



GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

**FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

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March 31, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of GLBTQ Legal Advocates & Defenders, Inc. (a Massachusetts nonprofit corporation) (GLAD), which comprise the statements of financial position as of March 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GLBTQ Legal Advocates & Defenders, Inc. as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GLAD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, in fiscal year 2023, GLAD adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GLAD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GLAD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GLAD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
June 23, 2023

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

 Statements of Financial Position
 March 31, 2023 and 2022

Assets	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash and cash equivalents	\$ 320,483	\$ -	\$ 320,483	\$ 926,914	\$ 661,247	\$ 1,588,161
Accounts receivable	29,852	-	29,852	29,103	-	29,103
Current portion of pledges receivable, net	-	160,630	160,630	-	152,742	152,742
Short-term investments	784,066	543,934	1,328,000	930,026	144,274	1,074,300
Prepaid expenses and deposits	122,743	-	122,743	135,250	-	135,250
Total current assets	1,257,144	704,564	1,961,708	2,021,293	958,263	2,979,556
Investments	2,954,340	15,084	2,969,424	2,691,311	-	2,691,311
Pledges Receivable, net	-	5,287	5,287	-	145,032	145,032
Right-Of-Use Lease Assets - Operating	1,963,300	-	1,963,300	-	-	-
Property and Equipment, net	90,251	-	90,251	36,043	-	36,043
Total assets	\$ 6,265,035	\$ 724,935	\$ 6,989,970	\$ 4,748,647	\$ 1,103,295	\$ 5,851,942
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 466,881	\$ -	\$ 466,881	\$ 511,518	\$ -	\$ 511,518
Current portion of operating lease liabilities	418,503	-	418,503	-	-	-
Current portion of deferred rent	-	-	-	5,766	-	5,766
Total current liabilities	885,384	-	885,384	517,284	-	517,284
Deferred Rent, net of current portion	-	-	-	168,088	-	168,088
Operating Lease Liabilities, net	1,712,233	-	1,712,233	-	-	-
Note Payable	-	-	-	521,565	-	521,565
Total liabilities	2,597,617	-	2,597,617	1,206,937	-	1,206,937
Net Assets:						
Without donor restrictions:						
Operating	1,910,808	-	1,910,808	1,735,667	-	1,735,667
Board designated	1,833,795	-	1,833,795	1,770,000	-	1,770,000
Property and equipment	(77,185)	-	(77,185)	36,043	-	36,043
Total without donor restrictions	3,667,418	-	3,667,418	3,541,710	-	3,541,710
With donor restrictions	-	724,935	724,935	-	1,103,295	1,103,295
Total net assets	3,667,418	724,935	4,392,353	3,541,710	1,103,295	4,645,005
Total liabilities and net assets	\$ 6,265,035	\$ 724,935	\$ 6,989,970	\$ 4,748,647	\$ 1,103,295	\$ 5,851,942

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2023

(With Summarized Comparative Totals for the Year Ended March 31, 2022)

