



PFLAG, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

PFLAG, INC.

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Independent Auditors' Report

The Board of Directors
PFLAG, Inc.
Washington, D.C.

We have audited the accompanying financial statements of PFLAG, Inc. (PFLAG), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors consider 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 PFLAG, Inc., as of September 30, 2019, 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.

The Board of Directors
PFLAG, Inc.

Emphasis of Matter

As discussed in Note 2 of the financial statements, PFLAG adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited PFLAG's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Certified Public Accountants

Washington, D.C.
March 10, 2020

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2019
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Assets		
Cash and Cash Equivalents	\$ 640,045	\$ 645,230
Contributions Receivable	117,500	137,500
Other Receivables, Net of Allowance of \$-0- and \$6,500, Respectively	86,837	78,540
Investments	2,553,546	2,466,748
Investments, Deferred Compensation	-	12,428
Prepaid Expenses	103,202	69,943
Inventory	25,609	25,118
Fixed Assets, Net	42,388	102,717
Security Deposit	15,921	15,921
Total Assets	<u>\$ 3,585,048</u>	<u>\$ 3,554,145</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 234,297	\$ 209,263
Deferred Rent	58,401	106,684
Deferred Compensation Payable	-	12,428
Deferred Revenue	86,229	8,000
Sublease Deposit Payable	-	7,000
Total Liabilities	378,927	343,375
Net Assets		
Without Donor Restrictions	2,432,101	2,422,844
With Donor Restrictions		
Purpose or Timing Restricted	411,520	425,426
Endowment	362,500	362,500
Total Net Assets With Donor Restrictions	<u>774,020</u>	<u>787,926</u>
Total Net Assets	<u>3,206,121</u>	<u>3,210,770</u>
Total Liabilities and Net Assets	<u>\$ 3,585,048</u>	<u>\$ 3,554,145</u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Contributions	\$ 1,736,100	\$ 392,500	\$ 2,128,600	\$ 3,392,444
Chapter Dues	75,698	-	75,698	76,929
Training Service Fees	184,813	-	184,813	134,897
Publication Sales	95,755	-	95,755	71,611
Other Events	7,940	-	7,940	133,138
Net Investment Income	72,337	14,524	86,861	28,430
Net Assets Released from Restrictions	420,930	(420,930)	-	-
Total Revenues	2,593,573	(13,906)	2,579,667	3,837,449
Expenses				
Program				
Chapter Network	614,355	-	614,355	612,199
Education and Advocacy	1,073,542	-	1,073,542	946,305
Total Program	1,687,897	-	1,687,897	1,558,504
Supporting				
Fundraising and Development	454,633	-	454,633	469,210
General and Administrative	441,786	-	441,786	572,054
Total Supporting	896,419	-	896,419	1,041,264
Total Expenses	2,584,316	-	2,584,316	2,599,768
Change in Net Assets	9,257	(13,906)	(4,649)	1,237,681
Net Assets, Beginning of Year	2,422,844	787,926	3,210,770	1,973,089
Net Assets, End of Year	\$ 2,432,101	\$ 774,020	\$ 3,206,121	\$ 3,210,770

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	2019 Total	2018 Total
Salaries	\$ 305,396	\$ 558,778	\$ 864,174	\$ 189,997	\$ 184,548	\$ 1,238,719	\$ 1,005,372
Employee Benefits and Payroll Taxes	53,161	97,268	150,429	33,073	32,125	215,627	198,560
Professional Fees	34,984	72,573	107,557	31,965	117,171	256,693	430,916
Travel	31,422	31,838	63,260	11,503	30,857	105,620	126,578
Office Expenses	59,942	71,204	131,146	123,342	7,559	262,047	183,740
Occupancy	49,426	90,434	139,860	30,749	29,867	200,476	115,601
Conferences, Conventions, and Meetings	5,848	10,455	16,303	1,685	1,821	19,809	222,499
Depreciation and Amortization	17,042	31,182	48,224	10,603	10,298	69,125	88,541
Grants and Scholarships	26,693	6,000	32,693	-	-	32,693	50,070
Advertising	815	1,740	2,555	507	492	3,554	2,309
IT Services	21,030	38,479	59,509	13,084	12,708	85,301	73,291
Equipment and Maintenance	1,010	1,848	2,858	628	610	4,096	4,120
Miscellaneous	1,705	4,708	6,413	2,508	10,688	19,609	30,641
Insurance	4,621	8,455	13,076	2,875	2,792	18,743	14,324
Taxes and Licenses	-	-	-	-	250	250	140
Cost of Goods Sold	-	44,547	44,547	-	-	44,547	47,891
Dues and Subscriptions	1,260	4,033	5,293	2,114	-	7,407	5,064
Interest	-	-	-	-	-	-	111
Total Expenses	\$ 614,355	\$ 1,073,542	\$ 1,687,897	\$ 454,633	\$ 441,786	\$ 2,584,316	\$ 2,599,768

