



GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

**FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

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March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

AAFCPAs, Inc.

Boston, Massachusetts
June 17, 2021

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statements of Financial Position
March 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 262,407	\$ 762,562	\$ 1,024,969	\$ 1,114,736	\$ 361,513	\$ 1,476,249
Accounts receivable	5,760	-	5,760	14,481	-	14,481
Current portion of pledges receivable, net	5,126	19,345	24,471	-	221,343	221,343
Short-term investments	1,062,500	-	1,062,500	492,382	267,618	760,000
Prepaid expenses and deposits	114,297	-	114,297	94,576	-	94,576
Total current assets	1,450,090	781,907	2,231,997	1,716,175	850,474	2,566,649
Investments	2,429,092	279,400	2,708,492	1,279,670	464,674	1,744,344
Property and Equipment, net	86,406	-	86,406	121,634	-	121,634
Total assets	<u>\$ 3,965,588</u>	<u>\$ 1,061,307</u>	<u>\$ 5,026,895</u>	<u>\$ 3,117,479</u>	<u>\$ 1,315,148</u>	<u>\$ 4,432,627</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 470,451	\$ -	\$ 470,451	\$ 384,720	\$ -	\$ 384,720
Current portion of deferred rent	1,463	-	1,463	10,040	-	10,040
Total current liabilities	471,914	-	471,914	394,760	-	394,760
Deferred Rent, net of current portion	170,254	-	170,254	151,637	-	151,637
Note Payable	473,335	-	473,335	-	-	-
Total liabilities	<u>1,115,503</u>	<u>-</u>	<u>1,115,503</u>	<u>546,397</u>	<u>-</u>	<u>546,397</u>
Net Assets:						
Without donor restrictions:						
Operating	1,338,679	-	1,338,679	1,169,448	-	1,169,448
Board designated	1,425,000	-	1,425,000	1,280,000	-	1,280,000
Property and equipment	86,406	-	86,406	121,634	-	121,634
Total without donor restrictions	2,850,085	-	2,850,085	2,571,082	-	2,571,082
With donor restrictions	-	1,061,307	1,061,307	-	1,315,148	1,315,148
Total net assets	<u>2,850,085</u>	<u>1,061,307</u>	<u>3,911,392</u>	<u>2,571,082</u>	<u>1,315,148</u>	<u>3,886,230</u>
Total liabilities and net assets	<u>\$ 3,965,588</u>	<u>\$ 1,061,307</u>	<u>\$ 5,026,895</u>	<u>\$ 3,117,479</u>	<u>\$ 1,315,148</u>	<u>\$ 4,432,627</u>

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, 2021

(With Summarized Comparative Totals for the Year Ended March 31, 2020)

	2021					2020
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board Designated	Total			
Support and Other Operating Revenues:						
Support:						
Special events:						
Event contributions and support	\$ 886,267	\$ -	\$ 886,267	\$ -	\$ 886,267	\$ 1,150,097
Less - direct expenses	(41,400)	-	(41,400)	-	(41,400)	(185,300)
Net special events	844,867	-	844,867	-	844,867	964,797
Individual contributions	2,041,302	-	2,041,302	357,003	2,398,305	1,985,939
Donated services	2,111,987	-	2,111,987	-	2,111,987	6,133,692
Grants	389,126	-	389,126	333,000	722,126	1,025,500
Release of net assets with donor restrictions:						
Satisfaction of purpose restrictions	641,177	-	641,177	(641,177)	-	-
Satisfaction of time restrictions	302,667	-	302,667	(302,667)	-	-
Total support	6,331,126	-	6,331,126	(253,841)	6,077,285	10,109,928
Other operating revenues:						
Contract service revenue	66,257	-	66,257	-	66,257	66,257
Interest and dividend income - operating	32,150	-	32,150	-	32,150	40,740
Attorney fees and other income	3,502	-	3,502	-	3,502	30,163
Total other operating revenues	101,909	-	101,909	-	101,909	137,160
Total support and other operating revenues	6,433,035	-	6,433,035	(253,841)	6,179,194	10,247,088
Operating Expenses:						
Program services:						
Civil Rights Project	1,644,880	34,918	1,679,798	-	1,679,798	1,299,259
Public Affairs and Education	878,128	12,089	890,217	-	890,217	669,205
Transgender Rights Project	2,488,487	27,637	2,516,124	-	2,516,124	7,261,747
AIDS Law Project	436,957	9,516	446,473	-	446,473	352,683
Total program services	5,448,452	84,160	5,532,612	-	5,532,612	9,582,894
Support services:						
Fundraising	428,054	7,421	435,475	-	435,475	477,404
General and administrative	411,708	3,519	415,227	-	415,227	386,972
Total support services	839,762	10,940	850,702	-	850,702	864,376
Total operating expenses	6,288,214	95,100	6,383,314	-	6,383,314	10,447,270
Changes in net assets from operations	144,821	(95,100)	49,721	(253,841)	(204,120)	(200,182)
Other Revenue (Expense):						
Investment return, net	41,664	187,618	229,282	-	229,282	(53,081)
Changes in net assets	186,485	92,518	279,003	(253,841)	25,162	(253,263)
Net Assets:						
Beginning of year	1,291,082	1,280,000	2,571,082	1,315,148	3,886,230	4,139,493
Transfers	(52,482)	52,482	-	-	-	-
End of year	\$ 1,425,085	\$ 1,425,000	\$ 2,850,085	\$ 1,061,307	\$ 3,911,392	\$ 3,886,230

