Financial Statements
(Together with Independent Auditors’ Report)

Years Ended December 31, 2021 and 2020
LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS’ REPORT

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

Opinion

We have audited the financial statements of Lambda Legal Defense and Education Fund, Inc. (“Lambda Legal”) which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Lambda Legal as of December 31, 2021, 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 (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lambda Legal 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 2020 Financial Statements

The financial statements of Lambda Legal as of and for the year ended December 31, 2020 were audited by another auditor whose report dated June 4, 2021 expressed an unmodified opinion on those statements.

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 Lambda Legal’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors’ 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 auditors’ 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 judgement 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 Lambda Legal’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 Lambda Legal’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.

New York, NY
June 16, 2022
LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (Note 11)</td>
<td>$6,150,209</td>
<td>$3,274,052</td>
</tr>
<tr>
<td>Pledges receivable, net (Notes 2K and 14)</td>
<td>2,174,502</td>
<td>1,990,427</td>
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<tr>
<td>Bequests receivable (Note 2H)</td>
<td>75,162</td>
<td>2,434,660</td>
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<tr>
<td>Prepaid expenses and other assets</td>
<td>1,038,813</td>
<td>1,038,634</td>
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<tr>
<td>Investments (Notes 2E, 2O, 4 and 12)</td>
<td>33,333,032</td>
<td>16,592,073</td>
</tr>
<tr>
<td>Assets held for gift annuities (Notes 2G, 4 and 12)</td>
<td>2,433,445</td>
<td>2,247,771</td>
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<tr>
<td>Beneficial interest in trusts (Notes 2I and 13)</td>
<td>1,323,315</td>
<td>1,234,266</td>
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<tr>
<td>Property and equipment, net (Notes 2D and 5)</td>
<td>512,123</td>
<td>625,494</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$47,040,601</td>
<td>$29,437,377</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$955,391</td>
<td>$993,696</td>
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<tr>
<td>Accrued payroll and vacation</td>
<td>1,839,164</td>
<td>1,087,883</td>
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<tr>
<td>Deferred income (Note 2L)</td>
<td>42,685</td>
<td>6,667</td>
</tr>
<tr>
<td>Deferred rent (Note 2M)</td>
<td>637,075</td>
<td>673,166</td>
</tr>
<tr>
<td>Liabilities under gift annuities (Note 2G)</td>
<td>1,299,463</td>
<td>1,332,836</td>
</tr>
<tr>
<td>Paycheck Protection Program loan payable (Note 8)</td>
<td>-</td>
<td>1,933,323</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>4,773,778</td>
<td>6,027,571</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COMMITMENTS AND CONTINGENCIES</strong> (Note 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong> (Note 2C)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in property and equipment</td>
<td>512,123</td>
<td>625,494</td>
</tr>
<tr>
<td>Board designated (Note 9)</td>
<td>9,480,593</td>
<td>7,688,390</td>
</tr>
<tr>
<td>Operations</td>
<td>27,212,078</td>
<td>11,843,223</td>
</tr>
<tr>
<td>Total without donor restrictions</td>
<td>37,204,794</td>
<td>20,157,107</td>
</tr>
<tr>
<td>With donor restrictions (Note 9)</td>
<td>5,062,029</td>
<td>3,252,699</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>42,266,823</td>
<td>23,409,806</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$47,040,601</td>
<td>$29,437,377</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements. - 3 -
LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

