



PFLAG, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

PFLAG, INC.

TABLE OF CONTENTS
SEPTEMBER 30, 2018

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statement of Financial Position.....	5-6
Statement of Activities.....	7
Statement of Functional Expenses.....	8
Statement of Cash Flows	9
Notes to Financial Statements.....	10-18



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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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited PFLAG's September 30, 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
January 12, 2019

Certified Public Accountants

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2018
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 645,230	\$ 177,728
Contributions Receivable	137,500	289,000
Other Receivables, Net of Allowance of \$6,500	78,540	137,256
Prepaid Expenses	69,943	54,197
Investments, Deferred Compensation	12,428	-
Inventory	25,118	45,837
Total Current Assets	968,759	704,018
Investments	2,466,748	1,638,339
Investments, Deferred Compensation	-	11,112
Fixed Assets		
Furniture, Fixtures, and Office Equipment	164,490	138,885
Office Equipment under Capital Lease	12,135	12,135
Software	126,541	227,791
Leasehold Improvements	221,300	221,300
Website	198,950	198,950
	723,416	799,061
Less Accumulated Depreciation and Amortization	<u>(620,699)</u>	<u>(633,408)</u>
Net Fixed Assets	102,717	165,653
Security Deposit	<u>15,921</u>	<u>15,921</u>
Total Assets	<u><u>\$ 3,554,145</u></u>	<u><u>\$ 2,535,043</u></u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION (CONTINUED)
 SEPTEMBER 30, 2018
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 209,263	\$ 308,303
Deferred Rent	52,896	47,042
Obligation under Capital Lease	-	324
Deferred Compensation Payable	12,428	-
Deferred Revenue	8,000	81,490
	<u>282,587</u>	<u>437,159</u>
Total Current Liabilities	282,587	437,159
Deferred Rent, Net of Current Portion	53,788	106,683
Deferred Compensation Payable	-	11,112
Sublease Deposit Payable	7,000	7,000
	<u>343,375</u>	<u>561,954</u>
Total Liabilities	343,375	561,954
Net Assets		
Unrestricted	2,422,844	1,271,064
Temporarily Restricted	425,426	339,525
Permanently Restricted	362,500	362,500
	<u>3,210,770</u>	<u>1,973,089</u>
Total Net Assets	3,210,770	1,973,089
Total Liabilities and Net Assets	<u>\$ 3,554,145</u>	<u>\$ 2,535,043</u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues					
Contributions and Gifts	\$ 2,914,874	\$ 477,570	\$ -	\$ 3,392,444	\$ 2,220,494
Chapter Dues	76,929	-	-	76,929	80,378
Training Service Fees	134,897	-	-	134,897	154,343
Publication Sales	71,611	-	-	71,611	73,262
Fundraising Events (Net of Direct Expenses of Approximately \$89,000)	-	-	-	-	(694)
Other Events	133,138	-	-	133,138	-
Net Investment Income	13,830	14,600	-	28,430	34,533
Net Assets Released from Restrictions	406,269	(406,269)	-	-	-
Total Revenues	3,751,548	85,901	-	3,837,449	2,562,316
Expenses					
Program					
Chapter Network	612,199	-	-	612,199	1,262,349
Education and Advocacy	946,305	-	-	946,305	740,700
Total Program	1,558,504	-	-	1,558,504	2,003,049
Supporting					
Fundraising and Development	469,210	-	-	469,210	474,867
General and Administrative	572,054	-	-	572,054	527,517
Total Supporting	1,041,264	-	-	1,041,264	1,002,384
Total Expenses	2,599,768	-	-	2,599,768	3,005,433
Change in Net Assets	1,151,780	85,901	-	1,237,681	(443,117)
Net Assets, Beginning of Year	1,271,064	339,525	362,500	1,973,089	2,416,206
Net Assets, End of Year	\$ 2,422,844	\$ 425,426	\$ 362,500	\$ 3,210,770	\$ 1,973,089

