



**Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)**

**Year Ended December 31, 2018 and
14-Month Period Ended December 31, 2017**

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

**YEAR ENDED DECEMBER 31, 2018 AND
14-MONTH PERIOD ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Lambda Legal Defense and Education Fund, Inc.

We have audited the accompanying financial statements of Lambda Legal Defense and Education Fund, Inc. ("Lambda Legal"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambda Legal as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018 and the 14-month period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Lambda Legal adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities." Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on page 18 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

New York, NY
June 26, 2019

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash (Note 10)	\$ 2,785,673	\$ 2,370,394
Pledges receivable, net - individuals (Notes 2K and 13)	553,252	894,509
Grants receivable - foundations and corporations (Note 2K)	289,000	780,000
Bequests receivable (Note 2H)	89,757	-
Prepaid expenses and other assets	573,139	690,258
Investments (Notes 2E, 2O, 4, 7B and 11)	10,314,690	12,496,906
Assets held for gift annuities (Notes 2G, 4 and 11)	2,321,698	2,399,264
Beneficial interest in trusts (Notes 2I and 12)	899,741	1,089,599
Property and equipment, net (Notes 2D and 5)	739,821	944,163
TOTAL ASSETS	\$ 18,566,771	\$ 21,665,093
LIABILITIES		
Accounts payable and accrued expenses	\$ 684,194	\$ 552,605
Accrued payroll and vacation	437,156	469,455
Deferred income (Note 2L)	27,751	62,502
Deferred rent (Note 2M)	738,875	795,974
Liabilities under gift annuities (Note 2G)	1,194,981	1,180,581
TOTAL LIABILITIES	3,082,957	3,061,117
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Invested in property and equipment	739,821	944,163
Board designated (Note 8)	8,485,050	11,391,755
Operations	2,601,268	2,588,590
Total without donor restrictions	11,826,139	14,924,508
With donor restrictions (Note 8)	3,657,675	3,679,468
TOTAL NET ASSETS	15,483,814	18,603,976
TOTAL LIABILITIES AND NET ASSETS	\$ 18,566,771	\$ 21,665,093

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE 14-MONTH PERIOD ENDED DECEMBER 31, 2017

	<u>For the Year Ended December 31, 2018</u>			<u>For the 14-Month Period Ended December 31, 2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
PUBLIC SUPPORT AND REVENUE:						
Special events revenue	\$ 4,305,511	\$ 284,337	\$ 4,589,848	\$ 5,457,483	\$ 4,136,884	\$ 1,320,599
Less: direct special event expenses	<u>(782,967)</u>	<u>-</u>	<u>(782,967)</u>	<u>(884,848)</u>	<u>(884,848)</u>	<u>-</u>
Net revenues from special events	3,522,544	284,337	3,806,881	4,572,635	3,252,036	1,320,599
Grants from foundations and corporations (Note 2B)	806,589	174,000	980,589	2,476,165	1,267,665	1,208,500
Contributions and memberships (Note 2B)	6,704,976	1,130,014	7,834,990	11,037,976	10,697,676	340,300
Bequests (Note 2H)	3,114,729	695,608	3,810,337	2,518,396	2,283,396	235,000
Donated legal services (Note 2F)	6,992,474	-	6,992,474	7,393,828	7,393,828	-
Attorney fees (Note 2J)	94,517	-	94,517	565,783	565,783	-
Contributions under gift annuities (Note 2G)	70,456	-	70,456	40,452	40,452	-
Investment activity (Note 4)	(621,168)	(28,891)	(650,059)	1,636,985	1,551,780	85,205
Change in value of gift annuities (Note 2G)	(108,504)	-	(108,504)	(133,141)	(133,141)	-
Change in value of beneficial interest in trusts	-	(189,858)	(189,858)	59,363	-	59,363
Other revenue	9,443	-	9,443	8,264	8,264	-
Net assets released from restrictions (Note 8)	<u>2,087,003</u>	<u>(2,087,003)</u>	<u>-</u>	<u>-</u>	<u>3,676,779</u>	<u>(3,676,779)</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>22,673,059</u>	<u>(21,793)</u>	<u>22,651,266</u>	<u>30,176,706</u>	<u>30,604,518</u>	<u>(427,812)</u>
EXPENSES: (Note 2Q)						
Program Services:						
Legal	14,657,723	-	14,657,723	15,868,587	15,868,587	-
Educational	<u>4,188,567</u>	<u>-</u>	<u>4,188,567</u>	<u>6,572,875</u>	<u>6,572,875</u>	<u>-</u>
Total program services	<u>18,846,290</u>	<u>-</u>	<u>18,846,290</u>	<u>22,441,462</u>	<u>22,441,462</u>	<u>-</u>
Supporting Services:						
Management and general	2,441,943	-	2,441,943	3,236,807	3,236,807	-
Fundraising	4,082,387	-	4,082,387	4,912,451	4,912,451	-
Special events	<u>400,808</u>	<u>-</u>	<u>400,808</u>	<u>310,670</u>	<u>310,670</u>	<u>-</u>
Total supporting services	<u>6,925,138</u>	<u>-</u>	<u>6,925,138</u>	<u>8,459,928</u>	<u>8,459,928</u>	<u>-</u>
TOTAL EXPENSES	<u>25,771,428</u>	<u>-</u>	<u>25,771,428</u>	<u>30,901,390</u>	<u>30,901,390</u>	<u>-</u>
CHANGE IN NET ASSETS	(3,098,369)	(21,793)	(3,120,162)	(724,684)	(296,872)	(427,812)
Net assets - beginning of period	<u>14,924,508</u>	<u>3,679,468</u>	<u>18,603,976</u>	<u>19,328,660</u>	<u>15,221,380</u>	<u>4,107,280</u>
NET ASSETS - END OF PERIOD	<u>\$ 11,826,139</u>	<u>\$ 3,657,675</u>	<u>\$ 15,483,814</u>	<u>\$ 18,603,976</u>	<u>\$ 14,924,508</u>	<u>\$ 3,679,468</u>