For the Year Ended December 31, 2021

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events revenue</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Virtual events</td>
<td>4,047,709</td>
<td>-</td>
</tr>
<tr>
<td>Less: direct special event expenses</td>
<td>(12,467)</td>
<td>(12,467)</td>
</tr>
<tr>
<td>Net revenues from special events</td>
<td>4,047,709</td>
<td>-</td>
</tr>
<tr>
<td>Grants from foundations and corporations (Note 2K)</td>
<td>698,279</td>
<td>2,790,678</td>
</tr>
<tr>
<td>Contributions and memberships (Note 2K)</td>
<td>16,405,451</td>
<td>-</td>
</tr>
<tr>
<td>Donated professional services (Note 2F)</td>
<td>6,483,528</td>
<td>-</td>
</tr>
<tr>
<td>Attorney fees (Note 2J)</td>
<td>1,300,405</td>
<td>-</td>
</tr>
<tr>
<td>Contributions under gift annuities (Note 2G)</td>
<td>3,930</td>
<td>13,600</td>
</tr>
<tr>
<td>Other revenue</td>
<td>4,143</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions (Note 9)</td>
<td>1,235,717</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>28,416,359</td>
<td>-</td>
</tr>
<tr>
<td>EXCESS (DEFICIT) OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES</td>
<td>1,762,803</td>
<td>1,568,561</td>
</tr>
<tr>
<td>NON-OPERATING ACTIVITY (Note 2Q)</td>
<td>9,647,637</td>
<td>-</td>
</tr>
<tr>
<td>Bequests (Note 2H)</td>
<td>9,647,637</td>
<td>-</td>
</tr>
<tr>
<td>Forgivenness of Paycheck Protection Program loan payable (Note 8)</td>
<td>1,933,323</td>
<td>-</td>
</tr>
<tr>
<td>Investment activity (Note 4)</td>
<td>3,819,047</td>
<td>165,322</td>
</tr>
<tr>
<td>Change in value of gift annuities (Note 2G)</td>
<td>(115,123)</td>
<td>-</td>
</tr>
<tr>
<td>Change in value of beneficial interest in trusts</td>
<td>-</td>
<td>75,447</td>
</tr>
<tr>
<td>TOTAL NON-OPERATING ACTIVITY</td>
<td>15,284,884</td>
<td>240,769</td>
</tr>
<tr>
<td>TOTAL CHANGE IN NET ASSETS</td>
<td>37,204,794</td>
<td>5,062,029</td>
</tr>
<tr>
<td>NET ASSETS - END OF YEAR</td>
<td>$ 37,204,794</td>
<td>$ 5,062,029</td>
</tr>
</tbody>
</table>

For the Year Ended December 31, 2020

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events revenue</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Virtual events</td>
<td>4,047,709</td>
<td>-</td>
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</tr>
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</tr>
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<td>-</td>
</tr>
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</tr>
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<td>-</td>
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<td>-</td>
</tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>-</td>
</tr>
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<td>-</td>
</tr>
<tr>
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</tr>
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<td>240,769</td>
</tr>
<tr>
<td>TOTAL CHANGE IN NET ASSETS</td>
<td>37,204,794</td>
<td>5,062,029</td>
</tr>
<tr>
<td>NET ASSETS - END OF YEAR</td>
<td>$ 37,204,794</td>
<td>$ 5,062,029</td>
</tr>
</tbody>
</table>

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, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