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	2018 Total	2017 Total
Salaries	\$ 202,927	\$ 467,508	\$ 670,435	\$ 140,662	\$ 194,275	\$ 1,005,372	\$ 1,293,513
Employee Benefits and Payroll Taxes	38,211	88,031	126,242	26,486	45,832	198,560	237,549
Professional Fees	44,181	91,472	135,653	90,285	204,978	430,916	481,313
Travel	30,883	72,607	103,490	10,087	13,001	126,578	113,464
Printing	1,019	10,005	11,024	68,371	471	79,866	143,542
Occupancy	23,333	53,756	77,089	16,174	22,338	115,601	182,317
Conferences, Conventions, and Meetings	154,835	2,694	157,529	49,069	15,901	222,499	88,641
Postage and Delivery	13,528	9,225	22,753	31,664	906	55,323	46,454
Depreciation and Amortization	17,871	41,173	59,044	12,388	17,109	88,541	95,004
Telecommunications	5,116	10,236	15,352	3,076	4,927	23,355	19,797
Scholarships and Awards	50,070	-	50,070	-	-	50,070	72,010
Advertising	430	1,879	2,309	-	-	2,309	2,912
Bank Charges and Merchant Bank Fees	2,528	5,976	8,504	1,752	3,967	14,223	11,817
IT Services	13,974	33,459	47,433	9,696	16,162	73,291	103,656
Supplies	4,027	390	4,417	2,057	4,499	10,973	5,556
Equipment and Maintenance	72	890	962	-	3,158	4,120	15,184
Staff Development and Appreciation	3,559	(416)	3,143	3,368	1,802	8,313	4,161
State Charitable Registrations	-	-	-	2,155	10,228	12,383	10,365
Miscellaneous	1,160	81	1,241	-	8,643	9,884	2,252
Dues and Subscriptions	-	5,064	5,064	-	-	5,064	4,703
List Rental	-	-	-	61	-	61	9,531
Insurance	2,659	6,126	8,785	1,843	3,696	14,324	16,104
Taxes and Licenses	-	-	-	-	140	140	2,238
Cost of Goods Sold	1,794	46,097	47,891	-	-	47,891	41,562
Interest	22	52	74	16	21	111	1,788
Total Expenses	\$ 612,199	\$ 946,305	\$ 1,558,504	\$ 469,210	\$ 572,054	\$ 2,599,768	\$ 3,005,433

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,237,681	\$ (443,117)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	88,541	95,004
Gain on Investments	(6,841)	(20,808)
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	151,500	(232,500)
Other Receivables	58,716	(69,099)
Prepaid Expenses	(15,746)	16,559
Inventory	20,719	(4,017)
Investments, Deferred Compensation	(1,316)	7,318
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	(99,040)	2,241
Deferred Rent	(47,041)	(41,322)
Deferred Revenue	(73,490)	81,490
Deferred Compensation Payable	1,316	(7,318)
Sublease Deposit Payable	-	7,000
Net Cash Provided by (Used in) Operating Activities	<u>1,314,999</u>	<u>(608,569)</u>
Cash Flows from Investing Activities		
Purchases of Furniture, Fixtures, and Office Equipment	(25,605)	-
Proceeds from the Sales of Investments	936,380	2,381,588
Purchases of Investments	<u>(1,757,948)</u>	<u>(2,395,212)</u>
Net Cash Used in Investing Activities	<u>(847,173)</u>	<u>(13,624)</u>
Cash Flows from Financing Activities		
Principal Payments on Obligation under Capital Lease	<u>(324)</u>	<u>(3,469)</u>
Net Cash Used in Financing Activities	<u>(324)</u>	<u>(3,469)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	467,502	(625,662)
Cash and Cash Equivalents, Beginning of Year	<u>177,728</u>	<u>803,390</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 645,230</u></u>	<u><u>\$ 177,728</u></u>
Supplementary Disclosure of Cash Flow Information		
Interest Paid	\$ 111	\$ 1,788

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 grants and 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, 2018

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 as cash and cash equivalents all cash and highly liquid investments with maturities of three months or less, when purchased.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Contributions Receivable

Contributions receivable consist primarily of bequests and 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. A reserve for doubtful accounts of \$6,500 has been established.

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.

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 unrestricted net assets, unless restricted by donor or law.

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 temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.

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.