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

 Statement of Activities and Changes in Net Assets
 For the Year Ended March 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and Other Operating Revenues:					
Support:					
Special events:					
Event contributions and support	\$ 1,150,097	\$ -	\$ 1,150,097	\$ -	\$ 1,150,097
Less - direct expenses	(185,300)	-	(185,300)	-	(185,300)
Net special events	964,797	-	964,797	-	964,797
Individual contributions	1,650,399	-	1,650,399	335,540	1,985,939
Donated services	6,133,692	-	6,133,692	-	6,133,692
Grants	7,500	-	7,500	1,018,000	1,025,500
Release of net assets with donor restrictions:					
Satisfaction of purpose restrictions	785,332	-	785,332	(785,332)	-
Satisfaction of time restrictions	608,207	-	608,207	(608,207)	-
Total support	10,149,927	-	10,149,927	(39,999)	10,109,928
Other operating revenues:					
Contract service revenue	66,257	-	66,257	-	66,257
Interest and dividend income - operating	40,740	-	40,740	-	40,740
Attorney fees and other income	30,163	-	30,163	-	30,163
Total other operating revenues	137,160	-	137,160	-	137,160
Total support and other operating revenues	10,287,087	-	10,287,087	(39,999)	10,247,088
Operating Expenses:					
Program services:					
Civil Rights Project	1,184,097	115,162	1,299,259	-	1,299,259
Public Affairs and Education	651,298	17,907	669,205	-	669,205
Transgender Rights Project	7,121,244	140,503	7,261,747	-	7,261,747
AIDS Law Project	322,099	30,584	352,683	-	352,683
Total program services	9,278,738	304,156	9,582,894	-	9,582,894
Support services:					
Fundraising	468,043	9,361	477,404	-	477,404
General and administrative	382,773	4,199	386,972	-	386,972
Total support services	850,816	13,560	864,376	-	864,376
Total operating expenses	10,129,554	317,716	10,447,270	-	10,447,270
Changes in net assets from operations	157,533	(317,716)	(160,183)	(39,999)	(200,182)
Other Revenue (Expense):					
Investment return, net	(27,350)	(25,731)	(53,081)	-	(53,081)
Changes in net assets	130,183	(343,447)	(213,264)	(39,999)	(253,263)
Net Assets:					
Beginning of year	1,384,346	1,400,000	2,784,346	1,355,147	4,139,493
Transfers	(223,447)	223,447	-	-	-
End of year	\$ 1,291,082	\$ 1,280,000	\$ 2,571,082	\$ 1,315,148	\$ 3,886,230

