



**GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY AND LESBIAN ADVOCATES & DEFENDERS, INC.)**

**FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

**GBLTQ LEGAL ADVOCATES AND DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)**

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March 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
GLBTQ Legal Advocates & Defenders, Inc.
(Formerly, Gay and Lesbian Advocates & Defenders, Inc.):

Report on the Financial Statements

We have audited the accompanying financial statements of GLBTQ Legal Advocates & Defenders, Inc. (formerly, Gay & Lesbian Advocates & Defenders, Inc.) (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of March 31, 2016 and 2015, 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 audits 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 GLBTQ Legal Advocates & Defenders, Inc. as of March 31, 2016 and 2015, 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, Acorn, Penning & Co., P.C.

Boston, Massachusetts
June 23, 2016

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statements of Financial Position
March 31, 2016 and 2015

Assets	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash and cash equivalents	\$ 384,973	\$ 271,413	\$ 656,386	\$ 275,747	\$ 414,133	\$ 689,880
Restricted cash - fiscal agent	3,750	-	3,750	108,842	-	108,842
Accounts receivable	11,471	-	11,471	33,629	-	33,629
Current portion of pledges receivable, net of allowance	-	75,270	75,270	-	103,375	103,375
Short-term investments	505,000	-	505,000	575,400	-	575,400
Prepaid expenses and deposits	56,137	-	56,137	9,931	-	9,931
Total current assets	961,331	346,683	1,308,014	1,003,549	517,508	1,521,057
Investments	792,164	-	792,164	999,890	-	999,890
Pledges Receivable, net of current portion, discount and allowance	-	71,696	71,696	-	7,423	7,423
Property and Equipment, net	44,238	-	44,238	38,250	-	38,250
Total assets	<u>\$ 1,797,733</u>	<u>\$ 418,379</u>	<u>\$ 2,216,112</u>	<u>\$ 2,041,689</u>	<u>\$ 524,931</u>	<u>\$ 2,566,620</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 188,776	\$ -	\$ 188,776	\$ 301,802	\$ -	\$ 301,802
Fiscal agent payable	3,750	-	3,750	108,842	-	108,842
Total current liabilities	192,526	-	192,526	410,644	-	410,644
Deferred Rent	84,741	-	84,741	114,381	-	114,381
Total liabilities	<u>277,267</u>	<u>-</u>	<u>277,267</u>	<u>525,025</u>	<u>-</u>	<u>525,025</u>
Net Assets:						
Unrestricted:						
Operating	901,390	-	901,390	828,540	-	828,540
Board designated	574,838	-	574,838	649,874	-	649,874
Property and equipment	44,238	-	44,238	38,250	-	38,250
Total unrestricted	1,520,466	-	1,520,466	1,516,664	-	1,516,664
Temporarily restricted	-	418,379	418,379	-	524,931	524,931
Total net assets	<u>1,520,466</u>	<u>418,379</u>	<u>1,938,845</u>	<u>1,516,664</u>	<u>524,931</u>	<u>2,041,595</u>
Total liabilities and net assets	<u>\$ 1,797,733</u>	<u>\$ 418,379</u>	<u>\$ 2,216,112</u>	<u>\$ 2,041,689</u>	<u>\$ 524,931</u>	<u>\$ 2,566,620</u>

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2016
(With Summarized Comparative Totals for the Year Ended March 31, 2015)