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.

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.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2017. 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, 2017, from which the summarized information was derived.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Reclassifications

Certain 2017 amounts have been reclassified for comparative purposes.

2. 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.

3. INVESTMENTS

For the year ended September 30, 2018, net investment income consisted of the following:

<u>Description</u>	<u>Amount</u>
Interest and Dividends	\$ 28,019
Realized and Unrealized Gain	6,841
	<u>34,860</u>
Less Investment Fees	<u>(6,430)</u>
Net Investment Income	<u>\$ 28,430</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could materially affect the reported balance of investments and net assets in the statement of financial position, and amounts reported in the statement of activities.

4. 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, 2018**

4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents PFLAG's assets and liabilities measured at fair value as of September 30, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 1,499,930	\$ -	\$ -	\$ 1,499,930
Certificates of Deposit	-	551,530	-	551,530
Exchange Traded Funds	39,081	-	-	39,081
Mutual Funds - Equities	200,010	-	-	200,010
Mutual Funds - Fixed Income	176,197	-	-	176,197
Total Investments at Fair Value	1,915,218	551,530	-	2,466,748
Investments Deferred Compensation				
Mutual Funds	12,428	-	-	12,428
Total Assets at Fair Value	<u>\$ 1,927,646</u>	<u>\$ 551,530</u>	<u>\$ -</u>	<u>\$ 2,479,176</u>
Deferred Compensation Liability	<u>\$ 12,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,428</u>
Total Liabilities at Fair Value	<u>\$ 12,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,428</u>

5. DONATED SERVICES

For the year ended September 30, 2018, the fair value of approximately \$73,000 donated services are included in contributions and gifts and general and administrative expenses in the statement of activities.

6. OPERATING LEASE

PFLAG has entered into a lease for office space and is obligated under the lease through 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, 2018, future minimum lease payments under the operating lease are as follows:

<u>For the Years Ending September 30,</u>	<u>Amount</u>
2019	\$ 240,170
2020	225,456
Total	<u>\$ 465,626</u>

During the year ended September 30, 2018, PFLAG entered into a month-to-month sublease agreement. For the year ended September 30, 2018, rental income under the sublease was approximately \$84,000 and reduced occupancy expense in the statement of functional expenses.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

7. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2018, PFLAG's temporarily restricted net assets consisted of the following:

	<u>Amount</u>
Safe Schools Program	\$ 14,171
Communications and Outreach Infrastructure	227,259
Arnold T. Schwab Endowment	46,496
Time Restriction	<u>137,500</u>
Total Temporarily Restricted	<u>\$ 425,426</u>

Net assets released from restrictions for the year ended September 30, 2018, were as follows:

	<u>Amount</u>
Scholarships	\$ 50,070
Safe Schools Program	4,458
Communications and Outreach Infrastructure	22,741
Straight for Equality	50,000
Time Restriction	<u>279,000</u>
Total Releases	<u>\$ 406,269</u>

8. PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT

Permanently restricted net assets represent funds that are invested in perpetuity for the following purpose as of September 30, 2018:

	<u>Amount</u>
Arnold T. Schwab Scholarship	<u>\$ 362,500</u>
Total Permanently Restricted Net Assets	<u>\$ 362,500</u>

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by PFLAG in a manner consistent with the standards of prudence prescribed by UPMIFA.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

8. PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

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 had the following changes in the endowment during the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 31,896	\$ 362,500	\$ 394,396
Contributions	-	-	-	-
Investment Income	-	7,853	-	7,853
Net Appreciation of Investments	-	6,747	-	6,747
Endowment Net Assets, End of Year	\$ -	\$ 46,496	\$ 362,500	\$ 408,996

9. 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 \$26,000 for the year ended September 30, 2018, 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. Subsequent to year end, the 457 Plan was terminated, and a lump-sum distribution was made to the beneficiary.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. 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, 2018, one donor comprised 18% of contributions receivable, and two entities comprised 32% of other receivables. For the year ended September 30, 2018, 33% of revenue was received from one donor. As of September 30, 2018, approximately 27% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO.

11. 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.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 12, 2019, which is the date the financial statements were available to be issued.