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals For the 14-Month Period Ended December 31, 2017)

	For the Year Ended December 31, 2018								
	Program Services			Supporting Services					
	Legal	Educational	Total Program Services	Management and General	Fundraising	Special Events	Total Supporting Services	Total 2018	Total 2017
Salaries	\$ 4,684,003	\$ 1,978,329	\$ 6,662,332	\$ 759,719	\$ 1,574,796	\$ -	\$ 2,334,515	\$ 8,996,847	\$ 10,919,576
Payroll taxes and employee benefits (Note 6)	1,321,819	562,617	1,884,436	216,057	447,857	-	663,914	2,548,350	4,344,862
Total Salaries and Related Costs	6,005,822	2,540,946	8,546,768	975,776	2,022,653	-	2,998,429	11,545,197	15,264,438
Donated legal services (Note 2F)	6,845,556	-	6,845,556	-	146,918	-	146,918	6,992,474	7,393,828
Printing and outreach	-	654,693	654,693	-	657,129	190,605	847,734	1,502,427	1,837,161
Occupancy (Note 7A)	706,278	300,619	1,006,897	115,444	239,300	-	354,744	1,361,641	1,494,720
Professional services	24,540	324,127	348,667	705,429	575,148	170,791	1,451,368	1,800,035	1,967,930
Travel and meetings	224,766	67,590	292,356	128,516	201,961	29,860	360,337	652,693	870,322
Office supplies	58,106	24,732	82,838	9,498	19,687	-	29,185	112,023	234,511
Insurance	41,742	17,767	59,509	6,823	14,143	-	20,966	80,475	106,251
Equipment rental and repairs	31,637	13,466	45,103	5,171	10,719	-	15,890	60,993	79,684
Telecommunications	215,324	91,650	306,974	35,195	72,956	-	108,151	415,125	410,792
Dues and subscriptions	34,854	14,835	49,689	5,697	11,809	-	17,506	67,195	148,730
Credit card and bank charges	-	-	-	110,809	-	-	110,809	110,809	218,840
Postage	101,009	42,993	144,002	16,510	34,224	9,552	60,286	204,288	181,998
Recruitment and training	109,293	46,519	155,812	17,864	37,030	-	54,894	210,706	200,393
Direct case expenses	144,546	-	144,546	-	-	-	-	144,546	161,513
Direct special event expenses	-	-	-	-	-	782,967	782,967	782,967	884,848
Bad debt	-	-	-	290,536	-	-	290,536	290,536	81,595
Depreciation and amortization (Note 5)	114,250	48,630	162,880	18,675	38,710	-	57,385	220,265	248,684
Subtotal	14,657,723	4,188,567	18,846,290	2,441,943	4,082,387	1,183,775	7,708,105	26,554,395	31,786,238
Less: expenses deducted directly from revenues on the statements of activities	-	-	-	-	-	(782,967)	(782,967)	(782,967)	(884,848)
TOTAL EXPENSES	\$ 14,657,723	\$ 4,188,567	\$ 18,846,290	\$ 2,441,943	\$ 4,082,387	\$ 400,808	\$ 6,925,138	\$ 25,771,428	\$ 30,901,390