	2016				2015	
	Unrestricted		Total Unrestricted	Temporarily Restricted	Total	Total
	Operating	Board Designated				
Support and Other Operating Revenues:						
Support:						
Special events:						
Event contributions and support	\$ 879,013	\$ -	\$ 879,013	\$ -	\$ 879,013	\$ 730,260
Less - direct expenses	(165,032)	-	(165,032)	-	(165,032)	(124,044)
Net special events revenue	713,981	-	713,981	-	713,981	606,216
Individual contributions	1,393,809	-	1,393,809	115,981	1,509,790	1,763,891
Donated services	392,299	-	392,299	-	392,299	702,332
Grants	10,000	-	10,000	564,000	574,000	716,062
Net assets released from restrictions:						
Satisfaction of purpose restrictions	466,572	-	466,572	(466,572)	-	-
Satisfaction of time restrictions	319,961	-	319,961	(319,961)	-	-
Total support	3,296,622	-	3,296,622	(106,552)	3,190,070	3,788,501
Other Operating Revenues:						
Attorney fees and other income	298,402	-	298,402	-	298,402	65,861
Contract service revenue	71,095	-	71,095	-	71,095	70,679
Spending policy transfer	33,800	-	33,800	-	33,800	34,234
Interest and dividend income, net	7,525	-	7,525	-	7,525	7,269
Total other operating revenues	410,822	-	410,822	-	410,822	178,043
Pass-through activity:						
Pass-through grants:						
Grants	-	-	-	-	-	300,000
Less - direct expenses	-	-	-	-	-	(300,000)
Net pass-through activity	-	-	-	-	-	-
Total support and other operating revenues	3,707,444	-	3,707,444	(106,552)	3,600,892	3,966,544
Operating Expenses:						
Program services:						
Civil Rights Project	1,451,147	1,886	1,453,033	-	1,453,033	1,858,047
Public Affairs and Education	616,173	2,831	619,004	-	619,004	577,613
Transgender Rights Project	460,231	1,886	462,117	-	462,117	515,796
AIDS Law Project	291,201	1,886	293,087	-	293,087	244,618
Total program services	2,818,752	8,489	2,827,241	-	2,827,241	3,196,074
Support services:						
Fundraising	449,991	3,526	453,517	-	453,517	473,584
General and administrative	352,724	-	352,724	-	352,724	394,169
Total support services	802,715	3,526	806,241	-	806,241	867,753
Total operating expenses	3,621,467	12,015	3,633,482	-	3,633,482	4,063,827
Changes in net assets from operations	85,977	(12,015)	73,962	(106,552)	(32,590)	(97,283)
Other Revenues (Expenses):						
Interest and dividend income	-	35,683	35,683	-	35,683	37,620
Spending policy transfer	-	(33,800)	(33,800)	-	(33,800)	(34,234)
Net realized and unrealized losses on investments	(7,139)	(64,904)	(72,043)	-	(72,043)	(627)
Total other revenues (expenses)	(7,139)	(63,021)	(70,160)	-	(70,160)	2,759
Changes in net assets	78,838	(75,036)	3,802	(106,552)	(102,750)	(94,524)
Net Assets:						
Beginning of year	866,790	649,874	1,516,664	524,931	2,041,595	2,136,119
End of year	\$ 945,628	\$ 574,838	\$ 1,520,466	\$ 418,379	\$ 1,938,845	\$ 2,041,595

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2015

	Unrestricted			Temporarily Restricted	Total
	Operating	Board Designated	Total Unrestricted		
Support and Other Operating Revenues:					
Support:					
Special events:					
Event contributions and support	\$ 730,260	\$ -	\$ 730,260	\$ -	\$ 730,260
Less - direct expenses	(124,044)	-	(124,044)	-	(124,044)
Net special events revenue	606,216	-	606,216	-	606,216
Individual contributions	1,405,413	-	1,405,413	358,478	1,763,891
Donated services	702,332	-	702,332	-	702,332
Grants	2,062	-	2,062	714,000	716,062
Net assets released from restrictions:					
Satisfaction of purpose restrictions	676,249	-	676,249	(676,249)	-
Satisfaction of time restrictions	334,625	-	334,625	(334,625)	-
Total support	3,726,897	-	3,726,897	61,604	3,788,501
Other Operating Revenues:					
Attorney fees and other income	65,861	-	65,861	-	65,861
Contract service revenue	70,679	-	70,679	-	70,679
Spending policy transfer	34,234	-	34,234	-	34,234
Interest and dividend income, net	7,269	-	7,269	-	7,269
Total other operating revenues	178,043	-	178,043	-	178,043
Pass-through activity:					
Pass-through grants:					
Grants	300,000	-	300,000	-	300,000
Less - direct expenses	(300,000)	-	(300,000)	-	(300,000)
Net pass-through activity	-	-	-	-	-
Total support and other operating revenues	3,904,940	-	3,904,940	61,604	3,966,544
Operating Expenses:					
Program services:					
Civil Rights Project	1,837,011	21,036	1,858,047	-	1,858,047
Public Affairs and Education	570,675	6,938	577,613	-	577,613
Transgender Rights Project	509,707	6,089	515,796	-	515,796
AIDS Law Project	241,776	2,842	244,618	-	244,618
Total program services	3,159,169	36,905	3,196,074	-	3,196,074
Support services:					
Fundraising	461,975	11,609	473,584	-	473,584
General and administrative	324,267	69,902	394,169	-	394,169
Total support services	786,242	81,511	867,753	-	867,753
Total operating expenses	3,945,411	118,416	4,063,827	-	4,063,827
Changes in net assets from operations	(40,471)	(118,416)	(158,887)	61,604	(97,283)
Other Revenues (Expenses):					
Interest and dividend income	-	37,620	37,620	-	37,620
Spending policy transfer	-	(34,234)	(34,234)	-	(34,234)
Net realized and unrealized gains (losses) on investments	(3,119)	2,492	(627)	-	(627)
Total other revenues (expenses)	(3,119)	5,878	2,759	-	2,759
Changes in net assets	(43,590)	(112,538)	(156,128)	61,604	(94,524)
Net Assets:					
Beginning of year	910,380	762,412	1,672,792	463,327	2,136,119
End of year	\$ 866,790	\$ 649,874	\$ 1,516,664	\$ 524,931	\$ 2,041,595

