



GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

**FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Contents
March 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
GLBTQ Legal Advocates & Defenders, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of GLBTQ Legal Advocates & Defenders, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of March 31, 2017 and 2016, 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, 2017 and 2016, 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.

Boston, Massachusetts
June 22, 2017

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statements of Financial Position
March 31, 2017 and 2016

Assets	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash and cash equivalents	\$ 336,017	\$ 323,989	\$ 660,006	\$ 384,973	\$ 271,413	\$ 656,386
Restricted cash - fiscal agent	-	-	-	3,750	-	3,750
Accounts receivable	5,521	-	5,521	11,471	-	11,471
Current portion of pledges receivable, net of allowance	350,000	46,900	396,900	-	75,270	75,270
Short-term investments	406,000	-	406,000	505,000	-	505,000
Prepaid expenses and deposits	56,518	-	56,518	56,137	-	56,137
Total current assets	1,154,056	370,889	1,524,945	961,331	346,683	1,308,014
Investments	927,641	-	927,641	792,164	-	792,164
Pledges Receivable, net of current portion, discount and allowance	-	41,967	41,967	-	71,696	71,696
Property and Equipment, net	150,236	-	150,236	44,238	-	44,238
Total assets	\$ 2,231,933	\$ 412,856	\$ 2,644,789	\$ 1,797,733	\$ 418,379	\$ 2,216,112
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 292,411	\$ -	\$ 292,411	\$ 188,776	\$ -	\$ 188,776
Fiscal agent payable	-	-	-	3,750	-	3,750
Total current liabilities	292,411	-	292,411	192,526	-	192,526
Deferred Rent	46,007	-	46,007	84,741	-	84,741
Total liabilities	338,418	-	338,418	277,267	-	277,267
Net Assets:						
Unrestricted:						
Operating	794,158	-	794,158	901,390	-	901,390
Board designated	949,121	-	949,121	574,838	-	574,838
Property and equipment	150,236	-	150,236	44,238	-	44,238
Total unrestricted	1,893,515	-	1,893,515	1,520,466	-	1,520,466
Temporarily restricted	-	412,856	412,856	-	418,379	418,379
Total net assets	1,893,515	412,856	2,306,371	1,520,466	418,379	1,938,845
Total liabilities and net assets	\$ 2,231,933	\$ 412,856	\$ 2,644,789	\$ 1,797,733	\$ 418,379	\$ 2,216,112

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Activities and Changes in Net Assets
 For the Year Ended March 31, 2017
 (With Summarized Comparative Totals for the Year Ended March 31, 2016)

	2017				2016	
	Unrestricted		Temporarily Restricted	Total	Total	Total
	Operating	Board Designated				
Support and Other Operating Revenues:						
Support:						
Special events:						
Event contributions and support	\$ 944,185	\$ -	\$ 944,185	\$ -	\$ 944,185	\$ 879,013
Less - direct expenses	(161,180)	-	(161,180)	-	(161,180)	(165,032)
Net special events revenue	783,005	-	783,005	-	783,005	713,981
Individual contributions	1,625,726	-	1,625,726	60,355	1,686,081	1,509,790
Donated services	4,008,303	-	4,008,303	-	4,008,303	392,299
Grants	34,900	-	34,900	679,000	713,900	574,000
Net assets released from restrictions:						
Satisfaction of purpose restrictions	216,424	-	216,424	(216,424)	-	-
Satisfaction of time restrictions	528,454	-	528,454	(528,454)	-	-
Total support	7,196,812	-	7,196,812	(5,523)	7,191,289	3,190,070
Other Operating Revenues:						
Attorney fees and other income	210,494	-	210,494	-	210,494	298,402
Contract service revenue	70,007	-	70,007	-	70,007	71,095
Spending policy transfer	33,733	-	33,733	-	33,733	33,800
Interest and dividend income, net	8,832	-	8,832	-	8,832	7,525
Total other operating revenues	323,066	-	323,066	-	323,066	410,822
Total support and other operating revenues	7,519,878	-	7,519,878	(5,523)	7,514,355	3,600,892
Operating Expenses:						
Program services:						
Civil Rights Project	2,094,674	5,587	2,100,261	-	2,100,261	1,453,033
Public Affairs and Education	577,500	3,041	580,541	-	580,541	619,004
Transgender Rights Project	3,382,846	27,664	3,410,510	-	3,410,510	462,117
AIDS Law Project	291,850	1,646	293,496	-	293,496	293,087
Total program services	6,346,870	37,938	6,384,808	-	6,384,808	2,827,241
Support services:						
Fundraising	421,735	2,239	423,974	-	423,974	453,517
General and administrative	330,060	432	330,492	-	330,492	352,724
Total support services	751,795	2,671	754,466	-	754,466	806,241
Total operating expenses	7,098,665	40,609	7,139,274	-	7,139,274	3,633,482
Changes in net assets from operations	421,213	(40,609)	380,604	(5,523)	375,081	(32,590)
Other Revenues (Expenses):						
Net realized and unrealized gains (losses) on investments	2,553	14,157	16,710	-	16,710	(72,043)
Interest and dividend income	-	9,468	9,468	-	9,468	35,683
Spending policy transfer	-	(33,733)	(33,733)	-	(33,733)	(33,800)
Total other revenues (expenses)	2,553	(10,108)	(7,555)	-	(7,555)	(70,160)
Changes in net assets	423,766	(50,717)	373,049	(5,523)	367,526	(102,750)
Net Assets:						
Beginning of year	945,628	574,838	1,520,466	418,379	1,938,845	2,041,595
Transfers	(425,000)	425,000	-	-	-	-
End of year	\$ 944,394	\$ 949,121	\$ 1,893,515	\$ 412,856	\$ 2,306,371	\$ 1,938,845

