of time restrictions	<u>235,794</u>	<u>-</u>	<u>235,794</u>	<u>(235,794)</u>	<u>-</u>
Total support	4,878,167	-	4,878,167	176,366	5,054,533
Contract service revenue	66,257	-	66,257	-	66,257
Spending policy transfers	31,468	-	31,468	-	31,468
Speaker fees and other income	658	-	658	-	658
Interest and dividend income, net	9,846	-	9,846	-	9,846
Other fees	<u>42,932</u>	<u>-</u>	<u>42,932</u>	<u>-</u>	<u>42,932</u>
Total support and other operating revenues	<u>5,029,328</u>	<u>-</u>	<u>5,029,328</u>	<u>176,366</u>	<u>5,205,694</u>
OPERATING EXPENSES:					
Program services:					
Civil Rights	2,083,534	-	2,083,534	-	2,083,534
Public Affairs and Education	1,122,440	-	1,122,440	-	1,122,440
Transgender Rights Project	442,007	-	442,007	-	442,007
AIDS Law Project	<u>222,437</u>	<u>-</u>	<u>222,437</u>	<u>-</u>	<u>222,437</u>
Total program services	<u>3,870,418</u>	<u>-</u>	<u>3,870,418</u>	<u>-</u>	<u>3,870,418</u>
Support services:					
Fundraising	665,957	-	665,957	-	665,957
General and Administrative	<u>490,945</u>	<u>-</u>	<u>490,945</u>	<u>-</u>	<u>490,945</u>
Total support services	<u>1,156,902</u>	<u>-</u>	<u>1,156,902</u>	<u>-</u>	<u>1,156,902</u>
Total operating expenses	<u>5,027,320</u>	<u>-</u>	<u>5,027,320</u>	<u>-</u>	<u>5,027,320</u>
Changes in net assets from operations	2,008	-	2,008	176,366	178,374
OTHER REVENUES (EXPENSES):					
Net realized and unrealized losses on investments	(7,269)	(26,358)	(33,627)	-	(33,627)
Interest and dividend income	-	37,123	37,123	-	37,123
Donated equipment	6,766	-	6,766	-	6,766
Spending policy transfer	<u>-</u>	<u>(31,468)</u>	<u>(31,468)</u>	<u>-</u>	<u>(31,468)</u>
Loss on disposal of property and equipment					
Changes in net assets	1,505	(20,703)	(19,198)	176,366	157,168
NET ASSETS, beginning of year	<u>865,530</u>	<u>626,929</u>	<u>1,492,459</u>	<u>683,902</u>	<u>2,176,361</u>
NET ASSETS, end of year	<u>\$ 867,035</u>	<u>\$ 606,226</u>	<u>\$ 1,473,261</u>	<u>\$ 860,268</u>	<u>\$ 2,333,529</u>

The accompanying notes are an integral part of these statements.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets from operations	\$ 98,035	\$ 178,374
Adjustments to reconcile changes in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation	14,276	15,592
Change in discount on pledges receivable	875	(567)
Donated stock	(132,706)	(133,944)
Spending policy transfer	(31,849)	(31,468)
Deferred rent	(2,353)	6,741
Changes in operating assets and liabilities:		
Accounts receivable	17	(6,975)
Pledges receivable	123,460	(161,456)
Prepaid expenses and other	(27,481)	25,265
Accounts payable and accrued expenses	(39,477)	54,152
Net cash provided by (used in) operating activities	<u>2,797</u>	<u>(54,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(444,777)	(290,785)
Interest and dividend income	14,301	37,123
Proceeds from sales of investments	150,564	395,936
Acquisition of property and equipment	(1,286)	(14,809)
Net cash provided by (used in) investing activities	<u>(281,198)</u>	<u>127,465</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(278,401)	73,179
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,344,104</u>	<u>1,270,925</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,065,703</u>	<u>\$ 1,344,104</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Donated stock	<u>\$ 132,706</u>	<u>\$ 133,944</u>
Unrealized gain (loss) on investments	<u>\$ 50,626</u>	<u>\$ (35,187)</u>
Donated equipment	<u>\$ -</u>	<u>\$ 6,766</u>

The accompanying notes are an integral part of these statements.