### Program Services

<table>
<thead>
<tr>
<th></th>
<th>Legal</th>
<th>Educational</th>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Supporting Services</th>
<th>Total 2021</th>
<th>Total 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>4,550,916</td>
<td>2,526,918</td>
<td>7,077,834</td>
<td>1,435,415</td>
<td>2,184,962</td>
<td>3,620,377</td>
<td>10,698,211</td>
<td>9,425,466</td>
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<tr>
<td>Payroll taxes and employee benefits (Note 6)</td>
<td>1,472,377</td>
<td>847,053</td>
<td>2,319,430</td>
<td>283,654</td>
<td>759,902</td>
<td>1,043,556</td>
<td>3,362,986</td>
<td>2,812,403</td>
</tr>
<tr>
<td><strong>Total Salaries and Related Costs</strong></td>
<td>6,023,293</td>
<td>3,373,971</td>
<td>9,397,264</td>
<td>1,719,069</td>
<td>2,944,864</td>
<td>4,663,933</td>
<td>14,061,197</td>
<td>12,037,869</td>
</tr>
<tr>
<td>Donated professional services (Note 2F)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,483,528</td>
<td>14,593,147</td>
</tr>
<tr>
<td>Printing and outreach</td>
<td>483,556</td>
<td>122,775</td>
<td>606,331</td>
<td>-</td>
<td>412,572</td>
<td>412,572</td>
<td>1,018,903</td>
<td>884,854</td>
</tr>
<tr>
<td>Occupancy (Note 7A)</td>
<td>623,829</td>
<td>250,271</td>
<td>874,100</td>
<td>141,052</td>
<td>444,657</td>
<td>585,709</td>
<td>1,459,809</td>
<td>1,428,410</td>
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<tr>
<td>Professional services</td>
<td>337,547</td>
<td>823,735</td>
<td>1,161,282</td>
<td>1,206,754</td>
<td>593,088</td>
<td>1,799,842</td>
<td>2,961,124</td>
<td>1,476,836</td>
</tr>
<tr>
<td>Travel and meetings</td>
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<td>23,292</td>
<td>70,121</td>
<td>141,275</td>
<td>93,827</td>
<td>235,102</td>
<td>305,223</td>
<td>177,291</td>
</tr>
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<td>Office supplies</td>
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<td>6,001</td>
<td>20,653</td>
<td>2,896</td>
<td>10,454</td>
<td>13,350</td>
<td>34,003</td>
<td>100,092</td>
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<td>Insurance</td>
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<td>52,521</td>
<td>8,400</td>
<td>26,735</td>
<td>35,135</td>
<td>87,656</td>
<td>100,309</td>
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<td>Equipment rental and repairs</td>
<td>25,945</td>
<td>10,419</td>
<td>36,364</td>
<td>5,816</td>
<td>138,423</td>
<td>138,423</td>
<td>140,306</td>
<td>137,751</td>
</tr>
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<td>Telecommunications</td>
<td>150,197</td>
<td>61,804</td>
<td>212,001</td>
<td>51,620</td>
<td>203,036</td>
<td>254,656</td>
<td>466,657</td>
<td>551,232</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>110,029</td>
<td>19,007</td>
<td>129,036</td>
<td>1,867</td>
<td>8,475</td>
<td>10,342</td>
<td>139,378</td>
<td>137,751</td>
</tr>
<tr>
<td>Credit card and bank charges</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Postage</td>
<td>11,254</td>
<td>23,487</td>
<td>34,741</td>
<td>2,058</td>
<td>18,174</td>
<td>20,232</td>
<td>54,973</td>
<td>29,859</td>
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<tr>
<td>Recruitment and training</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>407,943</td>
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<tr>
<td>Equipment</td>
<td>36,108</td>
<td>22,929</td>
<td>59,037</td>
<td>8,089</td>
<td>26,682</td>
<td>34,771</td>
<td>93,808</td>
<td>-</td>
</tr>
<tr>
<td>Direct case expenses</td>
<td>130,604</td>
<td>130,604</td>
<td>261,208</td>
<td>8,089</td>
<td>26,682</td>
<td>34,771</td>
<td>93,808</td>
<td>65,555</td>
</tr>
<tr>
<td>Special event expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,467</td>
<td>-</td>
</tr>
<tr>
<td>Direct special event expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Virtual event expenses</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,343</td>
<td>-</td>
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<td>Bad debt</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>255,425</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization (Note 5)</td>
<td>83,122</td>
<td>33,378</td>
<td>116,500</td>
<td>18,636</td>
<td>59,303</td>
<td>77,939</td>
<td>194,439</td>
<td>192,769</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>14,597,966</td>
<td>4,786,117</td>
<td>19,384,083</td>
<td>3,599,853</td>
<td>5,432,423</td>
<td>9,032,276</td>
<td>28,416,359</td>
<td>32,686,608</td>
</tr>
<tr>
<td>Less: expenses deducted directly from revenues on the statement of activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>14,597,966</td>
<td>4,786,117</td>
<td>19,384,083</td>
<td>3,599,853</td>
<td>5,432,423</td>
<td>9,032,276</td>
<td>28,416,359</td>
<td>32,674,141</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Legal</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>$4,542,095</td>
</tr>
<tr>
<td><strong>Payroll taxes and employee benefits (Note 6)</strong></td>
<td>1,258,907</td>
</tr>
<tr>
<td><strong>Total Salaries and Related Costs</strong></td>
<td>5,801,002</td>
</tr>
<tr>
<td><strong>Donated professional services (Note 2F)</strong></td>
<td>13,250,375</td>
</tr>
<tr>
<td><strong>Printing and outreach</strong></td>
<td>15,468</td>
</tr>
<tr>
<td><strong>Occupancy (Note 7A)</strong></td>
<td>681,534</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>158,264</td>
</tr>
<tr>
<td><strong>Travel and meetings</strong></td>
<td>52,271</td>
</tr>
<tr>
<td><strong>Office supplies</strong></td>
<td>47,756</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>158,264</td>
</tr>
<tr>
<td><strong>Travel and meetings</strong></td>
<td>52,271</td>
</tr>
<tr>
<td><strong>Office supplies</strong></td>
<td>47,756</td>
</tr>
<tr>
<td><strong>Depreciation and amortization (Note 5)</strong></td>
<td>91,976</td>
</tr>
<tr>
<td><strong>Total Subtotal</strong></td>
<td>20,821,024</td>
</tr>
</tbody>
</table>