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 25,162	\$ (253,263)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	52,276	59,015
Change in allowance on pledges receivable	(17,848)	(13,508)
Change in discount on pledges receivable	(4,654)	(4,445)
Net realized and unrealized losses (gains) on investments	(226,008)	72,317
Changes in operating assets and liabilities:		
Accounts receivable	8,721	(8,307)
Pledges receivable	219,374	185,036
Prepaid expenses and deposits	(19,721)	9,317
Accounts payable and accrued expenses	85,731	67,990
Deferred rent	10,040	6,081
Net cash provided by operating activities	<u>133,073</u>	<u>120,233</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,855,429)	(1,153,715)
Proceeds from sales of investments	814,789	1,133,438
Acquisition of property and equipment	(17,048)	(7,266)
Net cash used in investing activities	<u>(1,057,688)</u>	<u>(27,543)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	<u>473,335</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(451,280)	92,690
Cash and Cash Equivalents:		
Beginning of year	<u>1,476,249</u>	<u>1,383,559</u>
End of year	<u>\$ 1,024,969</u>	<u>\$ 1,476,249</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 224,974</u>	<u>\$ (68,708)</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2021

(With Summarized Comparative Totals for the Year Ended March 31, 2020)

	2021								2020
	Program Services					Support Services			
	Civil Rights Project	Public Affairs and Education	Transgender Rights Project	AIDS Law Project	Total Program Services	Fundraising	General and Adminis- trative	Total Support Services	Total
Personnel and Related:									
Salaries	\$ 680,901	\$ 430,162	\$ 538,920	\$ 185,564	\$ 1,835,547	\$ 264,078	\$ 253,192	\$ 517,270	\$ 2,352,817
Fringe benefits	80,674	50,966	63,852	21,986	217,478	31,288	29,998	61,286	278,764
Payroll taxes	60,021	37,918	47,505	16,357	161,801	22,319	23,278	45,597	207,398
Contracted services	3,164	2,219	2,505	862	8,750	-	-	-	8,750
Total personnel and related	824,760	521,265	652,782	224,769	2,223,576	317,685	306,468	624,153	2,847,729
Professional Fees and Services:									
Donated legal services	524,233	-	1,587,754	-	2,111,987	-	-	-	2,111,987
Other professional fees	40,025	179,749	44,450	139,012	403,236	18,222	19,389	37,611	440,847
Audit and legal	-	-	-	-	-	-	27,360	27,360	27,360
Total professional fees and services	564,258	179,749	1,632,204	139,012	2,515,223	18,222	46,749	64,971	2,580,194
Occupancy:									
Rent	125,361	74,135	99,221	34,164	332,881	45,512	43,636	89,148	422,029
Other occupancy	15,817	9,992	12,519	4,311	42,639	6,134	5,882	12,016	54,655
Depreciation	16,169	10,215	12,798	4,407	43,589	6,271	2,416	8,687	52,276
Utilities	2,454	1,551	1,943	669	6,617	952	913	1,865	8,482
Equipment leases	1,691	1,068	1,339	461	4,559	656	629	1,285	5,844
Total occupancy	161,492	96,961	127,820	44,012	430,285	59,525	53,476	113,001	543,286
Other:									
Grants, donations and sponsorships	48,449	31,980	38,347	13,204	131,980	-	-	-	131,980
Data management and communications	19,667	12,855	15,566	5,360	53,448	5,226	717	5,943	59,391
Printing and publications	8,688	11,886	7,342	3,990	31,906	10,311	507	10,818	42,724
Bank charges and merchant fees	13,749	8,686	10,882	3,747	37,064	5,332	-	5,332	42,396
Special events	4,140	14,490	4,140	4,140	26,910	14,490	-	14,490	41,400
Telephone and internet	7,201	4,550	5,700	1,963	19,414	2,793	2,678	5,471	24,885
Functions and meetings	3,440	6,024	3,003	1,914	14,381	7,705	780	8,485	22,866
Dues, subscriptions and reference	8,612	1,492	6,816	2,347	19,267	462	108	570	19,837
Insurance	7,744	752	6,129	2,111	16,736	462	443	905	17,641
Postage	1,960	7,324	1,786	1,353	12,423	4,201	252	4,453	16,876
Office supplies and small equipment	2,541	1,605	2,011	692	6,849	985	945	1,930	8,779
Staff and volunteer development	2,164	1,367	1,713	590	5,834	839	805	1,644	7,478
Travel and conferences	1,863	1,953	1,482	534	5,832	641	494	1,135	6,967
Miscellaneous	1,171	732	927	319	3,149	450	431	881	4,030
Advertising and marketing	1,119	707	886	305	3,017	434	180	614	3,631
Filing fees and litigation costs	920	329	728	251	2,228	202	194	396	2,624
Total other	133,428	106,732	107,458	42,820	390,438	54,533	8,534	63,067	453,505
Total expenses	1,683,938	904,707	2,520,264	450,613	5,559,522	449,965	415,227	865,192	6,424,714
Less - fundraising event expenses included with revenues on the statements of activities and changes in net assets	(4,140)	(14,490)	(4,140)	(4,140)	(26,910)	(14,490)	-	(14,490)	(41,400)
Total expenses included in the statements of activities and changes in net assets	\$ 1,679,798	\$ 890,217	\$ 2,516,124	\$ 446,473	\$ 5,532,612	\$ 435,475	\$ 415,227	\$ 850,702	\$ 6,383,314