	2023					2022
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board Designated	Total			
Support and Other Operating Revenues:						
Support:						
Special events:						
Event contributions and support	\$ 822,613	\$ -	\$ 822,613	\$ -	\$ 822,613	\$ 824,338
Less - direct expenses	(228,566)	-	(228,566)	-	(228,566)	(206,755)
Net special events	594,047	-	594,047	-	594,047	617,583
Donated services	4,293,702	-	4,293,702	-	4,293,702	2,638,570
Individual contributions	1,525,302	-	1,525,302	630,055	2,155,357	2,391,611
Grants	953,000	-	953,000	199,914	1,152,914	1,228,639
Release of net assets with donor restrictions:						
Satisfaction of purpose restrictions	963,502	-	963,502	(963,502)	-	-
Satisfaction of time restrictions	244,827	-	244,827	(244,827)	-	-
Total support	8,574,380	-	8,574,380	(378,360)	8,196,020	6,876,403
Other operating revenues:						
Interest and dividend income - operating	78,638	-	78,638	-	78,638	48,401
Contract service revenue	66,357	-	66,357	-	66,357	71,757
Spending policy transfer	30,000	-	30,000	-	30,000	-
Attorney fees and other income	20,485	-	20,485	-	20,485	288,467
Total other operating revenues	195,480	-	195,480	-	195,480	408,625
Total support and other operating revenues	8,769,860	-	8,769,860	(378,360)	8,391,500	7,285,028
Operating Expenses:						
Program services:						
Civil Rights Project	1,405,966	20,405	1,426,371	-	1,426,371	2,193,899
Public Affairs and Education	872,225	18,676	890,901	-	890,901	902,501
Transgender Rights Project	5,412,323	18,763	5,431,086	-	5,431,086	2,669,081
AIDS Law Project	349,611	7,071	356,682	-	356,682	322,420
Total program services	8,040,125	64,915	8,105,040	-	8,105,040	6,087,901
Support services:						
Fundraising	458,367	25,930	484,297	-	484,297	449,704
General and administrative	429,663	1,759	431,422	-	431,422	430,321
Total support services	888,030	27,689	915,719	-	915,719	880,025
Total operating expenses	8,928,155	92,604	9,020,759	-	9,020,759	6,967,926
Changes in net assets from operations	(158,295)	(92,604)	(250,899)	(378,360)	(629,259)	317,102
Other Revenue (Expense):						
Forgiveness of note payable	521,565	-	521,565	-	521,565	473,335
Investment return, net	(88,357)	(56,601)	(144,958)	-	(144,958)	(56,824)
Total other revenue (expense)	433,208	(56,601)	376,607	-	376,607	416,511
Changes in net assets	274,913	(149,205)	125,708	(378,360)	(252,652)	733,613
Net Assets:						
Beginning of year	1,771,710	1,770,000	3,541,710	1,103,295	4,645,005	3,911,392
Transfers	(213,000)	213,000	-	-	-	-
End of year	\$ 1,833,623	\$ 1,833,795	\$ 3,667,418	\$ 724,935	\$ 4,392,353	\$ 4,645,005

The accompanying notes are an integral part of these statements.

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GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

 Statement of Activities and Changes in Net Assets
 For the Year Ended March 31, 2022

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and Other Operating Revenues:					
Support:					
Special events:					
Event contributions and support	\$ 824,338	\$ -	\$ 824,338	\$ -	\$ 824,338
Less - direct expenses	(206,755)	-	(206,755)	-	(206,755)
Net special events	617,583	-	617,583	-	617,583
Donated services	2,638,570	-	2,638,570	-	2,638,570
Individual contributions	2,074,807	-	2,074,807	316,804	2,391,611
Grants	235,500	-	235,500	993,139	1,228,639
Release of net assets with donor restrictions:					
Satisfaction of purpose restrictions	852,300	-	852,300	(852,300)	-
Satisfaction of time restrictions	415,655	-	415,655	(415,655)	-
Total support	6,834,415	-	6,834,415	41,988	6,876,403
Other operating revenues:					
Interest and dividend income - operating	48,401	-	48,401	-	48,401
Contract service revenue	71,757	-	71,757	-	71,757
Attorney fees and other income	288,467	-	288,467	-	288,467
Total other operating revenues	408,625	-	408,625	-	408,625
Total support and other operating revenues	7,243,040	-	7,243,040	41,988	7,285,028
Operating Expenses:					
Program services:					
Civil Rights Project	2,173,012	20,887	2,193,899	-	2,193,899
Public Affairs and Education	895,537	6,964	902,501	-	902,501
Transgender Rights Project	2,651,633	17,448	2,669,081	-	2,669,081
AIDS Law Project	316,672	5,748	322,420	-	322,420
Total program services	6,036,854	51,047	6,087,901	-	6,087,901
Support services:					
Fundraising	445,583	4,121	449,704	-	449,704
General and administrative	429,828	493	430,321	-	430,321
Total support services	875,411	4,614	880,025	-	880,025
Total operating expenses	6,912,265	55,661	6,967,926	-	6,967,926
Changes in net assets from operations	330,775	(55,661)	275,114	41,988	317,102
Other Revenue (Expense):					
Forgiveness of note payable	473,335	-	473,335	-	473,335
Investment return, net	(97,229)	40,405	(56,824)	-	(56,824)
Total other revenue (expense)	376,106	40,405	416,511	-	416,511
Changes in net assets	706,881	(15,256)	218,290	41,988	733,613
Net Assets:					
Beginning of year	1,425,085	1,425,000	2,850,085	1,061,307	3,911,392
Transfers	(360,256)	360,256	-	-	-
End of year	\$ 1,771,710	\$ 1,770,000	\$ 3,541,710	\$ 1,103,295	\$ 4,645,005