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2013
(With Summarized Comparative Totals for the Year Ended March 31, 2012)

	2013								2012	
	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL	TOTAL
	CIVIL RIGHTS	PUBLIC AFFAIRS AND EDUCATION	TRANSGENDER RIGHTS PROJECT	AIDS LAW PROJECT	TOTAL PROGRAM SERVICES	FUND-RAISING	GENERAL AND ADMINISTRATIVE	TOTAL SUPPORT SERVICES		
PERSONNEL AND RELATED:										
Salaries	\$ 698,274	\$ 519,525	\$ 305,873	\$ 151,772	\$ 1,675,444	\$ 363,805	\$ 265,043	\$ 628,848	\$ 2,304,292	\$ 2,183,291
Fringe benefits	78,184	58,608	34,248	16,993	188,033	40,734	29,676	70,410	258,443	263,406
Payroll taxes	59,614	43,274	26,113	12,957	141,958	31,059	22,628	53,687	195,645	177,956
Total personnel and related	<u>836,072</u>	<u>621,407</u>	<u>366,234</u>	<u>181,722</u>	<u>2,005,435</u>	<u>435,598</u>	<u>317,347</u>	<u>752,945</u>	<u>2,758,380</u>	<u>2,624,653</u>
PROFESSIONAL FEES AND SERVICES:										
Donated legal services	874,379	-	39,200	-	913,579	-	-	-	913,579	1,234,204
Other professional fees	69,627	616,952	14,541	4,734	705,854	26,414	13,142	39,556	745,410	255,326
Audit and legal	-	-	-	-	-	-	24,380	24,380	24,380	24,730
Total professional fees and services	<u>944,006</u>	<u>616,952</u>	<u>53,741</u>	<u>4,734</u>	<u>1,619,433</u>	<u>26,414</u>	<u>37,522</u>	<u>63,936</u>	<u>1,683,369</u>	<u>1,514,260</u>
OCCUPANCY:										
Rent	103,525	64,373	49,118	22,501	239,517	53,937	39,295	93,232	332,749	340,905
Computer supplies, software and other	6,209	3,925	2,720	1,349	14,203	3,235	2,357	5,592	19,795	15,777
Depreciation	4,478	2,831	1,961	973	10,243	2,333	1,700	4,033	14,276	15,592
Utilities	3,922	2,480	1,718	853	8,973	2,044	1,489	3,533	12,506	12,506
Equipment leases	3,298	2,085	1,445	717	7,545	1,719	1,252	2,971	10,516	12,782
Repairs and maintenance	2,294	1,450	1,005	499	5,248	1,195	871	2,066	7,314	9,993
Total occupancy	<u>123,726</u>	<u>77,144</u>	<u>57,967</u>	<u>26,892</u>	<u>285,729</u>	<u>64,463</u>	<u>46,964</u>	<u>111,427</u>	<u>397,156</u>	<u>407,555</u>
OTHER:										
Grants, donations and sponsorships	47,224	29,127	26,724	483	103,558	-	-	-	103,558	20,792
Printing and publications	4,654	19,540	7,559	194	31,947	61,674	339	62,013	93,960	93,583
Travel and conferences	36,904	6,861	6,999	1,785	52,549	18,341	3,850	22,191	74,740	66,817
Bank charges and merchant fees	12,428	7,857	5,444	2,701	28,430	6,475	4,717	11,192	39,622	30,769
Postage	5,197	7,220	3,408	2,126	17,951	18,096	2,211	20,307	38,258	40,017
Telephone and internet	8,251	5,216	3,614	1,793	18,874	4,299	3,132	7,431	26,305	27,895
Communications and database	7,719	5,079	3,761	1,678	18,237	4,022	2,930	6,952	25,189	21,014
Dues, subscriptions and reference	10,754	241	4,711	2,338	18,044	176	460	636	18,680	23,440
Office supplies and small equipment	4,908	3,103	2,150	1,067	11,228	2,557	1,863	4,420	15,648	17,569
Advertising and marketing	2,909	2,870	1,515	-	7,294	6,540	-	6,540	13,834	69,593
Insurance	5,601	1,356	2,454	1,217	10,628	1,487	814	2,301	12,929	13,600
Event supplies	-	5,520	557	-	6,077	5,141	-	5,141	11,218	16,470
Functions and meetings	1,747	721	332	165	2,965	2,434	5,174	7,608	10,573	14,852
Staff development	2,796	2,197	-	-	4,993	1,366	2,977	4,343	9,336	7,735
Other litigation costs	4,835	-	1,242	557	6,634	-	1,284	1,284	7,918	11,950
Miscellaneous	403	255	177	88	923	210	151	361	1,284	4,256
Total other	<u>156,330</u>	<u>97,163</u>	<u>70,647</u>	<u>16,192</u>	<u>340,332</u>	<u>132,818</u>	<u>29,902</u>	<u>162,720</u>	<u>503,052</u>	<u>480,852</u>
Total expenses	<u>\$ 2,060,134</u>	<u>\$ 1,412,666</u>	<u>\$ 548,589</u>	<u>\$ 229,540</u>	<u>\$ 4,250,929</u>	<u>\$ 659,293</u>	<u>\$ 431,735</u>	<u>\$ 1,091,028</u>	<u>\$ 5,341,957</u>	<u>\$ 5,027,320</u>