Less: expenses deducted directly from revenues on the statement of activities

|                  | -       | -       | -       | -       | -       | (12,467) | (12,467) | (12,467) |

**TOTAL EXPENSES**

|                  | $20,821,024 | $4,042,459 | $24,863,483 | $2,915,039 | $4,895,619 | $7,810,658 | $32,674,141 |

The accompanying notes are an integral part of these financial statements.
## LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$18,857,017</td>
<td>$8,849,381</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>194,439</td>
<td>192,769</td>
</tr>
<tr>
<td>Change in value of gift annuities</td>
<td>115,123</td>
<td>73,478</td>
</tr>
<tr>
<td>Change in value of beneficial interest in trusts</td>
<td>(75,447)</td>
<td>(105,916)</td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments and gift annuities</td>
<td>(3,825,638)</td>
<td>(1,764,618)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(36,091)</td>
<td>(201)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>153,898</td>
<td>255,425</td>
</tr>
<tr>
<td>Forgiveness of Paycheck Protection Program loan</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>13,449,978</td>
<td>7,500,318</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(337,973)</td>
<td>(1,152,158)</td>
</tr>
<tr>
<td>Bequests receivable</td>
<td>2,359,498</td>
<td>(1,794,660)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(179)</td>
<td>(315,640)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(38,305)</td>
<td>152,468</td>
</tr>
<tr>
<td>Accrued payroll and vacation</td>
<td>751,281</td>
<td>560,111</td>
</tr>
<tr>
<td>Deferred income</td>
<td>36,018</td>
<td>(106,668)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>16,220,318</td>
<td>4,843,771</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from investment sales</td>
<td>123,950,468</td>
<td>23,655,643</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(136,865,789)</td>
<td>(29,604,617)</td>
</tr>
<tr>
<td>Purchase of property and equipment and leasehold improvements</td>
<td>(81,068)</td>
<td>(270,335)</td>
</tr>
<tr>
<td><strong>Net Cash Used in Investing Activities</strong></td>
<td>(12,996,389)</td>
<td>(6,219,309)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net payments on annuities and trusts</td>
<td>(347,772)</td>
<td>(573,870)</td>
</tr>
<tr>
<td>Proceeds from Paycheck Protection Program loan payable</td>
<td>-</td>
<td>1,933,323</td>
</tr>
<tr>
<td><strong>Net Cash (Used in) Provided by Financing Activities</strong></td>
<td>(347,772)</td>
<td>1,359,453</td>
</tr>
</tbody>
</table>