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (252,652)	\$ 733,613
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	12,407	50,363
Forgiveness of note payable	(521,565)	(473,335)
Change in allowance on pledges receivable	(3,650)	16,465
Change in discount on pledges receivable	(3,154)	14,396
Donated stock	(49,883)	(210,816)
Net realized and unrealized losses on investments	179,036	80,618
Non-cash lease expense	403,591	-
Changes in operating assets and liabilities:		
Accounts receivable	(749)	(23,343)
Pledges receivable	138,661	(304,164)
Prepaid expenses and deposits	12,507	(20,953)
Accounts payable and accrued expenses	(44,637)	41,067
Payments on operating lease liabilities	(410,009)	-
Deferred rent	-	2,137
	<u>(540,097)</u>	<u>(93,952)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,512,497)	(209,380)
Proceeds from sales of investments	851,531	344,959
Acquisition of property and equipment	(66,615)	-
	<u>(727,581)</u>	<u>135,579</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	-	521,565
Net Change in Cash and Cash Equivalents	<u>(1,267,678)</u>	<u>563,192</u>
Cash and Cash Equivalents:		
Beginning of year	<u>1,588,161</u>	<u>1,024,969</u>
End of year	<u>\$ 320,483</u>	<u>\$ 1,588,161</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized loss on investments	<u>\$ (177,996)</u>	<u>\$ (121,695)</u>
Right-of-use lease assets - operating obtained in exchange for lease liabilities	<u>\$ 2,312,143</u>	<u>\$ -</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2023

(With Summarized Comparative Totals for the Year Ended March 31, 2022)