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, 2020

	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	\$ 748,090	\$ 375,352	\$ 483,964	\$ 198,671	\$ 1,806,077	\$ 276,908	\$ 235,678	\$ 512,586	\$ 2,318,663
Fringe benefits	79,876	42,844	51,674	21,213	195,607	31,607	26,901	58,508	254,115
Payroll taxes	62,350	30,752	40,337	16,559	149,998	22,687	19,309	41,996	191,994
Contracted services	8,743	5,186	5,655	2,321	21,905	308	-	308	22,213
Total personnel and related	899,059	454,134	581,630	238,764	2,173,587	331,510	281,888	613,398	2,786,985
Professional Fees and Services:									
Donated legal services	1,568	-	6,132,124	-	6,133,692	-	-	-	6,133,692
Other professional fees	57,743	35,275	310,140	31,520	434,678	18,008	11,257	29,265	463,943
Audit and legal	2,328	1,248	1,506	618	5,700	921	33,285	34,206	39,906
Total professional fees and services	61,639	36,523	6,443,770	32,138	6,574,070	18,929	44,542	63,471	6,637,541
Occupancy:									
Rent	133,082	64,947	82,754	32,156	312,939	47,913	40,780	88,693	401,632
Other occupancy	11,185	6,000	7,236	2,970	27,391	4,425	3,767	8,192	35,583
Depreciation	19,660	10,545	12,719	5,221	48,145	7,780	3,090	10,870	59,015
Utilities	3,133	1,680	2,026	832	7,671	1,239	1,055	2,294	9,965
Equipment leases	2,609	1,400	1,688	693	6,390	1,032	879	1,911	8,301
Total occupancy	169,669	84,572	106,423	41,872	402,536	62,389	49,571	111,960	514,496
Other:									
Grants, donations and sponsorships	-	9,931	10,000	-	19,931	-	-	-	19,931
Data management and communications	18,634	10,304	12,055	4,949	45,942	5,419	-	5,419	51,361
Printing and publications	12,092	15,651	8,914	5,482	42,139	14,385	714	15,099	57,238
Bank charges and merchant fees	17,124	9,186	11,079	4,548	41,937	6,777	-	6,777	48,714
Special events	18,890	64,855	18,350	18,350	120,445	64,855	-	64,855	185,300
Telephone and internet	8,778	4,708	5,678	2,331	21,495	3,473	2,956	6,429	27,924
Functions and meetings	9,445	15,684	7,375	5,140	37,644	16,502	1,975	18,477	56,121
Dues, subscriptions and reference	9,869	758	6,385	2,621	19,633	90	77	167	19,800
Insurance	7,959	1,567	5,148	2,113	16,787	2,014	984	2,998	19,785
Postage	2,616	4,551	1,965	1,264	10,396	3,372	561	3,933	14,329
Office supplies and small equipment	3,603	1,933	2,331	957	8,824	1,426	1,214	2,640	11,464
Staff and volunteer development	8,825	1,966	5,709	2,344	18,844	1,186	1,010	2,196	21,040
Travel and conferences	11,337	12,438	18,241	4,720	46,736	6,023	481	6,504	53,240
Miscellaneous	216	117	141	58	532	86	73	159	691
Advertising and marketing	8,511	4,565	5,506	2,260	20,842	3,368	539	3,907	24,749
Filing fees and litigation costs	49,883	617	29,397	1,122	81,019	455	387	842	81,861
Total other	187,782	158,831	148,274	58,259	553,146	129,431	10,971	140,402	693,548
Total expenses	1,318,149	734,060	7,280,097	371,033	9,703,339	542,259	386,972	929,231	10,632,570
Less - fundraising event expenses included with revenues on the statement of activities and changes in net assets	(18,890)	(64,855)	(18,350)	(18,350)	(120,445)	(64,855)	-	(64,855)	(185,300)
Total expenses included in the statement of activities and changes in net assets	\$ 1,299,259	\$ 669,205	\$ 7,261,747	\$ 352,683	\$ 9,582,894	\$ 477,404	\$ 386,972	\$ 864,376	\$ 10,447,270