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE 14-MONTH PERIOD ENDED DECEMBER 31, 2017

	Program Services			Supporting Services				Total 2017
	Legal	Educational	Total Program Services	Management and General	Fundraising	Special Events	Total Supporting Services	
Salaries	\$ 5,406,789	\$ 2,629,836	\$ 8,036,625	\$ 993,270	\$ 1,889,681	\$ -	\$ 2,882,951	\$ 10,919,576
Payroll taxes and employee benefits (Note 6)	<u>2,151,343</u>	<u>1,046,403</u>	<u>3,197,746</u>	<u>395,219</u>	<u>751,897</u>	<u>-</u>	<u>1,147,116</u>	<u>4,344,862</u>
Total Salaries and Related Costs	7,558,132	3,676,239	11,234,371	1,388,489	2,641,578	-	4,030,067	15,264,438
Donated legal services (Note 2F)	6,242,848	578,716	6,821,564	288,386	283,878	-	572,264	7,393,828
Printing and outreach	-	755,874	755,874	-	894,123	187,164	1,081,287	1,837,161
Occupancy (Note 7A)	740,105	359,984	1,100,089	135,963	258,668	-	394,631	1,494,720
Professional services	253	721,524	721,777	789,400	366,744	90,009	1,246,153	1,967,930
Travel and meetings	373,254	95,077	468,331	188,554	190,487	22,950	401,991	870,322
Office supplies	116,117	56,479	172,596	21,332	40,583	-	61,915	234,511
Insurance	52,610	25,589	78,199	9,665	18,387	-	28,052	106,251
Equipment rental and repairs	39,455	19,191	58,646	7,248	13,790	-	21,038	79,684
Telecommunications	203,402	98,934	302,336	37,367	71,089	-	108,456	410,792
Dues and subscriptions	73,645	35,821	109,466	13,525	25,739	-	39,264	148,730
Credit card and bank charges	-	-	-	218,840	-	-	218,840	218,840
Postage	84,893	41,292	126,185	15,596	29,670	10,547	55,813	181,998
Recruitment and training	99,224	48,262	147,486	18,228	34,679	-	52,907	200,393
Direct case expenses	161,513	-	161,513	-	-	-	-	161,513
Direct special event expenses	-	-	-	-	-	884,848	884,848	884,848
Bad debt	-	-	-	81,595	-	-	81,595	81,595
Depreciation and amortization (Note 5)	<u>123,136</u>	<u>59,893</u>	<u>183,029</u>	<u>22,619</u>	<u>43,036</u>	<u>-</u>	<u>65,655</u>	<u>248,684</u>
Subtotal	15,868,587	6,572,875	22,441,462	3,236,807	4,912,451	1,195,518	9,344,776	31,786,238
Less: expenses deducted directly from revenues on the statements of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(884,848)</u>	<u>(884,848)</u>	<u>(884,848)</u>
TOTAL EXPENSES	<u>\$ 15,868,587</u>	<u>\$ 6,572,875</u>	<u>\$ 22,441,462</u>	<u>\$ 3,236,807</u>	<u>\$ 4,912,451</u>	<u>\$ 310,670</u>	<u>\$ 8,459,928</u>	<u>\$ 30,901,390</u>

LAMDBA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE 14-MONTH PERIOD ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,120,162)	\$ (724,684)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	220,265	248,684
Change in value of gift annuities	108,504	133,141
Change in value of beneficial interest in trusts	189,858	(59,363)
Net realized and unrealized loss (gain) on investments and gift annuities	988,688	(1,165,077)
Deferred rent	(57,099)	(39,375)
Bad debt expense	<u>290,536</u>	<u>81,595</u>
Subtotal	(1,379,410)	(1,525,079)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable - individuals	50,721	(451,753)
Grants receivable - foundations and corporations	491,000	(420,000)
Bequest receivable	(89,757)	40,000
Prepaid expenses and other assets	117,119	155,721
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	131,589	(76,083)
Accrued payroll and vacation	(32,299)	9,702
Deferred income	<u>(34,751)</u>	<u>(37,507)</u>
Net Cash Used in Operating Activities	<u>(745,788)</u>	<u>(2,304,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	18,024,388	19,070,862
Purchase of investments	(16,753,294)	(16,149,473)
Purchase of property and equipment and leasehold improvements	<u>(15,923)</u>	<u>(207,558)</u>
Net Cash Provided by Used in Investing Activities	<u>1,255,171</u>	<u>2,713,831</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuities and trusts	(156,284)	(184,788)
Proceeds from trust	-	137,167
Proceeds from issuance of annuities	<u>62,180</u>	<u>54,548</u>
Net Cash (Used in) Provided by Financing Activities	<u>(94,104)</u>	<u>6,927</u>
NET INCREASE IN CASH	415,279	415,759
Cash - beginning of period	<u>2,370,394</u>	<u>1,954,635</u>
CASH - END OF PERIOD	<u>\$ 2,785,673</u>	<u>\$ 2,370,394</u>