The accompanying notes are an integral part of these statements.

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012

	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL
	CIVIL RIGHTS	PUBLIC AFFAIRS AND EDUCATION	TRANSGENDER RIGHTS PROJECT	AIDS LAW PROJECT	TOTAL PROGRAM SERVICES	FUND-RAISING	GENERAL AND ADMINISTRATIVE	TOTAL SUPPORT SERVICES	
PERSONNEL AND RELATED:									
Salaries	\$ 570,181	\$ 557,566	\$ 264,888	\$ 144,125	\$ 1,536,760	\$ 350,193	\$ 296,338	\$ 646,531	\$ 2,183,291
Fringe benefits	70,641	61,993	32,817	17,855	183,306	43,386	36,714	80,100	263,406
Payroll taxes	47,169	43,467	21,913	11,922	124,471	28,970	24,515	53,485	177,956
Total personnel and related	<u>687,991</u>	<u>663,026</u>	<u>319,618</u>	<u>173,902</u>	<u>1,844,537</u>	<u>422,549</u>	<u>357,567</u>	<u>780,116</u>	<u>2,624,653</u>
PROFESSIONAL FEES AND SERVICES:									
Donated legal services	1,202,295	4,201	18,364	1,704	1,226,564	4,138	3,502	7,640	1,234,204
Other professional fees	15,852	187,051	4,326	2,354	209,583	34,172	11,571	45,743	255,326
Audit and legal	450	-	-	-	450	-	24,280	24,280	24,730
Total professional fees and services	<u>1,218,597</u>	<u>191,252</u>	<u>22,690</u>	<u>4,058</u>	<u>1,436,597</u>	<u>38,310</u>	<u>39,353</u>	<u>77,663</u>	<u>1,514,260</u>
OCCUPANCY:									
Rent	89,304	82,494	45,273	22,573	239,644	54,848	46,413	101,261	340,905
Computer supplies, software and other	4,540	2,831	2,109	1,148	10,628	2,789	2,360	5,149	15,777
Depreciation	4,487	2,798	2,085	1,134	10,504	2,756	2,332	5,088	15,592
Utilities	3,599	2,244	1,672	910	8,425	2,210	1,871	4,081	12,506
Equipment leases	3,533	2,709	1,641	893	8,776	2,170	1,836	4,006	12,782
Repairs and maintenance	2,876	1,793	1,336	727	6,732	1,766	1,495	3,261	9,993
Total occupancy	<u>108,339</u>	<u>94,869</u>	<u>54,116</u>	<u>27,385</u>	<u>284,709</u>	<u>66,539</u>	<u>56,307</u>	<u>122,846</u>	<u>407,555</u>
OTHER:									
Grants, donations and sponsorships	425	19,935	75	-	20,435	357	-	357	20,792
Printing and publications	1,598	40,677	1,617	256	44,148	48,909	526	49,435	93,583
Travel and conferences	13,750	11,290	10,778	2,821	38,639	22,744	5,434	28,178	66,817
Bank charges and merchant fees	8,855	5,521	4,114	2,238	20,728	5,439	4,602	10,041	30,769
Postage	4,758	7,305	3,155	1,940	17,158	20,257	2,602	22,859	40,017
Telephone and internet	8,028	5,005	3,730	2,029	18,792	4,931	4,172	9,103	27,895
Communications and database	3,459	9,659	1,843	874	15,835	2,204	2,975	5,179	21,014
Dues, subscriptions and reference	12,194	373	5,665	3,082	21,314	508	1,618	2,126	23,440
Office supplies and small equipment	5,056	3,153	2,349	1,278	11,836	3,105	2,628	5,733	17,569
Advertising and marketing	1,225	59,590	-	-	60,815	8,248	530	8,778	69,593
Insurance	5,436	1,382	2,526	1,374	10,718	1,730	1,152	2,882	13,600
Event supplies	150	5,000	-	-	5,150	11,320	-	11,320	16,470
Functions and meetings	981	1,881	430	234	3,526	5,074	6,252	11,326	14,852
Staff development	-	1,672	-	-	1,672	2,896	3,167	6,063	7,735
Other litigation costs	1,310	-	8,666	622	10,598	-	1,352	1,352	11,950
Miscellaneous	1,382	850	635	344	3,211	837	708	1,545	4,756
Total other	<u>68,607</u>	<u>173,293</u>	<u>45,583</u>	<u>17,092</u>	<u>304,575</u>	<u>138,559</u>	<u>37,718</u>	<u>176,277</u>	<u>480,852</u>
Total expenses	<u>\$ 2,083,534</u>	<u>\$ 1,122,440</u>	<u>\$ 442,007</u>	<u>\$ 222,437</u>	<u>\$ 3,870,418</u>	<u>\$ 665,957</u>	<u>\$ 490,945</u>	<u>\$ 1,156,902</u>	<u>\$ 5,027,320</u>