The accompanying notes are an integral part of these statements.

1. OPERATIONS AND NONPROFIT STATUS

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.

GLAD advances a broad range of legal rights for lesbian, gay, bisexual, transgender, and queer (LGBTQ) adults and youth, and for people living with HIV. Our strategic priorities include advancing state public policy in New England, increasing access to justice for LGBTQ people, and ensuring that racial and economic justice infuses all that we do. GLAD focuses on impact litigation – using strategically chosen cases to establish or expand LGBTQ civil rights and foster systemic change. GLAD is also active in legislative and policy work, particularly within New England – applying its legal expertise to educate legislators, draft bills, and provide expert testimony and legal research. Finally, GLAD works to change hearts and minds regarding the shared humanity and dignity of LGBTQ people and those living with HIV, engage the public to educate our communities about their legal rights, and provide resources and referrals to assist individuals and communities in advocating for themselves.

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, including in employment, housing, public accommodations, and other critical areas of life, and ensuring that those protections are not undermined by overly expansive religious exemptions. After successfully winning marriage equality in all New England states and nationally, the CRP now works to defend marriage from attempts to chip away at it. The CRP also works to ensure that LGBTQ families receive the respect and recognition all families receive, with an emphasis on parentage recognition, including for non-marital families. Through its Youth Initiative, GLAD works on issues such as the rights of out-of-home youth, especially youth in juvenile detention and state care, bullying and harassment of LGBTQ youth in and out of the school setting, and other policy issues affecting young people. The CRP also addresses issues facing LGBTQ older adults, including ensuring safe and affirming assisted living options.

The **Transgender Rights Project** focuses on fighting discrimination based on gender identity and expression, including: (1) successfully helping overturn the Federal administration's policy banning transgender people from serving in the military; (2) advocating for access to health care and more fair treatment for transgender people while incarcerated; (3) ending the denial of critical health care to transgender people in private, public, and state insurance policies, as well as for youth in state custody; (4) ensuring transgender people can obtain documents consistent with their gender; (5) robustly enforcing and defending existing anti-discrimination protections for transgender people in employment, housing, and public spaces; (6) supporting the efforts of parents of transgender children to act in their children's best interests; and (7) countering opposition efforts to deny transgender youth life-saving gender affirming health care and the opportunity to participate in sports.

The **AIDS Law Project** focuses on ending discrimination based on HIV status, particularly in areas of privacy and confidentiality, discrimination and criminalization, and insurance coverage. Currently, the ALP is working to advance access to PrEP and to eradicate the stigma attached to it, including by suing a Rhode Island doctor for his refusal to prescribe PrEP to a man who subsequently contracted HIV. The ALP also combats ongoing state legislative efforts in New England that seek to roll back hard-won gains protecting the confidentiality of HIV information in medical records. Finally, the ALP monitors and works on the availability of treatment for HIV-positive individuals suffering from lipodystrophy.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

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1. OPERATIONS AND NONPROFIT STATUS (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 and the rights of people living with HIV, the department finds and tells our stories; builds organized communities of allies to prepare the ground for, and sustain, courtroom and policy victories; and works closely with state partner organizations, providing strategy and communication consultation and support. It also focuses on sustained relationship building and engagement and disseminates critical legal information to empower people to exercise their legal rights, particularly through GLAD Answers, our legal information and referral service. The department educates the community, elevates stories, and engages the public through traditional media, print publications, video, digital channels including social media and a mobile-optimized website, public education events and workshops, participation in coalitions and sustained partnerships, and one-on-one conversations.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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 3).