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Lambda Legal Defense and Education Fund, Inc. (“Lambda Legal”) is a national organization working to achieve full recognition of the civil rights of lesbians, gay men, bisexuals, transgender people and everyone with HIV, through impact litigation, education and public policy work.

Founded in 1973, Lambda Legal is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has been held to be a publicly supported organization and not a private foundation under Section 509(a). Funding is primarily from contributions, bequests and donated services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Lambda Legal's financial statements have been prepared on the accrual basis of accounting. Lambda Legal adheres to accounting policies generally accepted in the United States of America (“U.S. GAAP”).
- B. Lambda Legal reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Accordingly, even if a restriction is fulfilled in the same time period in which the contribution is received, Lambda Legal reports the support as net assets with donor restrictions, as well as released from restrictions.
- C. Lambda Legal maintains its net assets under the following two classes:
- Without donor restrictions – net assets that have not been restricted by the donor. Such resources are available to support Lambda Legal's operations.
 - With donor restrictions – net assets resulting from contributions and other inflows of assets whose use by Lambda Legal is limited by donor-imposed stipulations, including net assets that must be invested in perpetuity.
- D. Property and equipment are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Contributed fixed assets are stated at fair value at the date of gift. Lambda Legal has established a \$2,500 threshold above which assets are capitalized. Purchases below \$2,500 are expensed at the time of acquisition. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. All other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- E. Investments are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned net of any direct investment expenses.
- F. Lambda Legal records donated goods at their fair value on the date of receipt and records donated services that meet the criteria for recognition. A significant portion of the donated services received are services provided free of charge to Lambda Legal by lawyers supervised or guided by Lambda Legal staff. Such contributions-in-kind are reflected as both income and expense in the accompanying statements of activities.
- G. Lambda Legal has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lambda Legal's entire gift annuity program recorded an asset amounting to \$2,321,698 and \$2,399,264 and a liability of \$1,194,981 and \$1,180,581 as of December 31, 2018 and 2017, respectively. Contribution revenue amounted to \$70,456 and \$40,452 for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively, and is included in the accompanying statements of activities.

- H. Legacies and bequests are recognized as revenue when Lambda Legal is notified that actual or potential disputes are resolved and funds are forthcoming. Accordingly, bequests are accrued when wills have passed through probate and legal counsel has confirmed amounts held on behalf of Lambda Legal. It is Lambda Legal's practice to discount bequests receivable due in more than one year to its present value using a risk adjusted rate of return, unless the value is immaterial. The amortization of the bequest discount is reflected as additional contribution revenue.
- I. Lambda Legal's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts held by third parties. Charitable remainder unitrust gifts are time-restricted contributions not available to Lambda Legal until after the death of the donor and other beneficiaries, who, while living, receive payouts from the trust based on a fixed percentage of the market value of the invested funds each year as stated in the trust agreements. The trust agreements, in certain instances, allow for the beneficiaries to receive additional distributions, which may substantially reduce the value of expected future cash flows.

Lambda Legal recognizes as assets and contributions to net assets with donor restrictions the fair value of the trusts based on the present value of the estimated expected future cash flows from the trusts' assets. The present value is calculated using risk-adjusted discount rates based on the term of the trust. Distributions received by Lambda Legal are net assets without donor restrictions unless specified otherwise in the trust documents.