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2016

	Unrestricted		Temporarily Restricted	Total
	Operating	Board Designated		
Support and Other Operating Revenues:				
Support:				
Special events:				
Event contributions and support	\$ 879,013	\$ -	\$ 879,013	\$ -
Less - direct expenses	(165,032)	-	(165,032)	-
Net special events revenue	713,981	-	713,981	-
Individual contributions	1,393,809	-	1,393,809	115,981
Donated services	392,299	-	392,299	-
Grants	10,000	-	10,000	564,000
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)
Other Operating Revenues:				
Attorney fees and other income	298,402	-	298,402	-
Contract service revenue	71,095	-	71,095	-
Spending policy transfer	33,800	-	33,800	-
Interest and dividend income, net	7,525	-	7,525	-
Total other operating revenues	410,822	-	410,822	-
Total support and other operating revenues	3,707,444	-	3,707,444	(106,552)
Operating Expenses:				
Program services:				
Civil Rights Project	1,451,147	1,886	1,453,033	-
Public Affairs and Education	616,173	2,831	619,004	-
Transgender Rights Project	460,231	1,886	462,117	-
AIDS Law Project	291,201	1,886	293,087	-
Total program services	2,818,752	8,489	2,827,241	-
Support services:				
Fundraising	449,991	3,526	453,517	-
General and administrative	352,724	-	352,724	-
Total support services	802,715	3,526	806,241	-
Total operating expenses	3,621,467	12,015	3,633,482	-
Changes in net assets from operations	85,977	(12,015)	73,962	(106,552)
Other Revenue (Expenses):				
Net realized and unrealized losses on investments	(7,139)	(64,904)	(72,043)	-
Interest and dividend income	-	35,683	35,683	-
Spending policy transfer	-	(33,800)	(33,800)	-
Total other revenue (expenses)	(7,139)	(63,021)	(70,160)	-
Changes in net assets	78,838	(75,036)	3,802	(106,552)
Net Assets:				
Beginning of year	866,790	649,874	1,516,664	524,931
End of year	\$ 945,628	\$ 574,838	\$ 1,520,466	\$ 418,379

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 367,526	\$ (102,750)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,030	12,165
Change in allowance on pledges receivable	3,540	(2,378)
Change in discount on pledges receivable	(1,441)	1,647
Donated stocks	(114,210)	(81,790)
Net realized and unrealized losses on investments	(16,710)	72,043
Changes in operating assets and liabilities:		
Accounts receivable	5,950	22,158
Pledges receivable	(294,000)	(35,437)
Prepaid expenses and deposits	(381)	(46,206)
Accounts payable and accrued expenses	89,715	(113,026)
Deferred rent	(38,734)	(29,640)
Net cash provided by (used in) operating activities	<u>18,285</u>	<u>(303,214)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,282,126)	(107,199)
Proceeds from sales of investments	1,376,569	395,072
Acquisition of property and equipment	<u>(109,108)</u>	<u>(18,153)</u>
Net cash provided by (used in) investing activities	<u>(14,665)</u>	<u>269,720</u>
Net Change in Cash and Cash Equivalents	3,620	(33,494)
Cash and Cash Equivalents:		
Beginning of year	<u>656,386</u>	<u>689,880</u>
End of year	<u>\$ 660,006</u>	<u>\$ 656,386</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 39,388</u>	<u>\$ (70,973)</u>
Property and equipment additions included in accounts payable	<u>\$ 13,920</u>	<u>\$ -</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2017