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statements of Cash Flows
For the Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (102,750)	\$ (94,524)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,165	14,160
Change in allowance on pledges receivable	(2,378)	(1,489)
Change in discount on pledges receivable	1,647	(2,989)
Donated stocks	(81,790)	(64,321)
Net realized and unrealized losses on investments	72,043	627
Changes in operating assets and liabilities:		
Accounts receivable	22,158	(21,505)
Pledges receivable	(35,437)	145,895
Prepaid expenses and deposits	(46,206)	48,906
Accounts payable and accrued expenses	(113,026)	2,652
Deferred rent	(29,640)	(20,469)
	<u>(303,214)</u>	<u>6,943</u>
Cash Flows from Investing Activities:		
Purchases of investments	(107,199)	(494,414)
Proceeds from sales of investments	395,072	514,902
Acquisition of property and equipment	(18,153)	(7,131)
	<u>269,720</u>	<u>13,357</u>
Net Change in Cash and Cash Equivalents	(33,494)	20,300
Cash and Cash Equivalents:		
Beginning of year	<u>689,880</u>	<u>669,580</u>
End of year	<u>\$ 656,386</u>	<u>\$ 689,880</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized loss on investments	<u>\$ 70,973</u>	<u>\$ 45,833</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statement of Functional Expenses
For the Year Ended March 31, 2016
(With Summarized Comparative Totals for the Year Ended March 31, 2015)