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (4,649)	\$ 1,237,681
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	69,125	88,541
Gain on Investments	(24,887)	(6,841)
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	20,000	151,500
Other Receivables	(8,297)	58,716
Investments, Deferred Compensation	12,428	(1,316)
Prepaid Expenses	(33,259)	(15,746)
Inventory	(491)	20,719
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	25,034	(99,040)
Deferred Rent	(48,283)	(47,041)
Deferred Compensation Payable	(12,428)	1,316
Deferred Revenue	78,229	(73,490)
Sublease Deposit Payable	(7,000)	-
Net Cash Provided by Operating Activities	<u>65,522</u>	<u>1,314,999</u>
Cash Flows from Investing Activities		
Purchases of Furniture, Fixtures, and Office Equipment	(8,796)	(25,605)
Proceeds from the Sales of Investments	256,769	936,380
Purchases of Investments	<u>(318,680)</u>	<u>(1,757,948)</u>
Net Cash Used in Investing Activities	<u>(70,707)</u>	<u>(847,173)</u>
Cash Flows from Financing Activities		
Principal Payments on Obligation under Capital Lease	<u>-</u>	<u>(324)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(324)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(5,185)	467,502
Cash and Cash Equivalents, Beginning of Year	<u>645,230</u>	<u>177,728</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 640,045</u></u>	<u><u>\$ 645,230</u></u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

PFLAG, Inc. (PFLAG) was founded in 1972 with the simple act of a mother publicly supporting her gay son. PFLAG is the nation's largest family and ally organization, uniting people who are lesbian, gay, bisexual, transgender, and queer (LGBTQ) with families, friends, and allies. PFLAG is committed to advancing equality and full societal affirmation of LGBTQ people through its threefold mission of support, education, and advocacy.

PFLAG has over 400 chapters and 200,000 members and supporters crossing multiple generations of American families in major urban centers, small cities, and rural areas across the United States.

This vast grassroots network is cultivated, resourced, and serviced by PFLAG headquarters, located in Washington, D.C., the National Board of Directors and 13 Regional Directors.

PFLAG envisions a world where diversity is celebrated, and all people are respected, valued, and affirmed inclusive of their sexual orientation, gender identity, and gender expression. By meeting people where they are and collaborating with others, PFLAG realizes its vision through:

- Support for families, allies and people who are LGBTQ
- Education about the unique issues and challenges facing people who are LGBTQ
- Advocacy in communities to change attitudes and create policies and laws that achieve full equality for people who are LGBTQ

These activities are funded primarily through contributions.

The following programs are included in the accompanying financial statements:

Chapter Network

The national office supports a chapter network that is majority volunteer-led by providing learning opportunities, leadership and partnership support, resources and technical assistance to create thriving chapters to carry out PFLAG's collective mission. Each year, PFLAG also assists new communities in forming PFLAG chapters and works with new chapter leaders to continue to expand and enrich mission activities in communities all over the country. These chapters in turn provide support, education and advocacy in their communities.

PFLAG helps to strengthen chapters by fostering greater networking among chapters and allies within regions and states. PFLAG provides newsletters which inform members about PFLAG and public issues and publishes a wide variety of resources for its chapter education programs. Through PFLAG Academy Online, PFLAG provides learning opportunities for its members. PFLAG creates special events in communities across the country to educate the general public about its mission and offers opportunities for public engagement at the local and national levels.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Education and Advocacy

Through its partnerships, digital media, resources and visibility strategies, PFLAG provides education to the general public, the chapter network and PFLAG members. The visibility of the family and ally voice united with the LGBTQ community is vitally needed to advance equality.

- PFLAG coordinates public appearances and presentations by national leadership to educate targeted audiences and the general public about families with LGBTQ loved ones.
- PFLAG provides publications to members and the general public about sexual orientation, gender identity and relevant issues.
- Through traditional and new media, PFLAG provides critical messaging, tools and resources related to family acceptance, community education and the importance of the ally voice.
- Cultivating Respect: Safe Schools for All is designed to bring visibility, tools and resources to LGBTQ youth to promote a safer educational environment for learning.
- The PFLAG Scholarship Program provides an important, positive statement to a group of young people and their allies, LGBTQ people who are often marginalized and subjected to harassment and discrimination. The scholarship program also provides PFLAG's chapters with a critical link to their local schools.
- Through its Straight for Equality project, PFLAG educates and engages straight allies in a variety of forums including the workplace, healthcare facilities, and faith communities.