	2023							2022		
	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	Total
Personnel and Related:										
Salaries	\$ 736,078	\$ 441,503	\$ 670,393	\$ 202,789	\$ 2,050,763	\$ 262,497	\$ 258,677	\$ 521,174	\$ 2,571,937	\$ 2,392,662
Fringe benefits	85,514	51,292	77,884	23,559	238,249	30,496	30,052	60,548	298,797	302,779
Payroll taxes	59,149	35,478	53,871	16,295	164,793	21,093	20,786	41,879	206,672	181,367
Contracted services	-	12,500	-	-	12,500	-	-	-	12,500	17,600
Total personnel and related	880,741	540,773	802,148	242,643	2,466,305	314,086	309,515	623,601	3,089,906	2,894,408
Professional Fees and Services:										
Donated legal services	13,312	-	4,280,390	-	4,293,702	-	-	-	4,293,702	2,638,570
Other professional fees	253,944	154,493	90,224	31,016	529,677	61,937	31,910	93,847	623,524	542,125
Audit and legal	667	400	607	184	1,858	238	30,668	30,906	32,764	37,840
Total professional fees and services	267,923	154,893	4,371,221	31,200	4,825,237	62,175	62,578	124,753	4,949,990	3,218,535
Occupancy:										
Rent	133,707	75,421	121,776	36,836	367,740	44,842	44,189	89,031	456,771	416,453
Other occupancy	10,777	6,464	9,815	2,969	30,025	3,843	3,787	7,630	37,655	42,107
Depreciation	3,838	2,302	3,496	1,057	10,693	1,369	345	1,714	12,407	50,363
Utilities	2,558	1,534	2,329	705	7,126	912	899	1,811	8,937	8,695
Equipment leases	1,804	1,082	1,643	497	5,026	643	634	1,277	6,303	5,844
Total occupancy	152,684	86,803	139,059	42,064	420,610	51,609	49,854	101,463	522,073	523,462
Other:										
Special events	22,856	79,998	22,857	22,857	148,568	79,998	-	79,998	228,566	206,755
Travel and conferences	15,736	22,262	18,672	6,326	62,996	10,372	740	11,112	74,108	28,186
Data management and communications	22,099	13,671	20,127	6,088	61,985	5,419	-	5,419	67,404	50,111
Bank charges and merchant fees	13,932	8,356	12,689	3,838	38,815	4,968	-	4,968	43,783	43,546
Functions and meetings	6,918	12,091	6,545	3,890	29,444	12,402	1,469	13,871	43,315	32,987
Printing and publications	8,137	11,080	7,517	3,779	30,513	9,649	497	10,146	40,659	41,933
Telephone and internet	9,155	5,491	8,338	2,522	25,506	3,265	3,217	6,482	31,988	30,254
Program and other miscellaneous	11,035	7,143	10,050	3,040	31,268	110	113	223	31,491	945
Dues, subscriptions and reference	9,145	1,794	8,348	2,676	21,963	794	39	833	22,796	26,308
Advertising and marketing	6,880	4,127	6,266	1,895	19,168	2,453	-	2,453	21,621	21,350
Insurance	6,251	1,122	5,693	1,722	14,788	1,010	657	1,667	16,455	11,591
Filing fees and litigation costs	6,921	159	6,303	1,907	15,290	95	93	188	15,478	2,210
Staff and volunteer development	4,147	2,487	3,777	1,142	11,553	1,479	1,457	2,936	14,489	13,754
Postage	1,965	4,649	1,871	1,204	9,689	3,447	243	3,690	13,379	13,370
Grants, donations and sponsorships	-	12,379	-	-	12,379	-	-	-	12,379	8,340
Office supplies and small equipment	2,703	1,621	2,462	745	7,531	964	950	1,914	9,445	6,636
Total other	147,880	188,430	141,515	63,631	541,456	136,425	9,475	145,900	687,356	538,276
Total expenses	1,449,228	970,899	5,453,943	379,538	8,253,608	564,295	431,422	995,717	9,249,325	7,174,681
Less - fundraising event expenses included with revenues on the statements of activities and changes in net assets	(22,857)	(79,998)	(22,857)	(22,856)	(148,568)	(79,998)	-	(79,998)	(228,566)	(206,755)
Total expenses included in the statements of activities and changes in net assets	\$ 1,426,371	\$ 890,901	\$ 5,431,086	\$ 356,682	\$ 8,105,040	\$ 484,297	\$ 431,422	\$ 915,719	\$ 9,020,759	\$ 6,967,926

