National Center for Lesbian Rights

Financial Statements

June 30, 2023
(With Comparative Totals for 2022)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Center for Lesbian Rights
San Francisco, California

Opinion

We have audited the accompanying financial statements of National Center for Lesbian Rights (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Lesbian Rights as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 National Center for Lesbian Rights and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

The financial statements of National Center for Lesbian Rights as of June 30, 2022, were audited by other auditors whose report dated December 21, 2022, expressed an unmodified opinion on those financial statements. As more fully described in Note 3 to the financial statements, the Organization has adjusted its 2022 financial statements to correct certain errors resulting in the overstatement of amounts previously reported for contributions receivable as of June 30, 2022 and contribution revenue for the year ended June 30, 2022. The other auditors reported on the financial statements before the correction of an error.

As part of our audit of the 2023 financial statements, we also audited the adjustments to the 2022 financial statements to correct the error as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to National Center for Lesbian Rights's 2022 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management 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, 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 National Center for Lesbian Rights'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

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 National Center for Lesbian Rights'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 National Center for Lesbian Rights'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.

Armanino LLP

Armanino LLP
San Francisco, California

April 8, 2024

National Center for Lesbian Rights
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	(Restated) 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,221,861	$ 6,124,281
Investments	3,299,178	277,983
Accounts receivable	7,211	15,549
Contributions receivable	518,946	177,028
Prepaid expenses	36,120	76,356
Total current assets	6,083,316	6,671,197
Noncurrent assets		
Contributions receivable, net of current portion and discount	95,475	192,621
Deposits	17,275	17,275
Operating right-of-use asset	346,166	511,701
Property and equipment, net	62,863	42,582
Total noncurrent assets	521,779	764,179
Total assets	$ 6,605,095	$ 7,435,376
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 67,610	$ 47,308
Accrued expenses	264,083	333,582
Deferred revenue	2,323	27,000
Current portion of operating lease liability	178,625	165,905
Paycheck Protection Program note payable	-	473,297
Total current liabilities	512,641	1,047,092
Operating lease liability, net of current portion	173,002	346,250
Total liabilities	685,643	1,393,342
Net assets		
Without donor restrictions		
Undesignated	1,704,944	1,217,515
Board-designated	3,000,000	2,683,367
Total without donor restrictions	4,704,944	3,900,882
With donor restrictions	1,214,508	2,141,152
Total net assets	5,919,452	6,042,034
Total liabilities and net assets	$ 6,605,095	$ 7,435,376

The accompanying notes are an integral part of these financial statements.

National Center for Lesbian Rights
Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	(Restated) 2022 Total
Revenues, gains (losses), and other support				
Contributions	$ 2,405,219	$ 2,186,033	$ 4,591,252	$ 4,345,614
Government grant	-	-	-	7,936
In-kind contributions	4,999,424	-	4,999,424	6,270,693
Fundraising and special events, net	52,347	-	52,347	97,587
Program service fees	86,600	-	86,600	35,701
Court awards	-	-	-	301,727
Gain on forgiveness of Paycheck Protection Program note payable	475,165	-	475,165	-
Interest and dividends	62,787	-	62,787	35,747
Realized and unrealized loss on investments, net	(515)	-	(515)	(42,276)
Other revenue	3,222	-	3,222	4
Net assets released from restriction	3,112,677	(3,112,677)	-	-
Total revenues, gains (losses), and other support	11,196,926	(926,644)	10,270,282	11,052,733
Functional expenses				
Program services	8,710,463	-	8,710,463	9,969,295
Management and general	773,246	-	773,246	618,973
Fundraising	909,155	-	909,155	811,217
Total functional expenses	10,392,864	-	10,392,864	11,399,485
Change in net assets	804,062	(926,644)	(122,582)	(346,752)
Net assets, beginning of year, as restated (see Note 3)	3,900,882	2,141,152	6,042,034	6,388,786
Net assets, end of year	$ 4,704,944	$ 1,214,508	$ 5,919,452	$ 6,042,034

The accompanying notes are an integral part of these financial statements.