Accounts Receivable

Accounts receivable are carried at the original invoice amount and do not bear interest. Accounts receivable are written-off when management determines the receivable will not be collected. Recoveries of accounts receivable previously written-off are recorded when received.

2. 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, 2021 and 2020. GLAD's information returns are subject to examination by Federal and state jurisdictions.

Revenue Recognition

Special Events

Special event income is derived from GLAD's performance to host its annual dinner, summer party and other fundraising events in which revenues are recognized at the time of the events. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received in accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions*. The sales portion of the special event income is derived from various components, including ticket sales from these events held in which the transaction price is determined annually in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Ticket sales for these events are set by GLAD and have not been allocated as these events are each considered to be one performance obligation. Special event income is shown net of direct event costs of \$41,400 and \$185,300 for the years ended March 31, 2021 and 2020, respectively. Fees collected in advance of the special event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the accompanying statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue as of March 31, 2021 and 2020, as fees were collected, and the events were held in the same period.

Individual Contributions and Grants

In accordance with ASC Subtopic 958-605 (Topic 958), *Revenue Recognition - Contributions*, GLAD must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that GLAD should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Individual contributions and grants without donor restrictions are recorded when unconditionally pledged or received. GLAD reports gifts of cash and other assets as individual contributions and grants with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as release of net assets with donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contract Services

GLAD generally measures revenue for qualifying exchange transactions based on the amount of consideration GLAD expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as GLAD satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. GLAD evaluates its contract service revenue based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Contract services are recognized by GLAD for services provided for research related to HIV treatment. This service is considered a single performance obligation as this service is distinct. The performance obligations under this agreement are satisfied evenly over the year as the third party receives the benefits provided as GLAD performs these services and also the third party maintains the rights to all data. Compensation is generally fixed under the relevant agreement. The services are only recognized as revenue when collection is assured.

Attorney Fees, Investment and Other Income

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 5). All other revenue is recognized when earned.

Bequests

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

Expense Allocations

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, occupancy, telephone and internet, office supplies and small equipment, functions and meetings, and depreciation, which are allocated based on an estimate of time and effort spent on GLAD's program and support functions.

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 \$1,674 and \$5,095 for fiscal years 2021 and 2020, respectively, and are included in advertising and marketing in the accompanying statements of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Stock

Donated stock is recorded at fair value on the date of the gift. During fiscal years 2021 and 2020, GLAD received stock donations valued at \$120,849 and \$146,911, respectively, which are included in individual contributions in the accompanying statements of activities and changes in net assets. These stock donations were immediately sold upon receipt, and the proceeds were invested in money market accounts.

Property and 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:

Office and computer equipment	3 - 10 years
Leasehold improvements	Life of the lease

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by GLAD and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Certain certificates of deposit included in GLAD's portfolio are valued using standard inputs including benchmark yields, broker/dealer quotes, issuer spreads, and reference data including market research publications.

A summary of inputs used in valuing GLAD's investments as of March 31, 2021 and 2020, is included in Note 5.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking and money market accounts. Cash and cash equivalents are considered Level 1 in the fair value hierarchy.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value. These qualifying assets and liabilities are considered Level 1 in the fair value hierarchy.

Statements 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 revenues and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating activity is reported as other revenue (expense) and includes investment activity.

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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lobbying (Continued)

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>2021</u>	<u>2020</u>
Other expenses	\$ 56,087	\$ 13,758
Salaries	9,071	21,855
Fringe benefits and payroll taxes	<u>3,628</u>	<u>8,742</u>
	<u>\$ 68,786</u>	<u>\$ 44,355</u>

Subsequent Events

Subsequent events have been evaluated through June 17, 2021, which is the date the financial statements were available to be issued. See Note 13 for an event that met the criteria for disclosure in the financial statements.

3. PLEDGES RECEIVABLE

Pledges are recorded when unconditionally committed. Pledges receivable at March 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Due within one year	\$ 25,126	\$ 244,500
Less - allowance	-	17,848
Less - discount	<u>655</u>	<u>5,309</u>
Current portion of pledges receivable, net	<u>\$ 24,471</u>	<u>\$ 211,343</u>

The pledges have been discounted using a 2.5% interest rate as of March 31, 2021 and 2020. Two and four donors' balances represent approximately 100% and 82% of the total outstanding pledges receivable balance at March 31, 2021 and 2020, respectively.

4. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by GLAD. GLAD has grouped its net assets without donor restrictions into the following categories:

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

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
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4. NET ASSETS (Continued)

Net Assets Without Donor Restrictions (Continued)

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 strategic initiatives and long-term viability. During fiscal year 2021, the Board authorized \$112,148, of which \$17,048 was capitalized, to be spent on approved initiatives. During fiscal year 2020, the Board authorized \$322,716, of which \$5,000 was capitalized, to be spent on approved initiatives. Additionally, during the years ended March 31, 2021 and 2020, management transferred \$52,482 and \$223,447, respectively, from operating net assets to Board designated net assets for future initiatives.

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

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following as of March 31:

	<u>2021</u>	<u>2020</u>
Purpose restrictions	\$ 1,011,307	\$ 971,963
Time restrictions	<u>50,000</u>	<u>343,185</u>
Total net assets with donor restrictions	<u>\$ 1,061,307</u>	<u>\$ 1,315,148</u>

During fiscal year 2018, GLAD launched the One Justice Fund, a \$1,700,000 campaign to grow GLAD's legal resources to respond to increased attacks on LGBTQ rights from the Federal administration and an emboldened conservative religious opposition. The funds, raised mostly between June 2017 and June 2018, allowed GLAD to add to its legal team, support the GLAD Answers legal information and referral service, and build its fundraising capacity so that it can sustain this growth going forward. The remaining funds will likely be spent during fiscal years 2022 and 2023. During fiscal years 2021 and 2020, GLAD spent \$300,000 of this fund and the release from purpose restrictions was made accordingly.

5. INVESTMENTS

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. Investments are not insured and are subject to ongoing market fluctuations.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2021 and 2020

5. INVESTMENTS (Continued)

GLAD's investments are carried at fair value and consist of the following at March 31:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,001,730	\$ -	\$ -	\$ 2,001,730
Cash and cash equivalents	1,074,250	-	-	1,074,250
Domestic equities	480,765	-	-	480,765
Certificates of deposit	135,051	-	-	135,051
International equity	55,153	-	-	55,153
Other	24,043	-	-	24,043
Total investments	<u>\$ 3,770,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,770,992</u>

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 579,065	\$ -	\$ -	\$ 579,065
Cash and cash equivalents	983,707	-	-	983,707
Domestic equities	241,785	-	-	241,785
Certificates of deposit	134,251	502,348	-	636,599
International equity	45,524	-	-	45,524
Other	17,664	-	-	17,664
Total investments	<u>\$ 2,001,996</u>	<u>\$ 502,348</u>	<u>\$ -</u>	<u>\$ 2,504,344</u>

The following schedule summarizes the investment return for the years ended March 31:

	2021	2020
Net unrealized gains (losses)	\$ 224,974	\$ (68,708)
Investment income	7,388	23,154
Net realized gains (losses)	1,034	(3,609)
Investment management fee	<u>(4,114)</u>	<u>(3,918)</u>
	<u>\$ 229,282</u>	<u>\$ (53,081)</u>

6. PROPERTY AND EQUIPMENT

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

	2021	2020
Office and computer equipment	\$ 301,846	\$ 284,798
Leasehold improvements	<u>34,283</u>	<u>34,283</u>
	336,129	319,081
Less - accumulated depreciation	<u>249,723</u>	<u>197,447</u>
	<u>\$ 86,406</u>	<u>\$ 121,634</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
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7. OPERATING LEASE AGREEMENTS

GLAD leases office space in Boston, Massachusetts under a lease agreement that expires on July 31, 2028. Monthly cash payments range from \$30,295 to \$36,222 through the lease period. GLAD recognized 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, 2021 and 2020, was \$171,717 and \$161,677, respectively. GLAD is required to hold a certificate of deposit of \$133,297 as collateral for a letter of credit representing the security deposit on this lease. GLAD is also responsible for its proportionate share of operating costs and real estate taxes incurred by the landlord each year for each of these lease agreements.

GLAD rents office space in Easthampton, Massachusetts under a lease agreement that will expire on May 31, 2022. The monthly rental payment under this lease was \$370. Commencing on June 1, 2020, rent payments will increase each year at the greater of the same percent of annual increase as the Consumer Price Index in January of each year or at 3.5%, as defined in the agreement.