### NET INCREASE (DECREASE) IN CASH

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash - beginning of year</td>
<td>3,274,052</td>
<td>3,290,137</td>
</tr>
<tr>
<td><strong>CASH - END OF YEAR</strong></td>
<td>$6,150,209</td>
<td>$3,274,052</td>
</tr>
</tbody>
</table>

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

F. Lambda Legal 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’s entire gift annuity program consisted of assets amounting to $2,433,445 and $2,247,771 and liabilities of $1,299,463 and $1,332,836 as of December 31, 2021 and 2020, respectively. Contribution revenue amounted to $17,530 and $430,803 for the years ended December 31, 2021 and 2020, 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 at 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. Contributions and grants are nonexchange transactions and accounted for under Accounting Standards Update (“ASU”) 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/releases from obligation. 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 $50,000 and $59,000 was necessary as of December 31, 2021 and 2020, respectively, 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 statements of financial position date. Unless material, 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 $36,091 and $201 for the year ended December 31, 2021 and 2020. 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 reporting period. Actual results could differ from those estimates.
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 12.

P. Lambda Legal considers all money market funds to be investments.

Q. Lambda Legal includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment return, bequests, changes in value of gift annuities, beneficial interest in trusts and forgiveness of the Paycheck Protection Program loan payable are recognized as nonoperating activities.

R. 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.

S. Certain line items in the December 31, 2020 financial statements have been reclassified to conform to the December 31, 2021 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 considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities and restricted funds to be general expenditures. 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 years ended December 31, 2021 and 2020, respectively.

Lambda Legal’s financial assets available to meet general expenditures over the next year are as follows as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 6,150,209</td>
<td>$ 3,274,052</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>2,174,502</td>
<td>1,990,427</td>
</tr>
<tr>
<td>Bequests receivable</td>
<td>75,162</td>
<td>2,434,660</td>
</tr>
<tr>
<td>Investments</td>
<td>33,333,032</td>
<td>16,592,073</td>
</tr>
<tr>
<td>Assets held for gift annuities</td>
<td>2,433,445</td>
<td>2,247,771</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>44,166,350</td>
<td>26,538,983</td>
</tr>
</tbody>
</table>

Less: pledges receivable due in more than one year | (410,000) | (135,000) |
Less: endowment investments | (11,171,088) | (9,318,489) |
Less: assets held for gift annuities | (2,433,445) | (2,247,771) |

$ 30,151,817   $ 14,837,723
NOTE 4 – INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES

Investments consist of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 2,696,462</td>
<td>$ 1,316,239</td>
</tr>
<tr>
<td>Common stock</td>
<td>16,647,951</td>
<td>4,785,846</td>
</tr>
<tr>
<td>Mutual funds – equities</td>
<td>4,081,509</td>
<td>4,843,637</td>
</tr>
<tr>
<td>Mutual funds – fixed income</td>
<td>901,326</td>
<td>3,164,478</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>5,383,152</td>
<td>1,335,639</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,622,632</td>
<td>1,146,234</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 33,333,032</strong></td>
<td><strong>$ 16,592,073</strong></td>
</tr>
</tbody>
</table>

Investments are subject to market volatility that could substantially change their carrying value in the near term. As of June 16, 2022, the investments of Lambda Legal decreased by approximately $4.9M or 11% of total assets.