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, 2022

	Program Services				Total Program Services	Support Services		Total	
	Civil Rights Project	Public Affairs and Education	Transgender Rights Project	AIDS Law Project		Fundraising	General and Adminis- trative		Total Support Services
Personnel and Related:									
Salaries	\$ 682,864	\$ 433,125	\$ 570,438	\$ 187,910	\$ 1,874,337	\$ 256,274	\$ 262,051	\$ 518,325	\$ 2,392,662
Fringe benefits	86,413	54,810	72,186	23,779	237,188	32,430	33,161	65,591	302,779
Payroll taxes	51,762	32,831	43,240	14,244	142,077	19,426	19,864	39,290	181,367
Contracted services	12,000	5,000	600	-	17,600	-	-	-	17,600
Total personnel and related	<u>833,039</u>	<u>525,766</u>	<u>686,464</u>	<u>225,933</u>	<u>2,271,202</u>	<u>308,130</u>	<u>315,076</u>	<u>623,206</u>	<u>2,894,408</u>
Professional Fees and Services:									
Donated legal services	1,050,816	-	1,587,754	-	2,638,570	-	-	-	2,638,570
Other professional fees	62,669	206,037	187,384	23,552	479,642	39,815	22,668	62,483	542,125
Audit and legal	2,095	1,329	1,750	576	5,750	786	31,304	32,090	37,840
Total professional fees and services	<u>1,115,580</u>	<u>207,366</u>	<u>1,776,888</u>	<u>24,128</u>	<u>3,123,962</u>	<u>40,601</u>	<u>53,972</u>	<u>94,573</u>	<u>3,218,535</u>
Occupancy:									
Rent	121,991	72,374	101,907	33,570	329,842	42,823	43,788	86,611	416,453
Other occupancy	12,017	7,622	10,039	3,307	32,985	4,510	4,612	9,122	42,107
Depreciation	15,435	9,790	12,894	4,248	42,367	5,793	2,203	7,996	50,363
Utilities	2,482	1,574	2,073	683	6,812	931	952	1,883	8,695
Equipment leases	1,668	1,058	1,393	459	4,578	626	640	1,266	5,844
Total occupancy	<u>153,593</u>	<u>92,418</u>	<u>128,306</u>	<u>42,267</u>	<u>416,584</u>	<u>54,683</u>	<u>52,195</u>	<u>106,878</u>	<u>523,462</u>
Other:									
Special events	20,675	72,365	20,675	20,675	134,390	72,365	-	72,365	206,755
Travel and conferences	7,421	6,162	6,406	2,952	22,941	4,815	430	5,245	28,186
Data management and communications	16,762	11,115	14,003	4,613	46,493	3,618	-	3,618	50,111
Bank charges and merchant fees	13,956	8,852	11,659	3,841	38,308	5,238	-	5,238	43,546
Functions and meetings	5,306	9,645	4,793	3,049	22,793	8,999	1,195	10,194	32,987
Printing and publications	8,111	11,860	6,879	3,890	30,740	10,479	714	11,193	41,933
Telephone and internet	8,634	5,477	7,213	2,376	23,700	3,240	3,314	6,554	30,254
Program and other miscellaneous	269	171	225	74	739	101	105	206	945
Dues, subscriptions and reference	11,321	1,456	9,457	3,115	25,349	591	368	959	26,308
Advertising and marketing	6,843	4,340	5,716	1,883	18,782	2,568	-	2,568	21,350
Insurance	4,719	581	3,942	1,299	10,541	698	352	1,050	11,591
Filing fees and litigation costs	718	316	600	198	1,832	187	191	378	2,210
Staff and volunteer development	3,926	2,490	3,279	1,080	10,775	1,473	1,506	2,979	13,754
Postage	1,807	4,945	1,669	1,201	9,622	3,572	176	3,748	13,370
Grants, donations and sponsorships	-	8,340	-	-	8,340	-	-	-	8,340
Office supplies and small equipment	1,894	1,201	1,582	521	5,198	711	727	1,438	6,636
Total other	<u>112,362</u>	<u>149,316</u>	<u>98,098</u>	<u>50,767</u>	<u>410,543</u>	<u>118,655</u>	<u>9,078</u>	<u>127,733</u>	<u>538,276</u>
Total expenses	2,214,574	974,866	2,689,756	343,095	6,222,291	522,069	430,321	952,390	7,174,681
Less - fundraising event expenses included with revenues on the statement of activities and changes in net assets	<u>(20,675)</u>	<u>(72,365)</u>	<u>(20,675)</u>	<u>(20,675)</u>	<u>(134,390)</u>	<u>(72,365)</u>	<u>-</u>	<u>(72,365)</u>	<u>(206,755)</u>
Total expenses included in the statement of activities and changes in net assets	<u>\$ 2,193,899</u>	<u>\$ 902,501</u>	<u>\$ 2,669,081</u>	<u>\$ 322,420</u>	<u>\$ 6,087,901</u>	<u>\$ 449,704</u>	<u>\$ 430,321</u>	<u>\$ 880,025</u>	<u>\$ 6,967,926</u>

The accompanying notes are an integral part of these statements.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

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:

- Expanding our legal capacity to meet today's challenges and sustain GLAD's work for decades to come;
- Deepening our leadership and impact nationally for LGBTQ+ rights;
- Ensuring a sustainable, antiracist, and intergenerational organization for the long term; and
- Working to protect our democracy, support voting rights, and fighting for a multiracial and pluralistic democratic future deepening our national impact.