GLAD has a lease agreement for office space in Portland, Maine that expired on July 31, 2020. During fiscal year 2021, this lease was renewed through September 30, 2022. The monthly rental payment under these agreements is \$1,000.

Total rent expense was \$422,029 and \$401,632 for fiscal years 2021 and 2020, respectively. Included in rent expense was approximately \$1,300 and \$3,400 of rental charges for additional storage space during fiscal years 2021 and 2020, respectively.

GLAD also leases certain equipment under two operating lease agreements expiring on various dates through December 2023. Lease expense under these agreements was \$5,844 and \$8,301 for fiscal years 2021 and 2020, respectively, and is reflected as equipment leases in the accompanying statements of functional expenses.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Facility Leases</u>	<u>Equipment Leases</u>
2022	\$ 403,828	\$ 9,682
2023	406,473	10,088
2024	406,960	6,325
2025	408,322	-
2026	416,225	-
Thereafter	<u>1,001,047</u>	<u>-</u>
Total	<u>\$ 3,042,855</u>	<u>\$ 26,095</u>

8. 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 was amended to include a Roth option and employees are now eligible to participate in the plan after attaining the age of 18 and completing three months of service, rather than six under the prior Plan. During fiscal years 2021 and 2020, GLAD contributed \$70,206 and \$66,826, 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
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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.

10. DONATED LEGAL SERVICES

In fiscal years 2021 and 2020, GLAD received donated legal services of \$2,111,987 and \$6,133,692, respectively. These amounts were unusually high, given new challenges from the Federal administration and a reinvigorated conservative opposition.

In fiscal years 2021 and 2020, not only did GLAD continue work in its Transgender ID Clinic, which was created to help transgender individuals in seeking name changes and amendments to identity documents through donated legal services, but GLAD also filed new litigation challenging the Federal administration's ban on transgender service members, with the assistance of additional and significant donated legal services.

11. LIQUIDITY

GLAD's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of March 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,024,969	\$ 1,476,249
Accounts receivable	5,760	14,481
Current portion of pledges receivable	24,471	221,343
Short-term investments	<u>1,062,500</u>	<u>760,000</u>
Total financial assets	<u>2,117,700</u>	<u>2,472,073</u>
Less - amounts subject to donor restrictions:		
Cash, current portion of pledges receivable and short-term investments subject to donor-imposed restrictions	(781,907)	(850,474)
Add - operating funds restricted for fiscal year 2022	55,126	-
Add - operating funds restricted for fiscal year 2021	<u>-</u>	<u>276,167</u>
	<u>(726,781)</u>	<u>(574,307)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,390,919</u>	<u>\$ 1,897,766</u>

GLAD is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, GLAD must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of GLAD's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. GLAD has additional investments held in its portfolio for long-term purposes. These amounts of \$2,708,492 and \$1,279,670 at March 31, 2021 and 2020, respectively, could be used for general operations upon management and the Board of Directors' decision in the event of unanticipated liquidity needs.

12. CONTINGENCY

The COVID-19 pandemic in the United States has resulted in the closures of many businesses and a marked reduction in economic activity. While this disruption is currently expected to be temporary, there is uncertainty around the duration and the impact it will have on GLAD's operations and financial position. Any related financial impact cannot be reasonably estimated at this time. GLAD's senior management team and the Board of Directors, through the Finance and Audit Committee, will continue to monitor income trends and expenses as part of its ongoing multi-year scenario planning.

13. NOTE PAYABLE

GLAD applied for and was awarded a forgivable loan of \$473,335 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds can be used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration notifies the lender of the amount of the loan that will be forgiven. The balance of the note, which was not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of March 31, 2021.

There was no accrued interest on the note payable as of March 31, 2021, as it would be immaterial to the overall financial statements.

As of June 17, 2021, GLAD submitted the application for forgiveness, but had not been legally released from the obligation. GLAD anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term in the accompanying statement of financial position as of March 31, 2021.

Subsequent to March 31, 2021, GLAD applied for and received a second draw PPP loan totaling \$521,565. The second draw PPP loan has the same general loan terms as the first draw PPP loan. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year (or five-year) period with interest at 1%.