(With Summarized Comparative Totals for the Year Ended March 31, 2016)

	2017							2016		
	Program Services				Support Services			Total	Total	
	Civil Rights Project	Public Affairs and Education	Transgender Rights Project	AIDS Law Project	Total Program Services	Fundraising	General and Administrative			Total Support Services
Personnel and Related:										
Salaries	\$ 601,451	\$ 327,451	\$ 286,769	\$ 177,201	\$ 1,392,872	\$ 241,015	\$ 201,964	\$ 442,979	\$ 1,835,851	\$ 1,902,298
Fringe benefits	61,435	33,447	29,292	18,100	142,274	24,619	20,629	45,248	187,522	240,233
Payroll taxes	45,012	24,506	21,462	13,262	104,242	18,037	15,115	33,152	137,394	149,164
Total personnel and related	<u>707,898</u>	<u>385,404</u>	<u>337,523</u>	<u>208,563</u>	<u>1,639,388</u>	<u>283,671</u>	<u>237,708</u>	<u>521,379</u>	<u>2,160,767</u>	<u>2,291,695</u>
Professional Fees and Services:										
Donated legal services	1,115,789	-	2,892,514	-	4,008,303	-	-	-	4,008,303	392,299
Other professional fees	28,778	36,058	23,024	9,583	97,443	13,427	7,670	21,097	118,540	145,439
Audit and legal	-	-	-	-	-	-	22,876	22,876	22,876	23,500
Total professional fees and services	<u>1,144,567</u>	<u>36,058</u>	<u>2,915,538</u>	<u>9,583</u>	<u>4,105,746</u>	<u>13,427</u>	<u>30,546</u>	<u>43,973</u>	<u>4,149,719</u>	<u>561,238</u>
Occupancy:										
Rent	120,649	65,686	61,665	35,546	283,546	48,347	40,513	88,860	372,406	350,548
Computer supplies, software and other	6,703	3,649	3,196	1,975	15,523	2,686	2,152	4,838	20,361	19,963
Depreciation	5,579	3,038	2,660	1,644	12,921	2,236	1,873	4,109	17,030	12,165
Utilities	4,097	2,231	1,953	1,207	9,488	1,642	1,376	3,018	12,506	12,506
Equipment leases	3,623	1,973	1,728	1,067	8,391	1,452	1,216	2,668	11,059	11,790
Repairs and maintenance	2,926	1,593	1,395	862	6,776	1,172	983	2,155	8,931	11,490
Total occupancy	<u>143,577</u>	<u>78,170</u>	<u>72,597</u>	<u>42,301</u>	<u>336,645</u>	<u>57,535</u>	<u>48,113</u>	<u>105,648</u>	<u>442,293</u>	<u>418,462</u>
Other:										
Printing and publications	15,056	21,669	7,716	6,501	50,942	16,887	527	17,414	68,356	62,945
Bank charges and merchant fees	16,293	8,870	7,768	4,800	37,731	6,529	-	6,529	44,260	39,123
Travel and conferences	15,296	3,959	9,936	3,696	32,887	9,963	591	10,554	43,441	65,591
Grants, donations and sponsorships	-	7,489	31,000	-	38,489	-	-	-	38,489	3,940
Telephone and internet	12,515	6,878	6,287	3,687	29,367	4,312	3,614	7,926	37,293	26,649
Event supplies	4,387	4,299	2,631	2,281	13,598	11,504	-	11,504	25,102	11,214
Postage	5,683	8,726	3,031	2,262	19,702	4,572	769	5,341	25,043	26,553
Communications and database	7,404	4,472	3,729	2,177	17,782	2,961	2,073	5,034	22,816	40,086
Dues, subscriptions and reference	9,424	713	4,900	3,005	18,042	375	80	455	18,497	19,642
Advertising and marketing	1,916	8,311	1,058	882	12,167	4,300	793	5,093	17,260	18,863
Insurance	5,396	1,359	2,573	1,590	10,918	1,350	838	2,188	13,106	14,379
Functions and meetings	3,942	1,403	925	572	6,842	4,223	1,143	5,366	12,208	9,082
Office supplies and small equipment	3,686	2,007	1,757	1,086	8,536	1,477	1,238	2,715	11,251	11,087
Staff development	1,287	701	614	379	2,981	516	431	947	3,928	3,417
Other litigation costs	1,145	-	212	131	1,488	-	1,700	1,700	3,188	7,525
Miscellaneous	789	53	715	-	1,557	372	328	700	2,257	1,991
Total other	<u>104,219</u>	<u>80,909</u>	<u>84,852</u>	<u>33,049</u>	<u>303,029</u>	<u>69,341</u>	<u>14,125</u>	<u>83,466</u>	<u>386,495</u>	<u>362,087</u>
Total expenses	<u>\$ 2,100,261</u>	<u>\$ 580,541</u>	<u>\$ 3,410,510</u>	<u>\$ 293,496</u>	<u>\$ 6,384,808</u>	<u>\$ 423,974</u>	<u>\$ 330,492</u>	<u>\$ 754,466</u>	<u>\$ 7,139,274</u>	<u>\$ 3,633,482</u>