- J. Attorneys' fees are amounts awarded by a court when Lambda Legal's clients prevail in a case or amounts paid by opposing parties as part of the settlement of litigation in which attorneys' fees could be awarded that compensate Lambda Legal for time spent representing its clients and can include reimbursement of actual expenses incurred by Lambda Legal in connection with such legal representation.
- K. Pledges and grants are recorded as revenue when the pledge or grant is made. Pledges and grants receivable due in more than one year are discounted to net present value unless the amount is immaterial. Lambda Legal bases its allowance for doubtful accounts on its historical loss experience considering the age of the receivables and other factors. Pledges and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Lambda Legal determined that an allowance of approximately \$61,000 was necessary as of both December 31, 2018 and 2017, for pledges receivable and that no allowance was necessary for grants receivable.
- L. Lambda Legal sometimes receives cash in advance of special events that is to be held after the statement of financial position date. Lambda Legal records the contribution portion of the events as income when received and the exchange portion as deferred income until earned.
- M. Lambda Legal has lease agreements for the rental of offices in a number of locations. Under the terms of the various lease agreements, the lessors have provided free rent periods and/or other pricing concessions. In accordance with U.S. GAAP, Lambda Legal recorded an adjustment to rent expense to reflect the difference between the rent paid and the average rent to be paid over the terms of the leases. This straight-lining of rent expense resulted in an increase in occupancy expenses of \$57,099 and \$39,375 for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively. The cumulative effect of these adjustments is reflected as deferred rent in the accompanying statements of financial position.
- N. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- O. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 11.
- P. Lambda Legal considers all money market funds to be investments.
- Q. The costs of providing program and supporting services of Lambda Legal have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort. Other allocated expenses include occupancy, professional services, travel and meetings, office supplies, insurance, equipment rental and repairs, telecommunications, dues and subscriptions, postage, recruitment and training, and depreciation and amortization, which are all allocated based on the allocation of salary costs.
- R. Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities” was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. These changes had no impact on the change in net assets for the 14-month period ended December 31, 2017. Net assets as of December 31, 2017 were reclassified to conform to the new presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due. Lambda Legal has a \$2,500,000 revolving line of credit, secured by Lambda Legal’s investments, which it can draw upon in the event of a liquidity need. No funds were borrowed from this revolving line of credit during the year ended December 31, 2018 or the 14-month period ended December 31, 2017.

Lambda Legal’s financial assets available to meet general expenditures over the next year are as follows:

Cash	\$ 2,785,673
Pledges receivable, net - individuals	553,252
Grants receivable – foundation and corporations	289,000
Bequests receivable	89,757
Investments	10,314,690
Assets held for gift annuities	<u>2,321,698</u>
Total financial assets	16,354,070
Less: pledges receivable due in more than one year	(270,106)
Less: endowment investments	(10,004,390)
Less: assets held for gift annuities	<u>(2,321,698)</u>
	 <u>\$ 3,757,876</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 – INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES

Investments consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 1,522,375	\$ 514,603
Common stock	2,341,333	3,039,842
Mutual funds – equities	4,303,484	4,341,243
Mutual funds – fixed income	417,021	2,178,281
Certificates of deposit	-	247,545
U.S. government bonds	1,012,465	1,153,521
Corporate bonds	<u>718,012</u>	<u>1,021,871</u>
	<u>\$ 10,314,690</u>	<u>\$ 12,496,906</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Assets held for gift annuities consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 28,476	\$ 206,576
Common stock	1,164,786	1,246,428
U.S. government bonds	364,143	315,764
Corporate bonds	<u>764,293</u>	<u>630,496</u>
	<u>\$ 2,321,698</u>	<u>\$ 2,399,264</u>

Investment activity for investments held consists of the following for the year ended December 31, 2018 and the 14-month period ended December 31, 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 401,208	\$ 501,528
Unrealized (loss) gain on investments	(1,222,004)	897,579
Realized gain on investment sales	325,922	73,993
Investment management fees	<u>(119,277)</u>	<u>(91,545)</u>
Sub-total	<u>(614,151)</u>	<u>1,381,555</u>

Investment activity for assets held for gift annuities consists of the following for the year ended December 31, 2018 and the 14-month period ended December 31, 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	56,698	61,925
Unrealized (loss) gain on investments	(142,903)	175,773
Realized gain on investment sales	<u>50,297</u>	<u>17,732</u>
Sub-total	<u>(35,908)</u>	<u>255,430</u>
Total investment activity	<u>\$ (650,059)</u>	<u>\$ 1,636,985</u>

Investment activity related to Lambda Legal's gift annuities is reported net of fees incurred, which are not separated from the components of investment return above.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	\$ 1,033,349	\$ 1,023,892	3-5 years
Leasehold improvements	874,396	860,196	5-15 years
Construction in progress	<u>-</u>	<u>7,734</u>	
Total cost	1,907,745	1,891,822	
Less: accumulated depreciation and amortization	<u>(1,167,924)</u>	<u>(947,659)</u>	
Net book value	<u>\$ 739,821</u>	<u>\$ 944,163</u>	

Depreciation and amortization expense amounted to \$220,265 and \$248,684 for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively.