PFLAG maintains a strong presence in Washington, D.C., to advocate with Congress, the White House and federal agencies to ensure laws and regulations reflect the concerns of PFLAG family voices. Partnership, coalition work and support of its chapters is also a part of PFLAG's activities to create stronger and more unified statewide PFLAG family voices to support families, educate communities and advocate for equality. Among the many advocacy issues are parenting rights, employment nondiscrimination, safer schools, inclusive and affirming faith communities, sustaining marriage equality, reducing hate crimes and more. PFLAG also works with national partners to share its stories through written and public testimony as well as submission of amicus briefs on behalf of its membership.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

PFLAG considers all amounts in checking and money market accounts to be cash and cash equivalents, excluding amounts held as investments.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable consist primarily of pledges from corporations, foundations and individuals. The management of PFLAG reviews the collectability of the contributions receivable on a regular basis. No reserve for doubtful accounts has been established since management expects to collect all contributions receivable in full.

Other Receivables

Other receivables consist primarily of amounts due from special events and training service fees. The management of PFLAG reviews the collectability of the other receivables on a regular basis. Management considers all amounts to be fully collectable.

Investments

Investments are reported at the fair value based on quoted market prices on national exchanges for mutual funds and money market funds. Certificates of Deposit are valued using readily available pricing sources for comparable instruments. Realized and unrealized gains and losses are included with investment income in the statement of activities. Investment income is reported as an increase or decrease in net assets without donor restrictions, unless restricted by donor or law.

Inventory

Inventory consists of products and publications that are sold and distributed to members and interested parties. Inventory is stated at the lower of cost or market and is valued using the first-in, first-out method of inventory valuation.

Fixed Assets

PFLAG capitalizes all fixed asset acquisitions of \$1,500 and above. Fixed assets are recorded at cost, if purchased, or at fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or, for leasehold improvements, the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. PFLAG reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 reported in the statement of activities as net assets released from restrictions.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Training Service Fees

Training service fees are recognized as revenue in the year the training is provided.

Net Assets Classification

Net assets consist of the following categories:

Net Assets Without Donor Restrictions - Resources that are available for general operations and resources designated by PFLAG's Board of Directors for approved expenditures.

Net Assets With Donor Restrictions - Resources that are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PFLAG or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PFLAG. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Tax Status

PFLAG is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities and is not considered a "private foundation" by the Internal Revenue Service.

PFLAG requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. PFLAG does not believe its financial statements include, or reflect, any uncertain tax positions.

PFLAG's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related employee benefits and taxes, office expenses, occupancy, depreciation and amortization, IT Services, and other expenses. These expenses are allocated on the basis of estimates of time and effort by employees or on the basis of headcount. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2018. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Reclassifications

Certain 2018 amounts have been reclassified for comparative purposes.

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended September 30, 2019, PFLAG adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. COMMITMENTS

PFLAG has entered into a contract with a hotel for its future conference. The contract contains a clause whereby PFLAG is liable for liquidated damages in the event of cancellation based upon percentage of the contract price determined by the length of time between the cancellation and the event date. Management does not believe any cancellations under this contract will occur and result in a material impact on the financial statements.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

4. LIQUIDITY AND AVAILABLE RESOURCES

PFLAG's cash flows have seasonal variations due to the timing of receipt of grant and other service revenues, and vendor payments. PFLAG has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of September 30, 2019, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2020:

Financial Assets

Cash and Cash Equivalents	\$ 640,045
Contributions Receivable	117,500
Other Receivables	86,837
Investments	2,553,546
Less Net Assets Restricted for Purpose	(294,020)
Less Endowment Funds Held in Perpetuity	<u>(362,500)</u>
Total Financial Assets and Liquidity Available within One Year	<u>\$ 2,741,408</u>

5. FIXED ASSETS

As of September 30, 2019, fixed assets consisted of the following:

Furniture, Fixtures, and Office Equipment	\$ 173,286
Office Equipment under Capital Lease	12,135
Software	126,541
Leasehold Improvements	221,300
Website	<u>198,950</u>
Total Fixed Assets	732,212
Less Accumulated Depreciation and Amortization	<u>(689,824)</u>
Fixed Assets, Net	<u>\$ 42,388</u>

Depreciation and amortization expense for the year ended September 30, 2019, was \$69,125.

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities or mutual funds);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents PFLAG's assets and liabilities measured at fair value as of September 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 38,414	\$ -	\$ -	\$ 38,414
Certificates of Deposit	-	2,086,034	-	2,086,034
Exchange Traded Funds	13,337	-	-	13,337
Mutual Funds - Equities	232,534	-	-	232,534
Mutual Funds - Fixed Income	183,227	-	-	183,227
Total Investments at Fair Value	<u>467,512</u>	<u>2,086,034</u>	<u>-</u>	<u>2,553,546</u>
Total Assets at Fair Value	<u>\$ 467,512</u>	<u>\$ 2,086,034</u>	<u>\$ -</u>	<u>\$ 2,553,546</u>

7. OPERATING LEASE

PFLAG has entered into a lease for office space that expires in August 2020. Under the terms of the lease, the base rent increases annually based on scheduled increases provided for in the lease. Also, under the terms of the lease, the lessor provided lease incentives totaling approximately \$222,000 to build out the office space. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, are reflected as deferred rent in the accompanying statement of financial position.