	2016					2015				
	Program Services				Total Program Services	Support Services			Total	
	Civil Rights Project	Public Affairs and Education	Transgender Rights Project	AIDS Law Project		Fundraising	General and Adminis- trative	Total Support Services		Total
Personnel and Related:										
Salaries	\$ 642,096	\$ 334,884	\$ 283,595	\$ 168,635	\$ 1,429,210	\$ 259,967	\$ 213,121	\$ 473,088	\$ 1,902,298	\$ 1,942,958
Fringe benefits	81,088	42,291	35,814	21,296	180,489	32,830	26,914	59,744	240,233	245,860
Payroll taxes	50,349	26,259	22,237	13,223	112,068	20,385	16,711	37,096	149,164	155,964
Total personnel and related	<u>773,533</u>	<u>403,434</u>	<u>341,646</u>	<u>203,154</u>	<u>1,721,767</u>	<u>313,182</u>	<u>256,746</u>	<u>569,928</u>	<u>2,291,695</u>	<u>2,344,782</u>
Professional Fees and Services:										
Donated legal services	392,299	-	-	-	392,299	-	-	-	392,299	702,332
Other professional fees	24,738	55,377	13,773	25,285	119,173	15,237	11,029	26,266	145,439	146,180
Audit and legal	-	-	-	-	-	-	23,500	23,500	23,500	23,500
Total professional fees and services	<u>417,037</u>	<u>55,377</u>	<u>13,773</u>	<u>25,285</u>	<u>511,472</u>	<u>15,237</u>	<u>34,529</u>	<u>49,766</u>	<u>561,238</u>	<u>872,012</u>
Occupancy:										
Rent	116,979	61,010	55,649	30,722	264,360	47,361	38,827	86,188	350,548	352,447
Computer supplies, software and other	6,738	3,514	2,976	1,770	14,998	2,728	2,237	4,965	19,963	14,484
Utilities	4,221	2,202	1,864	1,109	9,396	1,709	1,401	3,110	12,506	12,507
Depreciation	4,106	2,142	1,814	1,078	9,140	1,662	1,363	3,025	12,165	14,160
Equipment leases	3,980	2,075	1,758	1,045	8,858	1,611	1,321	2,932	11,790	12,870
Repairs and maintenance	3,878	2,023	1,713	1,019	8,633	1,570	1,287	2,857	11,490	2,880
Total occupancy	<u>139,902</u>	<u>72,966</u>	<u>65,774</u>	<u>36,743</u>	<u>315,385</u>	<u>56,641</u>	<u>46,436</u>	<u>103,077</u>	<u>418,462</u>	<u>409,348</u>
Other:										
Travel and conferences	34,644	6,997	4,860	2,568	49,069	16,086	436	16,522	65,591	45,073
Printing and publications	11,307	26,373	5,193	4,919	47,792	14,645	508	15,153	62,945	70,534
Bank charges and merchant fees	14,872	7,756	6,568	3,906	33,102	6,021	-	6,021	39,123	43,852
Communications and database	9,470	4,939	4,199	2,487	21,095	3,834	3,143	6,977	28,072	28,613
Telephone and internet	8,995	4,691	3,973	2,362	20,021	3,642	2,986	6,628	26,649	23,239
Postage	5,620	10,716	2,364	1,867	20,567	5,343	643	5,986	26,553	27,279
Dues, subscriptions and reference	10,242	957	4,906	2,873	18,978	365	299	664	19,642	21,378
Advertising and marketing	5,594	9,880	553	544	16,571	2,144	148	2,292	18,863	10,191
Insurance	6,009	1,570	2,654	1,578	11,811	1,569	999	2,568	14,379	13,894
Donor engagement and communication	1,886	2,830	1,886	1,886	8,488	3,526	-	3,526	12,014	17,448
Event supplies	2,266	1,850	607	607	5,330	5,869	15	5,884	11,214	16,116
Office supplies and small equipment	3,742	1,952	1,653	983	8,330	1,515	1,242	2,757	11,087	6,831
Functions and meetings	1,660	1,189	719	429	3,997	3,703	1,382	5,085	9,082	8,858
Other litigation costs	3,985	-	789	896	5,670	-	1,855	1,855	7,525	9,370
Grants, donations and sponsorships	-	3,940	-	-	3,940	-	-	-	3,940	83,161
Staff development	597	1,587	-	-	2,184	133	1,100	1,233	3,417	11,074
Miscellaneous	1,672	-	-	-	1,672	62	257	319	1,991	774
Total other	<u>122,561</u>	<u>87,227</u>	<u>40,924</u>	<u>27,905</u>	<u>278,617</u>	<u>68,457</u>	<u>15,013</u>	<u>83,470</u>	<u>362,087</u>	<u>437,685</u>
Total expenses	<u>\$ 1,453,033</u>	<u>\$ 619,004</u>	<u>\$ 462,117</u>	<u>\$ 293,087</u>	<u>\$ 2,827,241</u>	<u>\$ 453,517</u>	<u>\$ 352,724</u>	<u>\$ 806,241</u>	<u>\$ 3,633,482</u>	<u>\$ 4,063,827</u>

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)