NOTE 6 – PENSION PLAN

Lambda Legal maintains a qualified defined contribution pension plan covering all eligible employees after one year of service. Employees vest over a multiyear period. Lambda Legal makes discretionary contributions to this plan when approved by the Board of Directors. For the year ended December 31, 2018 and the 14-month period ended December 31, 2017 Lambda Legal's contributions amounted to approximately \$138,000 and \$710,000, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. Lambda Legal has lease agreements for the rental of its New York, Los Angeles, Chicago, Dallas and Atlanta offices as well as several operating leases. Minimum annual rentals related to the above leases are as follows for each of the five years ended subsequent to December 31, 2018 and thereafter:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 1,125,000	\$ 27,000	\$ 1,152,000
2020	1,026,000	24,000	1,050,000
2021	980,000	16,000	996,000
2022	901,000	1,000	902,000
2023	752,000	-	752,000
Thereafter	<u>2,742,000</u>	<u>-</u>	<u>2,742,000</u>
	<u>\$ 7,526,000</u>	<u>\$ 68,000</u>	<u>\$ 7,594,000</u>

Rent expense amounted to approximately \$1,175,000 and \$1,306,000 for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively. Such amounts are included in occupancy expense in the accompanying statements of functional expenses.

B. In January 2016, Lambda Legal established a revolving line of credit with a bank with a maximum borrowing amount of \$2,500,000. The interest rate charged by the bank is equal to the London Inter-Bank Offered Rate ("LIBOR") plus a spread which the bank may change with 30 days' notice. Lambda Legal can also request advances based on the Fixed Rate Advance Index or the Term Advance Index, subject to the bank's approval. The line of credit is secured by Lambda Legal's investments. During the year ended December 31, 2018 and the 14-month period ended December 31, 2017, there were no borrowings. As of June 26, 2019, there was \$0 outstanding.

C. During the 14-month period ended December 31, 2017, Lambda Legal's employees voted to join a union. Lambda Legal is in the process of negotiating a collective bargaining agreement.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Time restrictions		
Beneficial interest in trusts	\$ 899,741	\$ 1,089,599
Pledges due in more than one year	270,106	350,000
Contributions received for future events	424,036	662,470
Purpose restrictions	544,452	996,321
Unappropriated earnings from donor-restricted endowment	96,238	157,988
Term endowment*	1,000,012	-
Donor-restricted endowment corpus	<u>423,090</u>	<u>423,090</u>
	<u>\$ 3,657,675</u>	<u>\$ 3,679,468</u>

* Towards the very end of the year ended December 31, 2018, Lambda Legal received a term endowment gift to fund a legal fellowship. Until the end of 2028, Lambda Legal must invest the donation and use any investment earnings for the fellowship. After 2028, Lambda Legal may use the remaining portion of the gift for other restricted purposes.

Net assets were released from restrictions during the year ended December 31, 2018 and the 14-month period ended December 31, 2017 by incurring expenses or the passage of time, thus satisfying the restricted purposes as follows:

	<u>2018</u>	<u>2017</u>
Regional Offices	\$ 286,845	\$ 1,400,078
Fair Courts	341,305	812,780
Law and Policy Project	17,718	205,000
DC Office	497,443	179,086
HIV Criminalization	278,179	115,000
Other	-	15,000
Appropriation of endowment earnings	32,847	-
Time restrictions lifted	<u>632,666</u>	<u>949,835</u>
	<u>\$ 2,087,003</u>	<u>\$ 3,676,779</u>

Lambda Legal believes it has adopted reasonable and prudent investment policies for endowment assets that attempt to achieve favorable investment returns without exposure to undue risk that would threaten the preservation and growth of endowment principal. The portfolio is invested by external investment managers based on a diversified total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Lambda Legal recognizes that the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the market value of its donor-restricted endowment funds. During the year ended December 31, 2018, the Board approved a resolution to appropriate 7% of the rolling five-year average market value of the donor-restricted endowment funds to net assets without donor restrictions.

In accordance with NYPMIFA, any unappropriated earnings on endowment funds that would otherwise not have donor restrictions should be reflected as net assets with donor restrictions until appropriated by the Board of Directors. Accordingly, all investment earnings on the endowment since inception have been classified as net assets with donor restrictions in a manner consistent with the standards prescribed by NYPMIFA.