GLAD focuses on national 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, within New England and nationally - 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 historically had 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. GLAD also 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) countering opposition efforts to deny transgender youth life-saving transition medicine and the opportunity to participate in sports; (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; and (6) supporting the efforts of parents of transgender children to act in their children's best interests.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Operations (Continued)

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 expand access to PrEP and to eradicate the stigma attached to it. 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.

As part of their strategic plan adopted in fiscal year 2023, GLAD is shifting away from these discrete projects in order to adopt a more holistic approach and view of our work.

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).

Adoption of New Accounting Standards

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard requires lessees to report substantially all leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities. GLAD adopted *Topic 842* using the optional transition method with April 1, 2022, as the date of initial adoption. GLAD elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed GLAD to carry forward the historical lease classification as operating or capital leases. GLAD also elected not to combine lease and non-lease components and to exclude short-term leases from the statement of financial position. GLAD did not elect the hindsight practical expedient in determining the lease term for the existing leases as of April 1, 2022.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

The adoption had a material impact on GLAD's statement of financial position but did not have a material impact on the statement of activities and changes in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The following table summarizes the statement of financial position line items affected by adopting Topic 842 as of April 1, 2022:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Adjusted</u>
Operating lease right-of-use assets	\$ -	\$ 2,312,143	\$ 2,312,143
Operating lease liability	\$ -	\$ 2,485,997	\$ 2,485,997
Deferred rent	\$ 173,854	\$ (173,854)	\$ -

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

In fiscal year 2023, GLAD adopted ASU 2020-07. The adoption of this ASU did not impact GLAD's net asset classes, results of operations, or cash flows for the year ended March 31, 2023. This ASU has been applied retrospectively to all periods presented.

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

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any.

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)

Right-of-Use Lease Assets - Operating and Operating Lease Liabilities

GLAD determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. GLAD determines such assets are leased because GLAD has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because GLAD determines it does not have the right to control and direct the use of the identified asset. GLAD's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, GLAD separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings. GLAD has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. GLAD determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. GLAD uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement.

The lease term may include options to extend or to terminate the lease that GLAD is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

GLAD has elected not to record leases with an initial term of twelve months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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, 2023 and 2022. GLAD's information returns are subject to examination by Federal and state jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*. 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 a one performance obligation. Amounts are recognized at the time of events. Special event income is shown net of direct event costs of \$228,566 and \$206,755 for the years ended March 31, 2023 and 2022, respectively. Fees collected in advance of the special event are initially recorded as deferred revenue 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, 2023 and 2022, 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*, 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.

Contract Service Revenue

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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contract Service Revenue (Continued)

Contract service revenue is 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. There were no amounts outstanding under contract services as of March 31, 2023 and 2022. There was no beginning balance as of April 1, 2021.

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 \$10,297 and \$12,874 for fiscal years 2023 and 2022, respectively, and are included in advertising and marketing in the accompanying statements of functional expenses.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Stock

Donated stock is recorded at fair value on the date of the gift. During fiscal years 2023 and 2022, GLAD received stock donations valued at \$49,883 and \$210,816, 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.

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.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

GLAD's investments as of March 31, 2023 and 2022, are valued using Level 1 inputs (see 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, excluding the cash and cash equivalents in the investment portfolio. 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.

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>2023</u>	<u>2022</u>
Other expenses	\$ 64,256	\$ 49,510
Salaries	12,574	34,976
Fringe benefits and payroll taxes	<u>5,030</u>	<u>13,990</u>
	<u>\$ 81,860</u>	<u>\$ 98,476</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 forgiveness of note payable and investment activity.

Subsequent Events

Subsequent events have been evaluated through June 23, 2023, which is the date the financial statements were available to be issued. There were no subsequent events that met the criteria for recognition or disclosure in the accompanying financial statements.