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 62,005</td>
<td>$ 20,823</td>
</tr>
<tr>
<td>Common stock</td>
<td>1,479,664</td>
<td>1,181,568</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>392,119</td>
<td>354,883</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>499,657</td>
<td>690,497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,433,445</strong></td>
<td><strong>$ 2,247,771</strong></td>
</tr>
</tbody>
</table>

Investment activity for investments held consists of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 326,534</td>
<td>$ 196,690</td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments</td>
<td>(745,696)</td>
<td>1,414,145</td>
</tr>
<tr>
<td>Realized gain on investment sales</td>
<td>4,261,533</td>
<td>183,292</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(201,112)</td>
<td>(91,347)</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>$ 3,641,259</strong></td>
<td><strong>$ 1,702,780</strong></td>
</tr>
</tbody>
</table>

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.
NOTE 5 – PROPERTY AND EQUIPMENT

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>Estimated Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>$ 1,198,915</td>
<td>$ 1,146,973</td>
<td>3-5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$ 928,659</td>
<td>$ 899,533</td>
<td>5-15 years</td>
</tr>
<tr>
<td>Total cost</td>
<td>$ 2,127,664</td>
<td>$ 2,046,506</td>
<td></td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(1,615,451)</td>
<td>(1,421,012)</td>
<td></td>
</tr>
<tr>
<td>Net book value</td>
<td>$ 512,123</td>
<td>$ 625,494</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense amounted to $194,439 and $192,769 for the years ended December 31, 2021 and 2020, respectively. During 2020, assets with an original cost of $131,576 that were fully depreciated and no longer in service were written off.

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 years ended December 31, 2021 and 2020, Lambda Legal's contributions amounted to approximately $239,000 and $149,000, 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, and thereafter:

<table>
<thead>
<tr>
<th></th>
<th>Real Property</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$ 1,144,000</td>
<td>$ 26,000</td>
<td>$ 1,170,000</td>
</tr>
<tr>
<td>2023</td>
<td>1,228,000</td>
<td>27,000</td>
<td>1,255,000</td>
</tr>
<tr>
<td>2024</td>
<td>1,091,000</td>
<td>20,000</td>
<td>1,111,000</td>
</tr>
<tr>
<td>2025</td>
<td>1,099,000</td>
<td>4,000</td>
<td>1,103,000</td>
</tr>
<tr>
<td>2026</td>
<td>1,105,000</td>
<td>2,000</td>
<td>1,107,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,113,000</td>
<td>-</td>
<td>2,113,000</td>
</tr>
<tr>
<td></td>
<td>$ 7,780,000</td>
<td>$ 79,000</td>
<td>$ 7,859,000</td>
</tr>
</tbody>
</table>

Rent expense amounted to approximately $1,445,000 and $1,218,000 for the years ended December 31, 2021 and 2020, 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 years ended December 31, 2021 and 2020, there were no borrowings. As of June 16, 2022, there was $0 outstanding.

C. Lambda Legal and its employees signed a collective bargaining agreement in 2019, which expires on June 30, 2022.
NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

D. The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on Lambda Legal’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, Lambda Legal is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. Lambda Legal’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. Lambda Legal continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

NOTE 8 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 20, 2020, Lambda Legal received loan proceeds in the amount of $1,919,910 under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. As of December 31, 2021, the outstanding balance was $1,933,323, which included accrued interest of $13,413. On September 8, 2021, Lambda Legal received forgiveness for the entire amount.

Lambda Legal recognized the loan in accordance with Accounting Standards Codification (“ASC”) 470, Debt. Accordingly, the proceeds of the PPP loan were recognized as PPP loan payable on the accompanying statement of financial position and Lambda Legal derecognized the liability when the loan was forgiven.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beneficial interest in trusts</td>
<td>$1,323,315</td>
<td>$1,234,266</td>
</tr>
<tr>
<td>Other time restricted gifts</td>
<td>530,000</td>
<td>388,334</td>
</tr>
<tr>
<td>Purpose restrictions</td>
<td>1,518,219</td>
<td>-</td>
</tr>
<tr>
<td>Unappropriated earnings from donor-restricted endowment</td>
<td>195,128</td>
<td>62,430</td>
</tr>
<tr>
<td>Term endowment*</td>
<td>1,072,277</td>
<td>1,144,579</td>
</tr>
<tr>
<td>Donor-restricted endowment corpus</td>
<td>423,090</td>
<td>423,090</td>
</tr>
<tr>
<td></td>
<td><strong>$5,062,029</strong></td>
<td><strong>$3,252,699</strong></td>
</tr>
</tbody>
</table>

* 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.
NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT (Continued)

Net assets of $1,235,717 and $1,007,490 were released from restrictions during the years ended December 31, 2021 and 2020, respectively, by incurring expenses or the passage of time, thus satisfying the restricted purposes.