Lambda Legal's Board designated endowments consist of a discretionary fund that may be used with Board approval.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions - Board Designated	With Donor Restrictions			2018 Total
		Term Endowment	Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ (431,990)	\$ 12	\$ (28,903)	\$ -	\$ (460,881)
Appropriations from donor-restricted funds	32,847	-	(32,847)	-	-
Spending for operations	(2,507,562)	-	-	-	(2,507,562)
Contributions	-	1,000,000	-	-	1,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in endowment net assets	(2,906,705)	1,000,012	(61,750)	-	(1,968,443)
Endowment net assets, beginning of year	<u>11,391,755</u>	<u>-</u>	<u>157,988</u>	<u>423,090</u>	<u>11,972,833</u>
Endowment net assets, end of year	<u>\$ 8,485,050</u>	<u>\$ 1,000,012</u>	<u>\$ 96,238</u>	<u>\$ 423,090</u>	<u>\$ 10,004,390</u>

Changes in endowment net assets for the 14-month period ended December 31, 2017, are as follows:

	Without Donor Restrictions - Board Designated	With Donor Restrictions		2017 Total
		Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ 1,401,208	\$ 85,205	\$ -	\$ 1,486,413
Spending for operations	(131,704)	-	-	(131,704)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in endowment net assets	1,269,504	85,205	-	1,354,709
Endowment net assets, beginning of period	<u>10,122,251</u>	<u>72,783</u>	<u>423,090</u>	<u>10,618,124</u>
Endowment net assets, end of period	<u>\$ 11,391,755</u>	<u>\$ 157,988</u>	<u>\$ 423,090</u>	<u>\$ 11,972,833</u>

As of December 31, 2018 and 2017, endowment net assets of \$2,156,204 and \$1,216,698 are included with investments on the accompanying statements of financial position.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Lambda Legal to retain as a fund of perpetual duration. Lambda Legal had no such deficiencies in its donor-restricted endowment funds as of December 31, 2018 and 2017.

NOTE 9 – ALLOCATION OF JOINT COSTS

Lambda Legal incurred joint costs of \$443,326 and \$453,514 (other than donated services) for informational materials and activities that were included in fundraising appeals during the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively. Of these costs, \$223,166 and \$104,254 were allocated to program expenses and \$220,160 and \$349,260 were allocated to fundraising for the year ended December 31, 2018 and the 14-month period ended December 31, 2017, respectively, as prescribed by U.S. GAAP.

NOTE 10 – CONCENTRATIONS

Cash that potentially subjects Lambda Legal to a concentration of credit risk includes accounts with one bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The bank account is insured up to \$250,000 per depositor. As of December 31, 2018 and 2017, there was approximately \$1,740,000 and \$1,310,000, respectively, of cash held by the bank that exceeded FDIC limits. Such excess includes outstanding checks.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 – FAIR VALUE MEASUREMENTS

In determining fair value, Lambda Legal utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in money market funds, common stock, and U.S. government bonds are valued using market prices in active markets (Level 1). Mutual funds are valued at the net asset value (“NAV”) of shares held by Lambda Legal at year end based upon quoted market prices determined in an active market. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate bonds and certificates of deposit are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets and liabilities are carried at fair value at December 31, 2018, are classified as Level 1 and Level 2 in the table as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2018</u>
Investments:			
Money market funds	\$ 1,522,375	\$ -	\$ 1,522,375
Common stock	2,341,333	-	2,341,333
Mutual funds – equities	4,303,484	-	4,303,484
Mutual funds – fixed income	417,021	-	417,021
U.S. government bonds	1,012,465	-	1,012,465
Corporate bonds	<u>-</u>	<u>718,012</u>	<u>718,012</u>
Total investments	<u>9,596,678</u>	<u>718,012</u>	<u>10,314,690</u>
Assets held for gift annuities:			
Money market funds	28,476	-	28,476
Common stock – equities	1,164,786	-	1,164,786
Fixed income – U.S. government bonds	364,143	-	364,143
Fixed income – corporate bonds	<u>-</u>	<u>764,293</u>	<u>764,293</u>
Total assets held for gift annuities	<u>1,557,405</u>	<u>764,293</u>	<u>2,321,698</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 11,154,083</u>	<u>\$ 1,482,305</u>	<u>\$ 12,636,388</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities are carried at fair value at December 31, 2017, are classified as Level 1 and Level 2 in the table as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2017</u>
Investments:			
Money market funds	\$ 514,603	\$ -	\$ 514,603
Common stock	3,039,842	-	3,039,842
Mutual funds – equities	4,341,243	-	4,341,243
Mutual funds – fixed income	2,178,281	-	2,178,281
Certificates of deposit	-	247,545	247,545
U.S. government bonds	1,153,521	-	1,153,521
Corporate bonds	<u>-</u>	<u>1,021,871</u>	<u>1,021,871</u>
Total investments	<u>11,227,490</u>	<u>1,269,416</u>	<u>12,496,906</u>
Assets held for gift annuities:			
Money market funds	206,576	-	206,576
Common stock – equities	1,246,428	-	1,246,428
Fixed income – U.S. government bonds	315,764	-	315,764
Fixed income – corporate bonds	<u>-</u>	<u>630,496</u>	<u>630,496</u>
Total assets held for gift annuities	<u>1,768,768</u>	<u>630,496</u>	<u>2,399,264</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 12,996,258</u>	<u>\$ 1,899,912</u>	<u>\$ 14,896,170</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the year ended December 31, 2018 and the 14-month period ended December 31, 2017, there were no transfers.