As of September 30, 2019, future minimum lease payments under the operating lease are as follows:

<u>For the Year Ending September 30,</u>	<u>Amount</u>
2020	<u>\$ 225,456</u>
Total	<u>\$ 225,456</u>

During the year ended September 30, 2018, PFLAG entered into a month-to-month sublease agreement. For the year ended September 30, 2019, rental income under the sublease was approximately \$20,000 and reduced occupancy expense in the statement of functional expenses.

8. CONCENTRATIONS

PFLAG maintains cash balances at a financial institution located in Washington, D.C., which at times during the year exceeded the Federal Deposit Insurance Corporation insurance limit. Management believes the risk in these situations to be minimal.

As of September 30, 2019, one donor comprised 17% of contributions receivable, and one entity comprised 15% of other receivables. As of September 30, 2019, approximately 33% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

9. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2019, PFLAG's net assets with donor restrictions for purpose and timing consisted of the following:

	Amount
Purpose Restricted - Arnold T. Schwab Endowment	\$ 423,520
Purpose Restricted - Various Programs	233,000
Time Restriction	117,500
Total Net Assets Restricted for Purpose or Time	<u>\$ 774,020</u>

Net assets released from restrictions for the year ended September 30, 2019, were as follows:

	Amount
Safe Schools Program	\$ 64,172
Communications and Outreach Infrastructure	244,258
Time Restriction	112,500
Total Releases	<u>\$ 420,930</u>

10. ENDOWMENT

The Arnold T. Schwab Endowment Fund was established to provide scholarships.

The endowment consists of donor-restricted funds and, as required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

PFLAG has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, PFLAG classifies as net assets with donor restrictions - endowment (a) the original value of gifts donated to endowment funds, (b) the original value of subsequent gifts to the endowments, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - endowment is classified as net assets with donor restrictions - purpose or timing restricted until those amounts are appropriated for expenditure by PFLAG in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, PFLAG considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of PFLAG, (7) the investment policies of PFLAG.

Spending Policy

PFLAG received the endowment contributions during 2015 and is in the process of adopting a spending policy for the endowment.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

10. ENDOWMENT (CONTINUED)

PFLAG had the following changes in the endowment during the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment	Invested in Perpetuity	
Endowment Net Assets, Beginning of Year	\$ -	\$ 46,496	\$ 362,500	\$ 408,996
Contributions	-	-	-	-
Investment Return, Net	-	14,524	-	14,524
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 61,020</u>	<u>\$ 362,500</u>	<u>\$ 423,520</u>

11. PENSION PLANS

PFLAG maintains a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code which is available to all eligible employees. Employer matching contributions are made on behalf of employees with at least one year of service. PFLAG may also make additional employer contributions. Both employer and employee contributions are fully vested. Pension expense was approximately \$25,000 for the year ended September 30, 2019, and is included in employee benefits in the accompanying schedule of functional expenses.

PFLAG has established a nonqualified 457(b) deferred compensation plan (the 457 Plan) for certain highly compensated employees. The 457 Plan requires that PFLAG establish and maintain a book entry account on behalf of the employees for all deferrals and investment experience related to the 457 Plan. Employer contributions are permitted. PFLAG is not liable for any specific investment success nor is it required to restore any loss of principal that may occur due to market conditions. Under current law, such funds remain the asset of PFLAG and, as such, are subject to the creditors of PFLAG. During the year ended September 31, 2019, the 457 Plan was terminated, and a lump-sum distribution was made to the beneficiary.

12. COLLECTIVE BARGAINING AGREEMENT

Effective October 1, 2017, PFLAG entered into a collective bargaining agreement with the Office and Professional Employees International Union, Local 2, AFL-CIO (the Union) to act as the sole exclusive bargaining agent with respect to rates of pay and other conditions of employment for those employees occupying positions stipulated and agreed to by PFLAG and the Union. The agreement will remain in effect until September 30, 2022.

13. EMPLOYMENT CONTRACT

PFLAG entered into an employment contract (the Contract) with an employee that provides for a minimum annual salary adjusted annually and fringe benefits. The term of employment under the Contract is February 1, 2019 to September 30, 2020. In the event of termination without cause, as defined in the Contract, PFLAG would be required to pay severance equal to the terms stipulated in the Contract.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

14. DONATED SERVICES

For the year ended September 30, 2019, the fair value of approximately \$41,200 donated services are included in contributions and gifts and general and administrative expenses in the statement of activities.

15. FINANCIAL RISK

PFLAG invests in various investment securities. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

16. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 10, 2020, which is the date the financial statements were available to be issued.