Statement of Functional Expenses
For the Year Ended March 31, 2015

	Program Services					Support Services			
	Civil Rights Project	Public Affairs and Education	Transgender Rights Project	AIDS Law Project	Total Program Services	Fundraising	General and Administrative	Total Support Services	Total
Personnel and Related:									
Salaries	\$ 659,777	\$ 342,535	\$ 320,960	\$ 150,375	\$ 1,473,647	\$ 267,809	\$ 201,502	\$ 469,311	\$ 1,942,958
Fringe benefits	83,488	43,344	40,614	19,028	186,474	33,888	25,498	59,386	245,860
Payroll taxes	52,961	27,496	25,764	12,071	118,292	21,497	16,175	37,672	155,964
Total personnel and related	<u>796,226</u>	<u>413,375</u>	<u>387,338</u>	<u>181,474</u>	<u>1,778,413</u>	<u>323,194</u>	<u>243,175</u>	<u>566,369</u>	<u>2,344,782</u>
Professional Fees and Services:									
Donated legal services	702,332	-	-	-	702,332	-	-	-	702,332
Other professional fees	30,131	15,908	10,091	5,072	61,202	13,350	71,628	84,978	146,180
Audit and legal	-	-	-	-	-	-	23,500	23,500	23,500
Total professional fees and services	<u>732,463</u>	<u>15,908</u>	<u>10,091</u>	<u>5,072</u>	<u>763,534</u>	<u>13,350</u>	<u>95,128</u>	<u>108,478</u>	<u>872,012</u>
Occupancy:									
Rent	118,426	61,483	61,309	26,991	268,209	48,070	36,168	84,238	352,447
Computer supplies, software and other	4,918	2,553	2,392	1,121	10,984	1,997	1,503	3,500	14,484
Utilities	4,247	2,205	2,066	968	9,486	1,724	1,297	3,021	12,507
Depreciation	4,809	2,497	2,339	1,096	10,741	1,951	1,468	3,419	14,160
Equipment leases	4,370	2,269	2,126	996	9,761	1,774	1,335	3,109	12,870
Repairs and maintenance	977	508	476	223	2,184	397	299	696	2,880
Total occupancy	<u>137,747</u>	<u>71,515</u>	<u>70,708</u>	<u>31,395</u>	<u>311,365</u>	<u>55,913</u>	<u>42,070</u>	<u>97,983</u>	<u>409,348</u>
Other:									
Travel and conferences	18,413	3,576	6,160	1,979	30,128	12,919	2,026	14,945	45,073
Printing and publications	15,208	23,577	5,750	5,274	49,809	20,163	562	20,725	70,534
Bank charges and merchant fees	16,614	8,625	8,082	3,787	37,108	6,744	-	6,744	43,852
Communications and database	9,664	5,017	4,855	2,203	21,739	3,923	2,951	6,874	28,613
Telephone and internet	7,891	4,097	3,839	1,799	17,626	3,203	2,410	5,613	23,239
Postage	6,683	7,269	2,882	2,257	19,091	7,604	584	8,188	27,279
Dues, subscriptions and reference	12,171	727	5,166	2,529	20,593	448	337	785	21,378
Advertising and marketing	1,399	5,362	476	476	7,713	2,188	290	2,478	10,191
Insurance	5,916	1,372	2,878	1,348	11,514	1,573	807	2,380	13,894
Donor engagement and communication	4,362	2,617	1,745	1,745	10,469	6,979	-	6,979	17,448
Event supplies	2,591	1,554	1,036	1,036	6,217	9,899	-	9,899	16,116
Office supplies and small equipment	2,320	1,204	1,128	529	5,181	942	708	1,650	6,831
Functions and meetings	1,968	1,329	842	395	4,534	3,374	950	4,324	8,858
Other litigation costs	6,031	-	1,903	891	8,825	-	545	545	9,370
Grants, donations and sponsorships	75,000	8,161	-	-	83,161	-	-	-	83,161
Staff development	5,118	2,192	788	369	8,467	1,062	1,545	2,607	11,074
Miscellaneous	262	136	129	60	587	106	81	187	774
Total other	<u>191,611</u>	<u>76,815</u>	<u>47,659</u>	<u>26,677</u>	<u>342,762</u>	<u>81,127</u>	<u>13,796</u>	<u>94,923</u>	<u>437,685</u>
Total expenses	<u>\$ 1,858,047</u>	<u>\$ 577,613</u>	<u>\$ 515,796</u>	<u>\$ 244,618</u>	<u>\$ 3,196,074</u>	<u>\$ 473,584</u>	<u>\$ 394,169</u>	<u>\$ 867,753</u>	<u>\$ 4,063,827</u>

The accompanying notes are an integral part of these statements.

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
(FORMERLY, GAY & LESBIAN ADVOCATES & DEFENDERS, INC.)**

Notes to Financial Statements
March 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Through strategic litigation, public policy advocacy and education, GLBTQ Legal Advocates & Defenders, Inc. (GLAD), 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. Founded in 1978, GLAD legally changed its name in January 2016 from Gay & Lesbian Advocates & Defenders, Inc. to GLBTQ Legal advocates & Defenders, Inc.