National Center for Lesbian Rights
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Personnel expenses	$ 2,996,944	$ 286,432	$ 317,742	$ 3,601,118	$ 3,465,552
Contract services	262,122	118,119	269,216	649,457	688,105
Operating expenses	36,930	5,684	13,239	55,853	85,457
Information technology	100,771	2,380	36,005	139,156	138,062
Program expenses	39,036	1,108	1,565	41,709	33,618
Occupancy expense	245,966	26,255	35,765	307,986	387,288
Fundraising	-	-	216,980	216,980	100,456
Travel and meetings	125,967	986	15,626	142,579	66,407
Other business expenses	6,266	20,248	3,017	29,531	20,549
In-kind legal services	4,691,890	307,534	-	4,999,424	6,270,693
Fiscal sponsorship expenses	204,571	4,500	-	209,071	143,298
	$ 8,710,463	$ 773,246	$ 909,155	$ 10,392,864	$ 11,399,485

National Center for Lesbian Rights
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	(Restated) 2022
Cash flows from operating activities		
Change in net assets	$ (122,582)	$ (346,752)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	16,717	13,472
Net realized and unrealized loss on investments	515	42,276
Amortization of operating lease right-of-use asset	165,535	15,419
Gain on forgiveness of Paycheck Protection Program note payable	(475,165)	-
Changes in operating assets and liabilities		
Accounts receivable	8,338	(5,600)
Contributions receivable, net	(244,772)	364,087
Prepaid expenses	40,236	23,319
Accounts payable	20,302	-
Accrued expenses	(67,631)	(61,020)
Deferred revenue	(24,677)	(6,452)
Operating lease liability	(160,528)	(15,167)
Net cash provided by (used in) operating activities	(843,712)	23,582
Cash flows from investing activities		
Purchase of investments	(3,041,807)	(4,850)
Proceeds from sale of investments	20,097	-
Purchase of property and equipment	(36,998)	(17,523)
Net cash used in investing activities	(3,058,708)	(22,373)
Net increase (decrease) in cash and cash equivalents	(3,902,420)	1,209
Cash and cash equivalents, beginning of year	6,124,281	6,123,072
Cash and cash equivalents, end of year	$ 2,221,861	$ 6,124,281

Supplemental schedule of noncash investing and financing activities

Right-of-use asset obtained in exchange for lease liability	$ -	$ 527,120

The accompanying notes are an integral part of these financial statements.

1. THE ORGANIZATION

Nature of operations

Founded in 1977, the National Center for Lesbian Rights ("NCLR" or the "Organization") is a national nonprofit public interest law firm committed to advancing the civil and human rights of lesbian, gay, bisexual, and transgender and queer people ("LGBTQ") and their families through precedent setting litigation, legislation, policy, direct services, and public education.

NCLR's programs focus on employment, immigration, youth, elder law, transgender law, sports, marriage, relationship protections, racial justice, reproductive justice, economic justice and family law to create safer homes, communities, and a more just world.

For over four decades, NCLR has led historic cases and is still blazing trails in pursuit of justice, equality, and legal protections for all LGBTQ people.

Major funding

NCLR receives funding from foundations, corporations and individuals. In addition, a substantial amount of support is received in the form of pro bono legal services from attorneys and law firms around the country.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. These net assets are intended for use by the Organization for general operations.
- *Net assets with donor restrictions* - Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time, as well as net assets subject to donor-imposed stipulations that require they be maintained in perpetuity. The Organization held no net assets to be held in perpetuity as of June 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Social Justice Fund

The National Center for Lesbian Rights Social Justice Fund ("SJF") is a nonprofit organization that was formed to support the activities of NCLR. SJF is exempt from income taxes under Internal Revenue Code 501(c)(4). Although NCLR and SJF are two distinct legal entities, they are governed by one board of directors and operated as a single organization. Generally accepted accounting principles requires that the accompanying financial statements include the accounts of both entities. However, SJF did not have any revenues, expenses, assets or liabilities at any point during the fiscal year ended June 30, 2023. As such, no consolidation has been performed.