The accompanying notes are an integral part of these statements.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Through strategic litigation, public policy advocacy and education, Park Square Advocates, Inc. d/b/a Gay & Lesbian Advocates & Defenders (GLAD), founded in 1978, works in New England and nationally to create a just society free of discrimination based on gender identity and expression, HIV status and sexual orientation.

GLAD has four major programs: the Civil Rights Project, the Transgender Rights Project, the AIDS Law Project, and Public Affairs and Education.

The **Civil Rights Project** (the CRP) focuses on ending discrimination based on sexual orientation. More specifically, the CRP has worked to bring marriage equality to all New England states, to end Federal discrimination against legally married same-sex couples, and to ensure that gay and lesbian families receive the respect and recognition all families receive, with a particular emphasis on parenting issues. The CRP has expanded its work on youth issues with its Youth Initiative. Through this initiative, GLAD is working on issues such as the harassment of lesbian, gay, bisexual and transgender (LGBT) youth in and out of the school setting, student's right to establish Gay/Straight Alliances and policy issues affecting young people. The CRP also continues to work on employment and other discrimination issues. The CRP accomplishes these goals through a combination of litigation, legislative lawyering and advocacy.

The **Transgender Rights Project** (the TRP) focuses on ending discrimination based on gender identity and expression. The TRP uses impact litigation to ensure that protection from discrimination based on gender identity and expression is respected and enforced. The TRP also: (1) works closely with administrative and regulatory offices to promote administrative regulations and/or guidance that assist transgender people in areas such as obtaining documents consistent with their gender and ensuring appropriate implementation of existing law; (2) works in coalition to pass transgender inclusive legislation on the state level; and (3) works on the Federal level to pass Federal legislation that will provide employment protections to LGBT people, as well as working on national policy issues that affect transgender people.

The **AIDS Law Project** (the ALP) focuses on ending discrimination based on HIV/AIDS status. In addition to working directly on litigation matters with affected clients, the ALP works for systemic changes in both the administrative and legislative arenas. For example, after recently litigating several cases involving insurer exclusions of coverage for lipodystrophy treatment, the ALP has drafted corrective legislation for Massachusetts and mobilized a coalition of groups to work for its enactment.

Through the CRP, the TRP and the ALP, GLAD's legal department focuses on five areas: marriage, transgender rights, family-related issues, HIV, and other discrimination/equality issues. GLAD concentrates on impact litigation - using one case to establish or expand rights - and cases are strategically chosen as strong, winnable cases that will move LGBT civil rights forward. In addition to litigating cases, GLAD is active in legislative lawyering - applying legal expertise in the law to educate in the legislative and political arena through writing bills, providing expert testimony and conducting research.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

OPERATIONS (Continued)

Public Affairs and Education provides information and education to the general public, decision-makers, the news media, and individual consumers about the legal rights of gay, lesbian, bisexual, and transgender people, and people living with HIV and AIDS. The department works through a variety of media, events, publications, one-on-one phone conversations, podcasts, and videos disseminated on the Internet. In fiscal year 2013, for example, the Public Affairs department had 87 events, including workshops on legal issues, public forums, and speaking engagements; distributed 14,950 copies of publications on a variety of legal issues in both print and electronic format, as well as 20,000 copies of our newsletter; our website had 136,366 unique visitors; we answered 2,049 calls on our Legal InfoLine; and we produced six videos.