NOTE 12 – BENEFICIAL INTEREST IN TRUSTS

Lambda Legal has been named a beneficiary in charitable trusts, four of which provide Lambda Legal current information:

- A Charitable Remainder Trust, from which upon the death of the recipient named in the trust, \$675,000 will be distributed among five other organizations and Lambda Legal will receive any remaining balance.
- A Charitable Remainder UniTrust from which a beneficiary is currently receiving 8% of the initial net-fair market value of the assets of such trust valued on the first business day of such taxable year. Subsequent to this beneficiary passing, Lambda Legal is named to receive 100% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 25% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 30% of the balance of the trust.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 – PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Collectible in:		
One year or less	\$ 389,517	\$ 605,181
One to five years	<u>225,000</u>	<u>350,000</u>
	614,517	955,181
Less: allowance for doubtful accounts	<u>(61,265)</u>	<u>(60,672)</u>
	<u>\$ 553,252</u>	<u>\$ 894,509</u>

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 26, 2019, the date the financial statements were available to be issued.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND OCTOBER 31, 2017, THE TWO-MONTH PERIOD ENDED DECEMBER 31, 2017
AND THE 14-MONTH PERIOD ENDED DECEMBER 31, 2017

	Year Ended <u>12/31/2018</u>	Year Ended <u>10/31/2017</u>	2 Month Period Ended <u>12/31/2017</u>	14-Month Period Ended <u>12/31/2017</u>
PUBLIC SUPPORT AND REVENUE:				
Special events revenue	\$ 4,589,848	\$ 4,821,590	\$ 635,893	\$ 5,457,483
Less: direct special event expenses	(782,967)	(853,746)	(31,102)	(884,848)
Net revenues from special events	3,806,881	3,967,844	604,791	4,572,635
Grants from foundations and corporations	980,589	1,560,751	915,414	2,476,165
Contributions and memberships	7,834,990	8,132,608	2,905,368	11,037,976
Bequests	3,810,337	2,090,754	427,642	2,518,396
Donated goods and services	6,992,474	7,207,454	186,374	7,393,828
Attorney fees	94,517	565,783	-	565,783
Contributions under gift annuities	70,456	-	40,452	40,452
Investment activity	(650,059)	1,430,078	298,452	1,728,530
Change in value of gift annuities	(108,504)	(114,781)	(18,360)	(133,141)
Change in value of beneficial interest in trusts	(189,858)	51,557	7,806	59,363
Other revenue	9,443	8,264	-	8,264
TOTAL PUBLIC SUPPORT AND REVENUE	<u>22,651,266</u>	<u>24,900,312</u>	<u>5,367,939</u>	<u>30,268,251</u>
EXPENSES:				
Program Services:				
Legal	14,657,723	14,379,667	1,488,920	15,868,587
Educational	4,188,567	5,724,157	848,718	6,572,875
Total program services	<u>18,846,290</u>	<u>20,103,824</u>	<u>2,337,638</u>	<u>22,441,462</u>
Supporting Services:				
Management and general	2,441,943	2,740,893	587,459	3,328,352
Fundraising	4,082,387	4,276,389	636,062	4,912,451
Special events	400,808	311,676	(1,006)	310,670
Total supporting services	<u>6,925,138</u>	<u>7,328,958</u>	<u>1,222,515</u>	<u>8,551,473</u>
TOTAL EXPENSES	<u>25,771,428</u>	<u>27,432,782</u>	<u>3,560,153</u>	<u>30,992,935</u>
CHANGE IN NET ASSETS	(3,120,162)	(2,532,470)	1,807,786	(724,684)
Net assets - beginning of period	<u>18,603,976</u>	<u>19,328,660</u>	<u>16,796,190</u>	<u>19,328,660</u>
NET ASSETS - END OF PERIOD	<u>\$ 15,483,814</u>	<u>\$ 16,796,190</u>	<u>\$ 18,603,976</u>	<u>\$ 18,603,976</u>

See independent auditors' report.