Cash and cash equivalents

The Organization maintains cash and cash equivalents with major financial institutions. The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments consist of mutual funds and are recorded at fair value as determined by quoted market prices in active markets. Investments received by donation are recorded at fair value at the date of donation.

Unrealized and realized gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which they occur and are reflected as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor. Dividend and interest income is recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value. The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* - Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Valuations based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - Valuations based on unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about what the market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization holds its investments in mutual funds which are valued at the closing price reported from an actively traded exchange. These assets are valued using Level 1 inputs.

Accounts receivable

Accounts receivable represent amounts due from customers for service fees earned. The Organization uses an allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2023, there was no allowance for doubtful accounts as all balances are expected to be collected.

Property and equipment

Property and equipment, stated at cost, consist of leasehold improvements, office equipment and furnishings with an initial cost of $500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

In addition, NCLR has incurred costs for the design, development and implementation of its organizational website. Costs relating to the development of the site's infrastructure have been capitalized. Other costs pertaining to the website are recorded as expense in the year they are incurred. Amortization is computed using the straight-line method over the estimated useful life of the site in its current form, which is five years.

Leases

The Organization holds a lease for its San Francisco office facility under an operating lease. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. The Organization does not have any finance leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Accordingly, the future lease payments have been discounted to present value using the 3-year Daily Treasury Par Yield Curve Rate in effect on the date of the lease inception. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and the right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give. There was no allowance for uncollectible contributions at June 30, 2023 as all balances were considered collectible.

In-kind contributions

In order to accomplish its mission, the Organization relies heavily on pro bono services provided by attorneys. These attorneys assist the Organization with various civil rights court cases. Donated services are recognized as contribution revenue at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made. There were no donated materials or equipment for the year ended June 30, 2023.

Revenue recognition

Program service fees primarily consist of honoraria, stipends, technical assistance and consultant fees that the Organization receives for services performed for other organizations. Revenue is recognized at the point in time when performance obligations are satisfied (e.g., completion of assigned professional services, attendance at speaking event, etc.). Amounts paid in advance of services provided are recorded as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The Organization presents its expenses by function and natural category. Program services include the direct conduct and direct supervision of specific program activities. Fundraising includes efforts to solicit monetary and nonmonetary contributions. Management and general includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities. The Organization employs a communications staff member responsible for promoting NCLR and its activities to various external stakeholders. Any communications activities that involve a solicitation of contributions are allocated to fundraising, while communications involving a programmatic call to action are allocated to program services. All other communications activities are allocated to management and general.

The Organization charges each employee's compensation to the major functions according to management's estimate of that individual's time and effort (based on job titles and major responsibilities).

Other shared costs, consisting primarily of occupancy and office expenses, are allocated according to the aggregated full-time equivalent percentages of each major function.

Advertising costs

The Organization uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2023 totaled $1,500 and are included as a component of operating expenses on the statement of functional expenses.

Income taxes

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, except on activities unrelated to its mission. Accordingly, no provision for federal or state income taxes have been recorded.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its current tax positions and has concluded that as of June 30, 2023, it does not have any significant uncertain tax positions for which a reserve would be necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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

Comparative financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements, as of, and for the year ended June 30, 2022, from which the summarized information was derived.

3. CORRECTION OF ERROR

During 2023, the Organization identified errors in the accounting for contribution revenue. The Organization received a conditional contribution during 2022 that should not have been recognized as revenue in 2022. The statement of financial position, statement of activities, and statement of cash flows have been restated for the year ended June 30, 2022 to correct the errors.