GLAD's public affairs and education department is devoted to building public awareness and the dissemination of critical legal information to empower people to exercise their legal rights. Focused on enlarging circles of support for LGBT rights, the department finds and tells the stories of LGBT people; builds organized communities of allies to prepare the ground for, and sustain, courtroom victories; and works closely with state partner organizations, providing strategy and communication consultation and support.

NONPROFIT STATUS

GLAD is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). GLAD is also exempt from state income taxes. Donors may deduct contributions made to GLAD within the IRC regulations.

SIGNIFICANT ACCOUNTING POLICIES

GLAD prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted grants and contributions are recorded when unconditionally pledged or received. Revenue from special events is recognized in the period in which the event occurs. Contract service revenue is recorded over the contract period as services are provided. Any attorney fees awarded to GLAD are recorded when a lawsuit is resolved and fees are considered collectible. All other revenue is recognized when earned.

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PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

GLAD reports gifts of cash and other assets as temporarily restricted grants and contributions, if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Bequests are recorded upon receipt of final notification of the bequest after the estate has gone through the probate process.

Donated Stock

Donated stock is recorded at fair market value on the date of the gift. During fiscal years 2013 and 2012, GLAD received stock donations valued at \$132,706 and \$133,944, respectively, which are included in individual contributions in the accompanying statements of activities and changes in net assets. These stocks were immediately sold upon receipt and the proceeds invested in money market accounts.

Allowance for Doubtful Accounts and Pledges Receivable

The allowance for doubtful accounts and pledges receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any (see Note 2).

Fair Value Measurements

GLAD follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. GLAD values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are recorded using the average cost method. Unrealized gains and losses are recognized based on market value changes during the period (see Note 4).

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Board of Directors has established an investment spending policy related to the Board designated net assets (see Note 3). Under this policy, annual appropriations of the Board designated funds shall be an amount equal to five (5%) percent of the three-year average market value of the Board designated investments (see Note 4) ending on September 30th of the fiscal year, unless otherwise authorized by the Board of Directors. As a result, all investment income relating to the Board designated net assets is allocated to these net assets as non-operating income in the accompanying statements of activities and changes in net assets and released as appropriate.

During fiscal years 2013 and 2012, GLAD appropriated \$31,849 and \$31,468, respectively, of the Board designated funds for operations. These amounts are reflected as spending policy transfers in the accompanying statements of activities and changes in net assets for the years ended March 31, 2013 and 2012.

Grants and Donations

Grant awards and donations are recorded when approved.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives and consist of the following as of March 31:

	<u>Estimated Useful Lives</u>	<u>2013</u>	<u>2012</u>
Office and computer equipment	3 - 5 years	\$172,546	\$171,260
Leasehold improvements	Life of the lease	<u>42,745</u>	<u>42,745</u>
		215,291	214,005
Less - accumulated depreciation		<u>164,212</u>	<u>149,936</u>
		<u>\$ 51,079</u>	<u>\$ 64,069</u>

Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking and money market accounts.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Equipment

During fiscal years 2013 and 2012, GLAD received donated legal services of \$913,579 and \$1,234,204, respectively. The fair value of these services, as determined by the donors, is reflected as donated services in the accompanying statements of activities and changes in net assets and functional expenses. From time-to-time, legal fellows are placed at GLAD from local law firms for a period of up to one year. This donated service is valuable to GLAD's programs and has enriched GLAD's work. During fiscal year 2012, GLAD also received donated equipment valued at \$6,766.

Advertising Costs

GLAD expenses advertising costs as they are incurred. Advertising costs were \$5,444 and \$7,474 for fiscal years 2013 and 2012, respectively, and are included in advertising and marketing in the accompanying statements of functional expenses.