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Functional Expenses
For the Year Ended March 31, 2016

	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	\$ 642,096	\$ 334,884	\$ 283,595	\$ 168,635	\$ 1,429,210	\$ 259,967	\$ 213,121	\$ 473,088	\$ 1,902,298
Fringe benefits	81,088	42,291	35,814	21,296	180,489	32,830	26,914	59,744	240,233
Payroll taxes	50,349	26,259	22,237	13,223	112,068	20,385	16,711	37,096	149,164
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>
Professional Fees and Services:									
Donated legal services	392,299	-	-	-	392,299	-	-	-	392,299
Other professional fees	24,738	55,377	13,773	25,285	119,173	15,237	11,029	26,266	145,439
Audit and legal	-	-	-	-	-	-	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>
Occupancy:									
Rent	116,979	61,010	55,649	30,722	264,360	47,361	38,827	86,188	350,548
Computer supplies, software and other	6,738	3,514	2,976	1,770	14,998	2,728	2,237	4,965	19,963
Depreciation	4,106	2,142	1,814	1,078	9,140	1,662	1,363	3,025	12,165
Utilities	4,221	2,202	1,864	1,109	9,396	1,709	1,401	3,110	12,506
Equipment leases	3,980	2,075	1,758	1,045	8,858	1,611	1,321	2,932	11,790
Repairs and maintenance	3,878	2,023	1,713	1,019	8,633	1,570	1,287	2,857	11,490
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>
Other:									
Printing and publications	11,307	26,373	5,193	4,919	47,792	14,645	508	15,153	62,945
Bank charges and merchant fees	14,872	7,756	6,568	3,906	33,102	6,021	-	6,021	39,123
Travel and conferences	34,644	6,997	4,860	2,568	49,069	16,086	436	16,522	65,591
Grants, donations and sponsorships	-	3,940	-	-	3,940	-	-	-	3,940
Telephone and internet	8,995	4,691	3,973	2,362	20,021	3,642	2,986	6,628	26,649
Event supplies	2,266	1,850	607	607	5,330	5,869	15	5,884	11,214
Postage	5,620	10,716	2,364	1,867	20,567	5,343	643	5,986	26,553
Communications and database	11,356	7,769	6,085	4,373	29,583	7,360	3,143	10,503	40,086
Dues, subscriptions and reference	10,242	957	4,906	2,873	18,978	365	299	664	19,642
Advertising and marketing	5,594	9,880	553	544	16,571	2,144	148	2,292	18,863
Insurance	6,009	1,570	2,654	1,578	11,811	1,569	999	2,568	14,379
Functions and meetings	1,660	1,189	719	429	3,997	3,703	1,382	5,085	9,082
Office supplies and small equipment	3,742	1,952	1,653	983	8,330	1,515	1,242	2,757	11,087
Staff development	597	1,587	-	-	2,184	133	1,100	1,233	3,417
Other litigation costs	3,985	-	789	896	5,670	-	1,855	1,855	7,525
Miscellaneous	1,672	-	-	-	1,672	62	257	319	1,991
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>
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>

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

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. The ALP is litigating 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, as well as working to expand access to PrEP for minors.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

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.