We advance a broad range of lesbian, gay, bisexual, transgender, and queer (LGBTQ) legal rights, including: transgender rights, family formation and protection, HIV privacy, youth and older adult protections, employment discrimination, and access to justice for the most vulnerable in our community, including communities of color, immigrants, and low income communities. GLAD focuses on impact litigation – using strategically chosen cases to establish or expand LGBTQ civil rights. We are also active in state legislative and policy work – applying our legal expertise to educate legislators, draft bills, and provide expert testimony and legal research. Finally, we work to change hearts and minds generally about the shared humanity and dignity of LGBTQ people, as well as educate our community about their legal rights.

GLAD has four major programs: the Civil Rights Project (CRP), the Transgender Rights Project (TRP), the AIDS Law Project (ALP), and Public Affairs and Education.

The **Civil Rights Project** focuses on ending discrimination based on sexual orientation. The CRP has worked to bring marriage equality to all New England states and nationally, end federal discrimination against legally married same-sex couples, and 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 rights of out-of-home youth, harassment of LGBTQ youth in and out of the school setting, students' right to establish Gay/Straight Alliances, and other policy issues affecting young people. The CRP also addresses issues facing LGBTQ elders, and works on employment and other discrimination issues, especially as they intersect with religion.

The **Transgender Rights Project** focuses on fighting discrimination based on gender identity and expression, including: (1) ending the denial of critical health care to transgender people in private, public and state insurance policies, as well as for adults and youth in state custody, (2) ensuring transgender people can obtain documents consistent with their gender; (3) passing transgender-inclusive, state-wide, and comprehensive anti-discrimination legislation in all six New England states and similar federal protections; (4) robustly enforcing existing anti-discrimination protections for transgender people in employment, housing and public spaces and (5) supporting the efforts families and parents of transgender children to act in their children's best interests.

The **AIDS Law Project** focuses on ending discrimination based on HIV/AIDS status, particularly in areas of privacy and confidentiality, discrimination and criminalization, and insurance coverage. Most recently, the ALP filed the first discrimination case in the country against an insurer's denial of long-term care insurance to a gay man because of his use of pre-exposure prophylaxis medication, or PrEP.

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Notes to Financial Statements
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1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPERATIONS (Continued)

Finally, GLAD's *Public Affairs and Education Department* builds public awareness and support for the LGBTQ community. Focused on enlarging circles of support for LGBTQ rights, the department finds and tells the stories of LGBTQ 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. It also disseminates critical legal information to empower people to exercise their legal rights, particularly through GLAD Answers, our legal information and referral service. The department works through a variety of media, events, publications, one-on-one phone conversations, podcasts, and videos disseminated on the Internet.

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 (GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with 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. 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.

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Notes to Financial Statements
March 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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).

Bequests are recorded upon receipt of final notification of the bequest after the estate has gone through the probate process. 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. All other revenue is recognized when earned.

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.

Donated Services

During the fiscal years ended March 31, 2016 and 2015, GLAD received donated legal services of \$392,299 and \$702,332, 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 donated legal services in the statements of functional expenses.

Grants, Donations and Sponsorships

Grant awards, donations and sponsorships are recorded when approved.

Advertising Costs

GLAD expenses advertising costs as they are incurred. Advertising costs were \$1,557 and \$2,301 for fiscal years 2016 and 2015, respectively, and are included in advertising and marketing in the accompanying statements of functional expenses.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking and 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).

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
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Notes to Financial Statements
March 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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 investment portfolio 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 this net asset class and included in other revenues (expenses) in the accompanying statements of activities and changes in net assets and released as appropriate.

During fiscal years 2016 and 2015, GLAD appropriated \$33,800 and \$34,234, respectively, of the Board designated funds for operations. These amounts are reflected as spending policy transfer in the accompanying statements of activities and changes in net assets for the years ended March 31, 2016 and 2015.