The effects of the restatement on the financial statements as originally issued for the year ended June 30, 2022 are as follows:

	As Previously Reported	Adjustment	As Restated
Contributions receivable, current	$ 677,028	$ (500,000)	$ 177,028
Contributions receivable, net of current portion and discount	666,482	(473,861)	192,621
Contribution revenue	5,319,475	(973,861)	4,345,614
Net assets with donor restrictions at June 30, 2022	3,115,013	(973,861)	2,141,152
Total net assets at June 30, 2022	$ 7,015,895	$ (973,861)	$ 6,042,034

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

Mutual funds	$ 3,299,178

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	$ 3,299,178	$ -	$ -	$ 3,299,178

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Receivable in less than one year	$ 518,946
Receivable in one to five years	100,000
	618,946
Less: discount on long-term contributions receivable	(4,525)
	$ 614,421

6. PROPERTY & EQUIPMENT

Property and equipment consisted of the following:

Computers and software	$ 106,642
Website	60,280
Leasehold improvements	22,247
Furniture and equipment	16,381
Trademarks	825
	206,375
Accumulated depreciation and amortization	(143,512)
	$ 62,863

Depreciation and amortization expense for the year ended June 30, 2023 totaled $16,717 and is reported as a component of occupancy expense on the statement of functional expenses.

7. OPERATING LEASES

Effective June 1, 2022, the Organization leases office space in San Francisco, California under a non-cancelable operating lease agreement expiring May 31, 2025. The lease calls for monthly payments ranging from $15,000 to $15,914.

7. OPERATING LEASES (continued)

Additional information related to leases is as follows:

Operating lease cost	$ 185,456
Operating cash flows from operating leases	180,450
Weighted average remaining lease term	23 months
Weighted average discount rate	2 %

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2024	$ 185,864
2025	175,054
	360,918
Less: imputed interest	(9,291)
	$ 351,627

8. LINE OF CREDIT

NCLR holds a $250,000 line of credit with a bank that expired on January 30, 2024. Interest on outstanding balances accrued at a variable annual rate equal to the Prime Rate as published by the Wall Street Journal plus 1% (9.25% at June 30, 2023). Under no circumstances shall the annual interest rate fall below $4.25% or exceed the maximum rate allowed by law. As of June 30, 2023, there was no outstanding balance. On March 8, 2024, the line of credit agreement was amended, extending the maturity date to January 30, 2025, reducing the interest rate to the Prime Rate plus 0.50%, and changing the interest floor rate to 7.50%; see Note 16.

9. PAYCHECK PROTECTION PROGRAM

In April 2021, the Organization received loan proceeds of $467,797 from a promissory note issued by Bank of San Francisco, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration ("SBA"). The term of the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred up to the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The loan was originally accounted for as a financial liability in accordance with applicable accounting guidance, with extinguishment of the debt to take place when the Organization is legally released as the primary obligor.

9. PAYCHECK PROTECTION PROGRAM (continued)

During the year ended June 30, 2023, the Organization applied for forgiveness of the PPP loan and received notification on November 23, 2022 that the Organization's forgiveness application had been reviewed by the SBA and that the principal balance and related accrued interest for the loan had been forgiven in full. The forgiveness of the loan and accrued interest totaling $475,165 has been recorded as a gain on the statement of activities.

10. BOARD-DESIGNATED NET ASSETS

The balance of board-designated net assets consists of net assets without donor restrictions which the board has elected to set aside for emergencies and unforeseen expenses. The board may undesignate these funds at any time.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose	
The Stuart M. Biegel Trust	$ 447,779
Sports, Youth, Rural LGBTQ	250,000
Inclusion Playbook	105,609
Donor advancement	44,775
Born perfect program	25,000
Youth	7,536
Other	29,538
	910,237
Restricted to passage of time	
General operating support	304,271
	304,271
	$ 1,214,508

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Restricted for a specified purpose	
The Stuart M. Biegel Trust	$ 89,019
Inclusion Playbook	196,286
Born perfect program	177,817
Youth	52,465
Pioneers in Justice	200,000
LGBTQ anti-poverty	150,000
Litigation and policy	750,657
Monkeypox	350,000
Gala event	168,310
Gender and reproductive equity	250,000
Flexible leadership plan	57,000
Other	11,500
	2,453,054
Restricted to passage of time	
General operating support	659,623
	659,623
	$ 3,112,677