3. PLEDGES RECEIVABLE

Pledges are recorded when unconditionally committed. Pledges receivable at March 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Due in less than one year	\$ 168,662	\$ 157,324
Due in one to four years	<u>21,967</u>	<u>171,966</u>
	190,629	329,290
Less - allowance	12,815	16,465
Less - discount	11,897	15,051
Less - current portion	<u>160,630</u>	<u>152,742</u>
Pledges receivable - long-term	<u>\$ 5,287</u>	<u>\$ 145,032</u>

The pledges have been discounted using a 5% and 3% interest rate as of March 31, 2023 and 2022, respectively. Two donors' and one donor's balances represent approximately 92% and 91% of the total outstanding pledges receivable balance at March 31, 2023 and 2022, 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
March 31, 2023 and 2022

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 2023, the Board authorized \$163,531, of which \$92,604 was spent on approved initiatives, including a \$30,000 transfer to operations, and \$70,927 was spent on capital projects. During fiscal year 2022, the Board authorized \$55,661, to be spent on approved initiatives. Additionally, during the years ended March 31, 2023 and 2022, management transferred \$213,000 and \$360,256, 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 and ROU lease assets - operating, net of operating lease liabilities.

Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions	\$ 250,629	\$ 420,456
Time restrictions	<u>474,306</u>	<u>682,839</u>
Total net assets with donor restrictions	<u>\$ 724,935</u>	<u>\$ 1,103,295</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. During fiscal years 2023 and 2022, GLAD spent \$300,000 and \$225,000, respectively, of this fund and the release from purpose restrictions was made accordingly. The remaining funds will likely be spent during fiscal year 2024.

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.

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

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 2,589,018	\$ 2,998,725
Certificates of deposit	734,688	134,251
Domestic equities	496,663	534,057
Cash and cash equivalents	403,634	16,612
International equity	67,515	66,993
Other	<u>5,906</u>	<u>14,973</u>
Total investments	<u>\$ 4,297,424</u>	<u>\$ 3,765,611</u>

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

5. INVESTMENTS (Continued)

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

	<u>2023</u>	<u>2022</u>
Net unrealized losses	\$ (177,996)	\$ (121,695)
Investment income	41,035	29,975
Net realized gains (losses)	(1,040)	41,077
Investment management fee	<u>(6,957)</u>	<u>(6,181)</u>
	<u>\$ (144,958)</u>	<u>\$ (56,824)</u>

6. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Office and computer equipment	\$ 324,351	\$ 301,846
Leasehold improvements	<u>34,283</u>	<u>34,283</u>
	358,634	336,129
Less - accumulated depreciation	<u>268,383</u>	<u>300,086</u>
	<u>\$ 90,251</u>	<u>\$ 36,043</u>

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 \$31,612 to \$36,222 through the lease period. 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 this lease agreement.

GLAD also rents additional office space under lease agreements expiring at various times through May 31, 2025.

In addition to office space, GLAD leases certain equipment under operating lease agreements expiring on various dates through May 2026.

Topic 840

For the year ended March 31, 2022, GLAD recognized rent expense on a straight-line basis over the term of the lease agreements as described in accordance with ASC Topic 840, *Leases*. Deferred rent as of March 31, 2022, was \$173,854, which is shown as deferred rent in the accompanying statement of financial position.

Total rent expense was \$416,453 for fiscal year 2022, which is shown as rent in the accompanying statement of functional expenses.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.Notes to Financial Statements
March 31, 2023 and 2022**7. OPERATING LEASE AGREEMENTS (Continued)****Topic 840 (Continued)**

Future minimum lease payments under these agreements are as follows as of March 31, 2022:

<u>Fiscal Year</u>	<u>Facility Leases</u>	<u>Equipment Leases</u>
2023	\$ 403,065	\$ 10,088
2024	401,531	6,325
2025	408,322	-
2026	416,225	-
2027	424,128	-
Thereafter	<u>576,919</u>	<u>-</u>
Total	<u>\$ 2,630,190</u>	<u>\$ 16,413</u>

Topic 842

As disclosed in Note 2, GLAD adopted *Topic 842* as of April 1, 2022. GLAD's leases are required to be included in the accompanying statement of financial position under *Topic 842*.

Operating leases are shown as ROU lease assets - operating and operating lease liabilities in the accompanying statement of financial position.