Donated Stock

Donated stock is recorded at fair market value on the date of the gift. During fiscal years 2016 and 2015, GLAD received stock donations valued at \$81,790 and \$64,321, 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 were invested in money market accounts.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair 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>2016</u>	<u>2015</u>
Office and computer equipment	3 - 10 years	\$ 207,880	\$ 189,727
Leasehold improvements	Life of the lease	<u>42,745</u>	<u>42,745</u>
		250,625	232,472
Less - accumulated depreciation		<u>206,387</u>	<u>194,222</u>
		<u>\$ 44,238</u>	<u>\$ 38,250</u>

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
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Notes to Financial Statements
March 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

GLAD follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that GLAD would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

GLAD uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of GLAD. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An 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. All qualifying assets and liabilities are valued using Level 1 inputs.

Income Taxes

GLAD accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. GLAD has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at March 31, 2016 and 2015.

Statement of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as support and other operating revenue and operating expenses on the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as other revenue (expenses). Other revenue (expenses), consistent with industry standards includes investment activity (see Note 4).

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
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Notes to Financial Statements
March 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, other professional fees, travel and conferences, and miscellaneous in the accompanying statements of functional expenses and consisted of the following for the years ended March 31:

	<u>2016</u>	<u>2015</u>
Professional fees	\$ 15,000	\$ -
Salaries	3,485	6,001
Other	3,173	4,372
Fringe benefits and payroll taxes	<u>1,394</u>	<u>2,400</u>
	<u>\$ 23,052</u>	<u>\$ 12,773</u>

Subsequent Events

Subsequent events have been evaluated through June 23, 2016, which is the date the financial statements were available to be issued. See Note 5 for an event that met the criteria for disclosure in the financial statements.

2. PLEDGES RECEIVABLE

Pledges are recorded when unconditionally committed. Pledges receivable at March 31, 2016 and 2015, consist of contributions committed to programs and general operating support over specific time periods. Pledges receivable are due as follows as of March 31:

<u>Fiscal Year</u>	<u>2016</u>	<u>2015</u>
Due within one year	\$ 78,000	\$ 110,563
Due within three years	<u>78,000</u>	<u>10,000</u>
	156,000	120,563
Less - current portion allowance	2,730	7,188
Less - long-term portion, gross amount	<u>78,000</u>	<u>10,000</u>
Current pledges receivable	<u>\$ 75,270</u>	<u>\$ 103,375</u>
Long-term pledges receivable, gross amount	\$ 78,000	\$ 10,000
Less - discount	<u>3,574</u>	<u>1,927</u>
	74,426	8,073
Less - long-term portion allowance	<u>2,730</u>	<u>650</u>
Long-term pledges receivable, net	<u>\$ 71,696</u>	<u>\$ 7,423</u>

The pledges have been discounted using a 1.5% interest rate. Four and three donors' balances represent approximately 94% and 73% of the total outstanding pledge balance at March 31, 2016 and 2015, respectively.

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
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Notes to Financial Statements
March 31, 2016 and 2015

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 fiscal year 2016, the Board authorized \$52,000, of which \$12,015 was spent on approved initiatives. During fiscal year 2015, the Board authorized \$155,079, of which \$118,416 was spent on approved initiatives.

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>2016</u>	<u>2015</u>
Time restrictions	\$ 382,167	\$ 186,876
Purpose restrictions	<u>36,212</u>	<u>338,055</u>
Total temporarily restricted net assets	<u>\$ 418,379</u>	<u>\$ 524,931</u>

**GLBTQ LEGAL ADVOCATES AND DEFENDERS, INC.
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Notes to Financial Statements
March 31, 2016 and 2015

4. INVESTMENTS

At March 31, 2016 and 2015, GLAD's investment portfolio consists of the following:

<u>2016</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 14,744	\$ 14,744	\$ -
Certificate of deposit	42,443	42,443	-
Equity mutual funds:			
Large capitalization	314,601	292,636	(21,965)
Other	212,435	195,597	(16,838)
Bond mutual funds:			
Short-term fixed income	528,314	521,393	(6,921)
Other	73,194	65,136	(8,058)
Stocks:			
Domestic equities	89,544	104,770	15,226
International equities	18,965	18,516	(449)
Other	<u>40,712</u>	<u>41,929</u>	<u>1,217</u>
	<u>\$ 1,334,952</u>	<u>\$ 1,297,164</u>	(37,788)
Unrealized appreciation at March 31, 2015			<u>33,185</u>
Total unrealized loss on investments			<u>\$ (70,973)</u>
<u>2015</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 262,007	\$ 262,007	\$ -
Certificate of deposit	42,443	42,443	-
Equity mutual funds:			
Large capitalization	344,315	345,765	1,450
Other	99,491	100,346	855
Bond mutual funds:			
Short-term fixed income	520,921	519,796	(1,125)
Intermediate fixed income	35,822	33,594	(2,228)
Other	69,294	64,154	(5,140)
Stocks:			
Domestic equities	128,085	166,687	38,602
International equities	17,707	20,091	2,384
Other	<u>22,020</u>	<u>20,407</u>	<u>(1,613)</u>
	<u>\$ 1,542,105</u>	<u>\$ 1,575,290</u>	33,185
Unrealized appreciation at March 31, 2014			<u>79,018</u>
Total unrealized loss on investments			<u>\$ (45,833)</u>

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Notes to Financial Statements
March 31, 2016 and 2015

4. INVESTMENTS (Continued)

Investments are not insured and are subject to ongoing market fluctuations. Realized losses for fiscal year 2016 were \$1,070 and realized gains for fiscal year 2015 were \$45,206. Interest and dividend income is shown net of investment management fees of \$5,882 and \$4,437 during fiscal years 2016 and 2015, 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 Note 1).

A certificate of deposit of \$42,443 at March 31, 2016 and 2015, is collateral for a letter of credit representing the security deposit on the lease of GLAD's office space (see Note 5). 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 \$29,640 and escalate annually. GLAD recognizes rent expense on a straight-line basis over the term of the lease in accordance with the *Accounting for Leases* standard under U.S. GAAP. Deferred rent as of March 31, 2016 and 2015, was \$84,741 and \$114,381, respectively.

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 in March 2016. In April 2016, GLAD began renting this office space as a tenant-at-will. The monthly rental payments under this lease were \$334. Subsequent to year-end, GLAD renewed the lease with monthly rental payments at \$346 through May 31, 2017.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2017	\$ 366,873
2018	\$ 372,532

Total rent expense was \$350,548 and \$352,447 for fiscal years 2016 and 2015, respectively. Included in rent expense was approximately \$8,000 of rental charges for additional storage space during fiscal years 2016 and 2015.

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Notes to Financial Statements
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5. OPERATING LEASE AGREEMENTS (Continued)

GLAD also leases certain equipment under three operating lease agreements expiring on various dates through January 2020. Lease expense under these agreements was \$15,382 and \$12,870 for fiscal years 2016 and 2015, respectively, and is included in equipment leases in the accompanying statements of functional expenses. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2017	\$ 13,290
2018	\$ 13,185
2019	\$ 13,080
2020	\$ 8,640

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 2016 and 2015, GLAD contributed \$54,508 and \$59,276, respectively, to the Plan, which is included in fringe benefits in the accompanying statements of functional expenses.

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 (3.50% and 3.25% at March 31, 2016 and 2015, respectively), plus 1%, with a minimum rate of 5%. The line of credit is secured by GLAD's equity mutual fund investment accounts with a combined market value of approximately \$566,000 (see Note 4). The agreement contains certain covenants with which GLAD was in compliance at March 31, 2016 and 2015. As of March 31, 2016 and 2015, there were no outstanding balances under this agreement. The line of credit agreement expires on February 28, 2017.

8. RESTRICTED CASH – FISCAL AGENT

During fiscal year 2014, the former Executive Director of GLAD became the project coordinator for the Visioning Project (the Project), an unrelated project, upon gaining Board approval. Under the Project agreement, GLAD acts as a fiscal agent for project-related funds. As of March 31, 2016 and 2015, the cash balance in the Project fund was \$3,750 and \$108,842, respectively, and is included in restricted cash – fiscal agent and fiscal agent payable in the accompanying statements of financial position.

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.

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Notes to Financial Statements
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10. CONDITIONAL GRANT

In fiscal year 2016, GLAD was awarded a conditional grant of \$100,000 payable in four annual installments of \$25,000 for the Youth Initiative Project. The grant is conditional upon achieving certain benchmarks as defined in the grant agreement. As of March 31, 2016, \$75,000 of this grant had not been recorded as the conditions were not met. GLAD recognized \$25,000 as revenue during fiscal year 2016.