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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants, Donations and Sponsorships

Grants, donations and sponsorships are recorded when approved.

Advertising Costs

GLAD expenses advertising costs as they are incurred. Advertising costs were \$3,644 and \$1,557 for fiscal years 2017 and 2016, 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).

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 2017 and 2016, GLAD appropriated \$33,733 and \$33,800, 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, 2017 and 2016.

Donated Stock

Donated stock is recorded at fair market value on the date of the gift. During fiscal years 2017 and 2016, GLAD received stock donations valued at \$114,210 and \$81,790, 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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

	<u>Estimated Useful Lives</u>
Office and computer equipment	3 - 10 years
Leasehold improvements	Life of the lease
Less - accumulated depreciation	

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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

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).

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, grants, donations and sponsorships, 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>2017</u>	<u>2016</u>
Grants	\$ 25,000	\$ -
Salaries	16,190	3,485
Other	12,350	3,173
Fringe benefits and payroll taxes	6,476	1,394
Professional fees	<u>5,200</u>	<u>15,000</u>
	<u>\$ 65,216</u>	<u>\$ 23,052</u>

Subsequent Events

Subsequent events have been evaluated through June 22, 2017, 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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

2. PLEDGES RECEIVABLE

Pledges are recorded when unconditionally committed. Pledges receivable at March 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Due within one year	\$ 405,000	\$ 78,000
Due within three years	<u>45,000</u>	<u>78,000</u>
	450,000	156,000
Less - current portion allowance	8,100	2,730
Less - long-term portion, gross amount	<u>45,000</u>	<u>78,000</u>
Current pledges receivable	<u>\$ 396,900</u>	<u>\$ 75,270</u>
Long-term pledges receivable, gross amount	\$ 45,000	\$ 78,000
Less - discount	<u>2,133</u>	<u>3,574</u>
	42,867	74,426
Less - long-term portion allowance	<u>900</u>	<u>2,730</u>
Long-term pledges receivable, net	<u>\$ 41,967</u>	<u>\$ 71,696</u>

The pledges have been discounted using a 1.5% interest rate. Two and four donors' balances represent approximately 89% and 94% of the total outstanding pledge balance at March 31, 2017 and 2016, 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 fiscal year 2017, the Board authorized \$220,000, of which \$40,609 was spent on approved initiatives and \$120,545 on capital projects including a new donor constituent database and redesign of GLAD's website. During fiscal year 2016, the Board authorized \$52,000, of which \$12,015 was spent on approved initiatives.

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

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
 March 31, 2017 and 2016

3. NET ASSETS (Continued)**Temporarily Restricted Net Assets**

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

	<u>2017</u>	<u>2016</u>
Purpose restrictions	\$ 210,788	\$ 36,212
Time restrictions	<u>202,068</u>	<u>382,167</u>
Total temporarily restricted net assets	<u>\$ 412,856</u>	<u>\$ 418,379</u>

4. INVESTMENTS

At March 31, 2017 and 2016, GLAD's investment portfolio consists of the following:

<u>2017</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and cash equivalents	\$ 8,654	\$ 8,654	\$ -
Certificate of deposit	42,443	42,443	-
Equity mutual funds:			
Large capitalization	81,354	82,000	646
Other	51,780	54,212	2,432
Bond mutual funds:			
Short-term fixed income	1,032,689	1,030,526	(2,163)
Other	75,219	69,223	(5,996)
Stocks:			
Domestic equities	23,658	27,168	3,510
International equities	8,409	9,100	691
Other	<u>7,835</u>	<u>10,315</u>	<u>2,480</u>
	<u>\$ 1,332,041</u>	<u>\$ 1,333,641</u>	1,600
Unrealized depreciation at March 31, 2016			<u>(37,788)</u>
Total unrealized gain on investments			<u>\$ 39,388</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.Notes to Financial Statements
March 31, 2017 and 2016**4. INVESTMENTS (Continued)**

<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)
Intermediate fixed income	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>