Uncertainty in Income Taxes

GLAD follows the U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes*, which require GLAD to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of March 31, 2013 and 2012, GLAD determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. GLAD files information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Lobbying

GLAD engages in lobbying activities to the extent permitted by the IRC. GLAD has elected to be covered by the rules of IRC Section 501(h) with regard to the limitation of the amount of GLAD's allowable lobbying expenditures, generally equal to 20% of GLAD's exempt purpose expenditures. GLAD's lobbying expenditures are included in personnel and related costs, other professional fees, travel and conferences, and miscellaneous in the accompanying statements of functional expenses and consisted of the following for fiscal years:

	<u>2013</u>	<u>2012</u>
Professional fees	\$228,954	\$ 51,250
Salaries	45,978	63,733
Grants	25,000	-
Other	22,558	26,516
Fringe benefits and payroll taxes	<u>15,167</u>	<u>15,933</u>
	<u>\$337,657</u>	<u>\$157,432</u>

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through June 19, 2013, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) PLEDGES RECEIVABLE

Pledges are recorded when unconditionally committed. Pledges receivable at March 31, 2013 and 2012, consist of contributions committed to programs and general operating support. Pledges receivable are due as follows as of March, 31:

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>
2013	\$ -	\$366,000
2014	208,500	11,000
2015	<u>48,500</u>	<u>6,000</u>
	257,000	383,000
Less - current portion	<u>208,500</u>	<u>366,000</u>
	48,500	17,000
Less - discount	<u>4,504</u>	<u>3,629</u>
	43,996	13,371
Less - allowance	<u>5,140</u>	<u>7,680</u>
Long-term pledges receivable, net	<u>\$ 38,856</u>	<u>\$ 5,691</u>

The pledges have been discounted using a 1.5% interest rate.

Four donors' balances represent approximately 93% and 85% of the total outstanding pledge balances at March 31, 2013 and 2012, respectively.

(3) NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by GLAD. GLAD has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of GLAD. These funds bear no external restrictions.

Board designated net assets represent funds set aside by the Board of Directors to be used as a reserve for future operations. It is the intent of the Board to maintain this fund for long-term growth. The Board has approved a spending policy (see Note 1) to support operations. During June 2013, in addition to the spending policy transfer, the Board voted to transfer \$240,000 into this reserve for future operations effective as of March 31, 2013. The use of these funds requires the approval of the Board of Directors.

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)

(3) NET ASSETS (Continued)

Unrestricted Net Assets

Property and equipment net assets reflect and account for the activities relating to GLAD's property and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following as of March 31:

	<u>2013</u>	<u>2012</u>
Purpose restrictions	\$431,862	\$750,268
Time restrictions	<u>252,223</u>	<u>110,000</u>
Total temporarily restricted net assets	<u>\$684,085</u>	<u>\$860,268</u>

(4) INVESTMENTS

At March 31, 2013 and 2012, GLAD's investment portfolio consists of the following:

	<u>2013</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents		\$ 258,756	\$ 258,756	\$ -
Certificate of deposit		192,443	192,443	-
Equity mutual funds:				
Large capitalization		147,606	168,314	20,708
Other		142,093	93,171	(48,922)
Bond mutual funds:				
Short-term fixed income		308,258	312,451	4,193
Intermediate fixed income		133,258	133,995	737
Other		99,703	105,007	5,304
Stocks:				
Domestic equities		91,041	124,986	33,945
International equities		23,554	27,761	4,207
Other		<u>71,816</u>	<u>52,767</u>	<u>(19,049)</u>
		<u>\$1,468,528</u>	<u>\$1,469,651</u>	1,123
Unrealized depreciation at March 31, 2012				<u>(49,503)</u>
Total unrealized gain on investments				<u>\$ 50,626</u>

PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)

(4) INVESTMENTS (Continued)

<u>2012</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 4,026	\$ 4,026	\$ -
Certificate of deposit	42,443	42,443	-
Equity mutual funds:			
Large capitalization	147,357	154,741	7,384
Other	141,556	87,288	(54,268)
Bond mutual funds:			
Short-term fixed income	309,677	307,385	(2,292)
Intermediate fixed income	136,328	132,761	(3,567)
Other	74,075	75,945	1,870
Stocks:			
Domestic equities	85,749	105,452	19,703
International equities	27,284	27,190	(94)
Other	<u>75,776</u>	<u>57,537</u>	<u>(18,239)</u>
	<u>\$1,044,271</u>	<u>\$ 994,768</u>	<u>(49,503)</u>
Unrealized depreciation at March 31, 2011			<u>(14,316)</u>
Total unrealized losses on investments			<u>\$ (35,187)</u>

Investments are not insured and are subject to ongoing market fluctuations. Realized (losses) gains for fiscal years 2013 and 2012 were \$(2,662) and \$1,560, respectively.