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.

Changes in endowment net assets for the year ended December 31, 2021, are as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions - Board Designated</th>
<th>Without Donor Restrictions - Board Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment activity</td>
<td>$ 1,687,277</td>
</tr>
<tr>
<td>Appropriations from donor-restricted funds</td>
<td>104,926</td>
</tr>
<tr>
<td>Change in endowment net assets</td>
<td>1,792,203</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>7,688,390</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 9,480,593</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With Donor Restrictions</th>
<th>With Donor Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Endowment</td>
<td>$ 9,898</td>
</tr>
<tr>
<td>Unappropriated Earnings</td>
<td>$ 155,424</td>
</tr>
<tr>
<td>Endowment Corpus</td>
<td>$ -</td>
</tr>
<tr>
<td>2021 Total</td>
<td>$ 1,852,599</td>
</tr>
<tr>
<td>Change in endowment net assets</td>
<td>(72,302)</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>1,144,579</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 1,072,277</td>
</tr>
<tr>
<td>2021 Total</td>
<td>$ 11,171,088</td>
</tr>
</tbody>
</table>
NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions - Board Designated</th>
<th>With Donor Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment activity</td>
<td>672,642</td>
</tr>
<tr>
<td>Appropriations from donor-restricted funds</td>
<td>312,368</td>
</tr>
<tr>
<td>Change in endowment net assets</td>
<td>985,010</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>6,703,380</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>7,688,390</td>
</tr>
</tbody>
</table>

|  | Term Endowment | Unappropriated Earnings | Endowment Corpus | 2020 Total |
|-----------------------------------------------|-------------------------|------------------|------------|
| Investment activity                           | $130,788               |
| Appropriations from donor-restricted funds     | (52,368)               |
| Change in endowment net assets                 | 78,420                 |
| Endowment net assets, beginning of year        | 1,066,159              |
| Endowment net assets, end of year              | 1,144,579              |

|  | $169,512 | $ - | $972,942 |
|-----------------------------------------------|-------------------------|------------|
| Appropriations from donor-restricted funds     | (260,000)               |
| Change in endowment net assets                 | (90,488)                |
| Endowment net assets, beginning of year        | 423,090                 |
| Endowment net assets, end of year              | 423,090                 |

As of December 31, 2021 and 2020, endowment net assets of $11,171,088 and $9,318,489 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, 2021 and 2020.

NOTE 10 – ALLOCATION OF JOINT COSTS

Lambda Legal incurred joint costs of $382,494 and $388,468 (other than donated services) for informational materials and activities that were included in fundraising appeals during the years ended December 31, 2021 and 2020, respectively. Of these costs, $152,803 and $242,286 were allocated to program expenses and $229,691 and $146,182 were allocated to fundraising for the years ended December 31, 2021 and 2020, respectively, as prescribed by U.S. GAAP.