The weighted-average discount rate associated with operating leases for the year ended March 31, 2023, is 2.41%. GLAD's weighted-average lease term is 5.28 years for the year ended March 31, 2023.

The scheduled minimum lease payments under the lease terms are as follows as of March 31, 2023:

2024	\$ 418,503
2025	422,538
2026	425,216
2027	425,053
2028	432,031
Thereafter	<u>144,888</u>
Total	2,268,229
Less - present value discount	<u>(137,439)</u>
Total lease liabilities	<u>\$ 2,130,736</u>

As of March 31, 2023, there were no material leases that have been executed but not yet commenced.

GLBTQ LEGAL ADVOCATES & DEFENDERS, INC.

Notes to Financial Statements
March 31, 2023 and 2022

7. OPERATING LEASE AGREEMENTS (Continued)

Topic 842 (Continued)

The following summarizes the line items in the accompanying statement of activities and changes in net assets, which include the components of rent expense and equipment leases for the year ended March 31, 2023:

Operating lease costs included in rent and equipment leases	\$ 403,602
Variable lease cost included in rent and equipment leases	43,711
Short-term lease costs included in rent and equipment leases	<u>15,761</u>
Total rent expense	<u>\$ 456,771</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 also includes a Roth option. Employees are eligible to participate in the plan after attaining the age of eighteen and completing three months of service. During fiscal years 2023 and 2022, GLAD contributed \$76,231 and \$68,818, respectively, to the Plan, which is included in fringe benefits in the accompanying statements of functional expenses.

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

Donated services are reflected as contributions at their fair value at date of donation and are reported as operating revenue and without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as donated services in the accompanying statements of activities and changes in net assets. GLAD recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

In fiscal years 2023 and 2022, GLAD received donated legal services of \$4,293,702 and \$2,638,570, respectively. These amounts were provided by two law firms in fiscal years 2023 and 2022.

GLAD's policy related to donated services is to utilize the donated services to carry out the mission of GLAD.

All in-kind gifts received by GLAD for the years ended March 31, 2023 and 2022, were considered without donor restriction and able to be used by GLAD as determined by management.

GLAD also receives services from volunteers who have donated time in support of GLAD's activities and services. The value of these services has not been reflected in the accompanying financial statements since the value of the goods is not readily determinable, and the services are not specialized as defined in ASC Topic, *Accounting for Contributions Received and Contributions Made*.

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Notes to Financial Statements
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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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 320,483	\$ 1,588,161
Accounts receivable	29,852	29,103
Current portion of pledges receivable	160,630	152,742
Short-term investments	<u>1,328,000</u>	<u>1,074,300</u>
Total financial assets	<u>1,838,965</u>	<u>2,844,306</u>
Less - amounts subject to donor restrictions:		
Cash, current portion of pledges receivable and short-term investments subject to donor-imposed restrictions	(704,564)	(958,263)
Add - operating funds restricted for fiscal year 2024	704,564	-
Add - operating funds restricted for fiscal year 2023	<u>-</u>	<u>243,908</u>
	<u>-</u>	<u>(714,355)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,838,965</u>	<u>\$ 2,129,951</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 \$2,969,424 and \$2,691,311 at March 31, 2023 and 2022, respectively, could be used for general operations upon management and the Board of Directors' decision in the event of unanticipated liquidity needs.

12. NOTE PAYABLE

During fiscal years 2022 and 2021, GLAD applied for and was awarded forgivable loans of \$521,565 and \$473,335, respectively, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as utilities during a covered period as defined in the CARES Act. There were no covenants with which to comply, and the notes were not secured by any collateral as of March 31, 2022. There was no accrued interest on the notes payable as of March 31, 2022, as it would be immaterial to the overall financial statements.

During fiscal year 2023, GLAD was notified that they had been legally released from the second draw PPP obligation. During fiscal year 2022, GLAD was notified that they had been legally released from the initial PPP obligation. For the years ended March 31, 2023 and 2022, GLAD recognized \$521,565 and \$473,335, respectively, of forgiveness of note payable, which is reflected in the accompanying statements of activities and changes in net assets.