Investments are reported in the accompanying statements of financial position as short-term and long-term based on GLAD's intent with respect to the use of the investments. GLAD values all investments using Level 1 inputs under the *Fair Value Measurements and Disclosure* standards (see page 10).

The certificate of deposit (see also page 14) held at March 31, 2013 and 2012, is collateral for a letter of credit representing the security deposit on the lease of GLAD's office space (see Note 5). The original certificate of deposit of \$42,443 is collateral. All interest earned on this certificate of deposit is available for GLAD's use in operations.

(5) OPERATING LEASE AGREEMENTS

GLAD leases office space in Boston, Massachusetts under a lease agreement that expires on March 31, 2018. The monthly rental payments under this lease are \$25,769 and escalate annually. As part of the agreement, GLAD received two months of free rent in 2008. GLAD recognizes rent expense on a straight-line basis over the term of the lease in accordance with *Accounting for Leases* standards. Deferred rent as of March 31, 2013 and 2012, was \$146,298 and \$148,651, respectively.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(5) OPERATING LEASE AGREEMENTS (Continued)

GLAD is also responsible for its proportionate share of operating costs and real estate taxes incurred by the landlord each year. GLAD holds a certificate of deposit that is the collateral for a letter of credit representing the security deposit on this lease (see Note 4).

GLAD rented office space in Easthampton, Massachusetts under a lease agreement that expired on May 31, 2012. In June, 2012, GLAD began renting this office space as a tenant-at-will. The monthly rental payments under this lease are \$315.

GLAD also rented office space in Portland, Maine under a lease agreement that expired on June 30, 2012. The monthly rental payments under this lease were \$1,045.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2014	\$335,460
2015	\$344,555
2016	\$353,650
2017	\$362,745
2018	\$371,840

Total rent expense was \$332,750 and \$340,905 for fiscal years 2013 and 2012, respectively. Included in rent expense was approximately \$8,000 of rental charges for additional storage space during fiscal years 2013 and 2012.

GLAD also leases certain equipment under three operating lease agreements expiring on various dates through January, 2016. Lease expense under these agreements was \$10,516 and \$12,782 for fiscal years 2013 and 2012, respectively, and is shown as equipment leases in the accompanying statements of functional expenses. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2014	\$14,957
2015	\$13,787
2016	\$11,010

(6) 401(K) PLAN

GLAD maintains a qualified salary reduction 401(k) plan (the Plan). The Plan includes a guaranteed non-elective employer contribution of 3% of each eligible employee's annual salary. The Plan also includes a Safe Harbor non-elective provision in the Plan. Employees are eligible to participate in the Safe Harbor plan after completing six months of service and attaining the age of 18. During fiscal years 2013 and 2012, GLAD contributed \$71,139 and \$63,795, respectively, to the Plan, which is included in fringe benefits in the accompanying statements of functional expenses.

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**PARK SQUARE ADVOCATES, INC.
D/B/A GAY & LESBIAN ADVOCATES & DEFENDERS**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012
(Continued)**

(7) NOTE PAYABLE TO A BANK

GLAD has entered into a revolving line of credit agreement with a bank for a maximum amount of \$300,000. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime lending rate (3.25% at March 31, 2013 and 2012), plus 1%, with a floor of 5% (5% at March 31, 2013 and 2012). The line of credit is secured by GLAD's mutual fund investment account (see Note 4). The agreement contains certain covenants with which GLAD was in compliance at March 31, 2013 and 2012. As of March 31, 2013 and 2012, there were no outstanding balances under this agreement. The line of credit agreement expires on February 28, 2014.

(8) CONDITIONAL GRANTS

During fiscal year 2012, GLAD was awarded two \$100,000 conditional grants by private funders. The grants are conditional upon achieving certain benchmarks as defined in the agreements. GLAD received \$75,000 of these commitments during fiscal year 2013. At March 31, 2013 and 2012, \$50,000 and \$125,000 of these grants, respectively, had not been recorded, as the conditions were not yet met.

During fiscal year 2013, GLAD was awarded a conditional grant of \$100,000 by a private foundation for the Transgender Rights Project. The grant is conditional upon achieving certain benchmarks as defined in the agreement. At March 31, 2013, \$50,000 of this grant had not been recorded, as the conditions were not yet met.

(9) CONCENTRATION OF CREDIT RISK

Cash and cash equivalents are maintained in one bank in Massachusetts and are insured within limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with their balances, to minimize potential risk.