NOTE 11 – 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, 2021 and 2020, there was approximately $5,855,000 and $2,943,000, respectively, of cash held by the bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 12 – 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 the lowest priority to Level 3 inputs.
NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

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 instrument 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, 2021 and are classified as Level 1 and Level 2 in the table as follows:

<table>
<thead>
<tr>
<th>ASSETS CARRIED AT FAIR VALUE:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$ 2,696,462</td>
<td>$ -</td>
<td>$ 2,696,462</td>
</tr>
<tr>
<td>Common stock</td>
<td>16,647,951</td>
<td>-</td>
<td>16,647,951</td>
</tr>
<tr>
<td>Mutual funds – equities</td>
<td>4,081,509</td>
<td>-</td>
<td>4,081,509</td>
</tr>
<tr>
<td>Mutual funds – fixed income</td>
<td>901,326</td>
<td>-</td>
<td>901,326</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>5,383,152</td>
<td>-</td>
<td>5,383,152</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>3,622,632</td>
<td>3,622,632</td>
</tr>
<tr>
<td>Total investments</td>
<td>29,710,400</td>
<td>3,622,632</td>
<td>33,333,032</td>
</tr>
</tbody>
</table>

| Assets held for gift annuities: |         |         |            |
| Money market funds             | 62,005 | - | 62,005 |
| Common stock                   | 1,479,664 | - | 1,479,664 |
| Fixed income – U.S. government bonds | 392,119 | - | 392,119 |
| Fixed income – corporate bonds  | - | 499,657 | 499,657 |
| Total assets held for gift annuities | 1,933,788 | 499,657 | 2,433,445 |

TOTAL ASSETS AT FAIR VALUE: $ 31,644,188 $ 4,122,289 $ 35,766,477
NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities are carried at fair value at December 31, 2020 and are classified as Level 1 and Level 2 in the table as follows:

<table>
<thead>
<tr>
<th>ASSETS CARRIED AT FAIR VALUE:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$ 1,316,239</td>
<td>$    -</td>
<td>$ 1,316,239</td>
</tr>
<tr>
<td>Common stock</td>
<td>4,785,846</td>
<td>-</td>
<td>4,785,846</td>
</tr>
<tr>
<td>Mutual funds – equities</td>
<td>4,843,637</td>
<td>-</td>
<td>4,843,637</td>
</tr>
<tr>
<td>Mutual funds – fixed income</td>
<td>3,164,478</td>
<td>-</td>
<td>3,164,478</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>1,335,639</td>
<td>-</td>
<td>1,335,639</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>1,146,234</td>
<td>1,146,234</td>
</tr>
</tbody>
</table>

Total investments: 15,445,839 $1,146,234 16,592,073

Assets held for gift annuities:

<table>
<thead>
<tr>
<th>Money market funds</th>
<th>20,823</th>
<th>-</th>
<th>20,823</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock – equities</td>
<td>1,181,568</td>
<td>-</td>
<td>1,181,568</td>
</tr>
<tr>
<td>Fixed income – corporate bonds</td>
<td>-</td>
<td>690,497</td>
<td>690,497</td>
</tr>
</tbody>
</table>

Total assets held for gift annuities: 1,557,274 690,497 2,247,771

TOTAL ASSETS AT FAIR VALUE: $17,003,113 $1,836,731 $18,839,844

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 years ended December 31, 2021 and 2020, there were no transfers.

NOTE 13 – 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 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.

- A Charitable Remainder Trust from which a beneficiary is currently receiving 25% of the initial net-fair market value of the assets of such trust valued on the first business day of such taxable year.
NOTE 14 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following as of December 31:

<table>
<thead>
<tr>
<th>Collectible in:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$ 1,825,378</td>
<td>$ 1,914,049</td>
</tr>
<tr>
<td>One to five years</td>
<td>$ 410,000</td>
<td>$ 135,000</td>
</tr>
<tr>
<td></td>
<td><strong>2,235,378</strong></td>
<td><strong>2,049,049</strong></td>
</tr>
<tr>
<td>Less: Discount on pledges</td>
<td><strong>(10,846)</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td>(1.69% and 0%, respectively)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td><strong>(50,030)</strong></td>
<td><strong>(58,622)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$ 2,174,502</strong></td>
<td><strong>$ 1,990,427</strong></td>
</tr>
</tbody>
</table>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 16, 2022, the date the financial statements were available to be issued.