Investments are not insured and are subject to ongoing market fluctuations. Realized losses for fiscal years 2017 and 2016 were \$22,678 and \$1,070, respectively. Interest and dividend income is shown net of investment management fees of \$2,850 and \$5,882 during fiscal years 2017 and 2016, 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, 2017 and 2016, is collateral for a letter of credit representing the security deposit on the lease of GLAD's office space (see Note 6). All interest earned on this certificate of deposit is available for GLAD's use in operations.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of March 31:

	<u>2017</u>	<u>2016</u>
Office and computer equipment	\$ 330,908	\$ 207,880
Leasehold improvements	<u>42,745</u>	<u>42,745</u>
	373,653	250,625
Less - accumulated depreciation	<u>223,417</u>	<u>206,387</u>
	<u>\$ 150,236</u>	<u>\$ 44,238</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

6. 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, 2017 and 2016, was \$46,007 and \$84,741, 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 also rents office space in Easthampton, Massachusetts under a tenant-at-will agreement with monthly rental payments of approximately \$350.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2018	\$ 376,082
2019	\$ 4,350
2020	\$ 728

Total rent expense was \$372,406 and \$350,548 for fiscal years 2017 and 2016, respectively. Included in rent expense was approximately \$8,000 of rental charges for additional storage space during fiscal years 2017 and 2016.

In February 2016, GLAD entered into a sublease agreement with a third party to lease a portion of their office space through March 31, 2018. Monthly base rent under the sublease agreement is \$3,027 plus a \$175 monthly charge for the tenant's share of electrical usage. Total rental income was \$38,422 for fiscal year 2017. Future rental income through March 31, 2018 is expected to be \$38,422 and is included in attorney fees and other income in the accompanying statement of activities and changes in net assets.

GLAD also leases certain equipment under three operating lease agreements expiring on various dates through January 2020. Lease expense under these agreements was \$11,059 and \$11,790 for fiscal years 2017 and 2016, 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>	
2018	\$ 13,185
2019	\$ 13,080

7. 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 2017 and 2016, GLAD contributed \$50,187 and \$54,508, respectively, to the Plan, which is included in fringe benefits in the accompanying statements of functional expenses.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

8. 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 (4.00% and 3.50% at March 31, 2017 and 2016, 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 \$575,000 and \$566,000 for 2017 and 2016, respectively (see Note 4). The agreement contains certain covenants with which GLAD was in compliance at March 31, 2017 and 2016. As of March 31, 2017 and 2016, there were no outstanding balances under this agreement. The line of credit agreement expires on February 28, 2018.

9. RESTRICTED CASH – FISCAL AGENT

Under the Visioning Project agreement (the Project), GLAD acted as a fiscal agent for project-related funds. As of March 31, 2016, the cash balance in the Project fund was \$3,750, and is included in restricted cash – fiscal agent and fiscal agent payable in the accompanying statements of financial position. The final payout was made in April 2016 upon project completion.

10. 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.

11. 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, 2017, \$50,000 of this grant had not been recorded as the conditions were not met. GLAD recognized \$25,000 as revenue during fiscal year 2017.

In fiscal year 2017, GLAD was awarded a conditional grant of \$225,000 payable in three installments of \$75,000. The first payment is due in early fiscal year 2018 and subsequent payments upon achieving certain benchmarks as defined in the grant agreement. As of March 31, 2017, no income has been recognized.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2017 and 2016

12. DONATED LEGAL SERVICES

During fiscal year 2017, GLAD received donated legal services of \$4,008,303. These were unusually high, given new challenges to the new Presidential Administration and a reinvigorated religious opposition. In comparison, donated legal services in fiscal year 2016 were \$392,299, which were unusually low, reflecting the successful resolution of GLAD's marriage equality victory at the United States Supreme Court.

In fiscal year 2017, nearly \$3 million of the donated services supported the Transgender Rights Project (TRP). Two-thirds of that represents the work of more than 150 lawyers at one law firm, which helped represent nearly 400 transgender individuals in seeking name changes and amendments to identity documents as part of GLAD's I.D. clinic, which was created in the weeks following the 2016 election. The balance supports transgender-related impact litigation, including in schools and prisons. Of the remaining \$1 million of donated legal services, approximately \$600,000 came from law firms assisting GLAD in thwarting attempts to undermine non-discrimination protections through expanded religious exemptions. The remaining approximately \$350,000 represents much of the donated legal services in previous fiscal years, on core issues such as nondiscrimination and family law.