In the spring of 2020, NCLR received a bequest from The Stuart M. Biegel Trust for the purpose of establishing and maintaining programs in support of three activities:

- Clerkship – Each year, NCLR shall select at least one individual to serve in a legal clerkship. Each clerk shall be compensated at least $5,000, but no more than $20,000, (in 2020 dollars) for a clerkship spanning 8 to 14 weeks.
- Campaign – Each year, NCLR shall conduct a public education campaign to educate the public at large and/or certain cohorts about issues of highest priority to NCLR.
- Internship – Each year, NCLR shall select at least one individual to serve as a public education campaign intern. Each intern shall be compensated at least $5,000, but no more than $20,000, (in 2020 dollars) for an internship spanning 8 to 14 weeks.

The minimum expenditure levels noted above shall be adjusted annually for inflation.

12. IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended June 30, 2023 were comprised of pro bono legal services in the amount of $4,999,424.

12. IN-KIND CONTRIBUTIONS (continued)

In-kind contributions valuation techniques

Contributed legal services are valued at the estimated fair value based on current rates for similar or identical services. The fair value of legal services are obtained directly from the attorneys providing the services based on hours of legal services contributed and standard billing rates.

Donor restrictions and in-kind contribution use

The contributed legal services received during the year ended June 30, 2023 included no donor restrictions. Contributed legal services were primarily utilized for program services. Of the total contributed services received during the year, approximately $308,000 were utilized for general and administrative legal matters.

13. RETIREMENT PLAN

NCLR maintains a defined contribution 401(k) profit sharing retirement plan (the "Plan"). Contributions to the Plan are made at the discretion of the board and management and are allocated to eligible individual employee accounts pro rata based on respective salaries. For the year ended June 30, 2023, the Organization made no employer contributions to the Plan.

14. CONTINGENCIES, RISKS & UNCERTAINTIES

Compliance with funding source requirements

The Organization receives contributions and government assistance restricted for a specific program or purpose. If such program requirements are not met in accordance with the funding source agreements, there is the possibility that monies would have to be returned to the funding source. It is management's opinion that all funding source requirements have been met for amounts recognized as revenue or support on the statement of activities.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents greater than $250,000 with each financial institution, contributions receivable and investments. The Organization periodically reviews its cash and investment policies, evaluates its donors' financial condition and maintains adequate reserves for potential losses, which are based on management's expectations, estimates and historical experience.

As of June 30, 2023, approximately 89% of total gross contributions receivable are comprised of amounts due from three donors. Approximately 21% of total contribution revenue is comprised of amounts from one donor and approximately 66% of in-kind contribution revenue is comprised of amounts from two attorneys for the year ended June 30, 2023.

15. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, financial assets are structured so that they are available as its general expenditures, liabilities, and other obligations as they come due. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of immediate cash requirements are invested in mutual funds.

Amounts available to meet general expenditures within one year include cash and cash equivalents, investments, and receivables. Net assets with donor restrictions are also available to meet general expenditures when the time restrictions are expected to be fulfilled within the next year. To help manage unanticipated liquidity needs, the Organization has a line of credit available for use. The line of credit available at June 30, 2023 is $250,000 (see Note 8).

Financial assets available to fund general expenditures within one year are as follows:

Financial assets	
Cash and cash equivalents	$ 2,221,861
Investments	3,299,178
Accounts receivable	7,211
Contributions receivable, net	614,421
	6,142,671
Less: amounts unavailable for general expenditure within one year:	
Donor-imposed restrictions for a specified purpose	(910,237)
Donor-imposed restrictions for a specified time, greater than one year	(95,475)
	(1,005,712)
	$ 5,136,959

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 8, 2024, the date the financial statements were available to be issued. No subsequent events have occurred, other than as noted below, that would have a material impact on the presentation of the Organization's financial statements.

On March 8, 2024, NCLR amended its line of credit agreement to extend the maturity date of the line of credit to January 30, 2025. The amended agreement also calls for a reduction in the interest rate to the Prime Rate plus 0.50% and to increase the the interest floor rate to 7.50%; see Note 8.