



**PFLAG, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

**PFLAG, INC.**

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**SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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.  
April 20, 2021

Certified Public Accountants

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION  
 SEPTEMBER 30, 2020  
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,373,066	\$ 640,045
Contributions Receivable	347,709	117,500
Other Receivables	81,038	86,837
Investments	4,614,512	2,553,546
Prepaid Expenses	55,613	103,202
Inventory	63,134	25,609
Fixed Assets, Net	26,403	42,388
Security Deposit	<u>7,705</u>	<u>15,921</u>
<b>Total Assets</b>	<b><u>\$ 6,569,180</u></b>	<b><u>\$ 3,585,048</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 219,878	\$ 234,297
PPP Refundable Advance	288,367	-
Deferred Rent	-	58,401
Deferred Revenue	<u>-</u>	<u>86,229</u>
Total Liabilities	508,245	378,927
<b>Net Assets</b>		
Without Donor Restrictions	4,950,898	2,432,101
With Donor Restrictions		
Purpose or Timing Restricted	747,537	411,520
Endowment	<u>362,500</u>	<u>362,500</u>
Total Net Assets With Donor Restrictions	<u>1,110,037</u>	<u>774,020</u>
Total Net Assets	<u>6,060,935</u>	<u>3,206,121</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 6,569,180</u></b>	<b><u>\$ 3,585,048</u></b>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Revenues</b>				
Contributions	\$ 4,706,373	\$ 797,709	\$ 5,504,082	\$ 2,128,600
Chapter Dues	42,885	-	42,885	75,698
Training Service Fees	142,181	-	142,181	184,813
Publication Sales	36,739	-	36,739	95,755
Other Events	93,414	-	93,414	7,940
Net Investment Income	24,705	39,141	63,846	86,861
Miscellaneous Income	711	-	711	-
Net Assets Released from Restrictions	500,833	(500,833)	-	-
Total Revenues	5,547,841	336,017	5,883,858	2,579,667
<b>Expenses</b>				
Program				
Chapter Network	747,494	-	747,494	614,355
Education and Advocacy	1,225,417	-	1,225,417	1,073,542
Total Program	1,972,911	-	1,972,911	1,687,897
Supporting				
Fundraising and Development	559,718	-	559,718	454,633
General and Administrative	496,415	-	496,415	441,786
Total Supporting	1,056,133	-	1,056,133	896,419
Total Expenses	3,029,044	-	3,029,044	2,584,316
Change in Net Assets	2,518,797	336,017	2,854,814	(4,649)
Net Assets, Beginning of Year	2,432,101	774,020	3,206,121	3,210,770
<b>Net Assets, End of Year</b>	<b>\$ 4,950,898</b>	<b>\$ 1,110,037</b>	<b>\$ 6,060,935</b>	<b>\$ 3,206,121</b>

See accompanying Notes to Financial Statements.

PFLAG, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019)**

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	<b>2020 Total</b>	2019 Total
Salaries	\$ 372,892	\$ 628,737	\$ 1,001,629	\$ 213,533	\$ 243,267	<b>\$ 1,458,429</b>	\$ 1,238,719
Employee Benefits and Payroll Taxes	77,604	130,850	208,454	44,439	50,627	<b>303,520</b>	215,627
Professional Fees	4,811	152,505	157,316	43,511	54,197	<b>255,024</b>	256,693
Travel	4,079	6,877	10,956	2,336	2,661	<b>15,953</b>	105,620
Office Expenses	37,808	140,650	178,458	163,364	26,806	<b>368,628</b>	262,047
Occupancy	51,288	86,477	137,765	29,370	28,847	<b>195,982</b>	200,476
Conferences, Conventions, and Meetings	162,324	2,377	164,701	1,572	1,808	<b>168,081</b>	19,809
Depreciation and Amortization	-	-	-	-	30,787	<b>30,787</b>	69,125
Grants and Scholarships	19,500	-	19,500	-	-	<b>19,500</b>	32,693
Advertising	430	840	1,270	-	-	<b>1,270</b>	3,554
IT Services	14,485	26,115	40,600	42,980	21,618	<b>105,198</b>	85,301
Equipment and Maintenance	1,502	6,321	7,823	860	980	<b>9,663</b>	4,096
Miscellaneous	750	2,512	3,262	16,893	17,187	<b>37,342</b>	19,609
Insurance	-	-	-	-	17,616	<b>17,616</b>	18,743
Taxes and Licenses	-	-	-	650	-	<b>650</b>	250
Cost of Goods Sold	-	23,634	23,634	-	-	<b>23,634</b>	44,547
Dues and Subscriptions	21	17,522	17,543	210	14	<b>17,767</b>	7,407
<b>Total Expenses</b>	<b>\$ 747,494</b>	<b>\$ 1,225,417</b>	<b>\$ 1,972,911</b>	<b>\$ 559,718</b>	<b>\$ 496,415</b>	<b>\$ 3,029,044</b>	<b>\$ 2,584,316</b>

See accompanying Notes to Financial Statements.

PFLAG, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,854,814	\$ (4,649)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	30,787	69,125
Gain on Investments	(36,085)	(24,887)
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	(230,209)	20,000
Other Receivables	5,799	(8,297)
Investments, Deferred Compensation	-	12,428
Prepaid Expenses	47,589	(33,259)
Inventory	(37,525)	(491)
Security Deposit	8,216	-
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	(14,419)	25,034
PPP Refundable Advance	288,367	-
Deferred Rent	(58,401)	(48,283)
Deferred Compensation Payable	-	(12,428)
Deferred Revenue	(86,229)	78,229
Sublease Deposit Payable	-	(7,000)
Net Cash Provided by Operating Activities	<u>2,772,704</u>	<u>65,522</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Furniture, Fixtures, and Office Equipment	(14,802)	(8,796)
Proceeds from the Sales of Investments	29,736	256,769
Purchases of Investments	<u>(2,054,617)</u>	<u>(318,680)</u>
Net Cash Used in Investing Activities	<u>(2,039,683)</u>	<u>(70,707)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	733,021	(5,185)
Cash and Cash Equivalents, Beginning of Year	<u>640,045</u>	<u>645,230</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,373,066</u></u>	<u><u>\$ 640,045</u></u>

See accompanying Notes to Financial Statements.



NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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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, 2020

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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, 2020

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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. 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.

*Revenue Recognition*

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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as unrestricted contributions.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

*Revenue Recognition (Continued)*

Training service fees are recognized as revenue in the year the training is provided. Amounts paid for conference registrations and sponsorships are reported as deferred income and are recognized in the period in which the event takes place. Chapter dues are recognized as revenue in the applicable membership period, which is generally one year. Other revenue consisting of publications, service fees, and miscellaneous income is recognized when the publication, service, or income is earned or provided to the end user.

*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.

*Reclassifications*

Certain 2019 amounts have been reclassified for comparative purposes.

*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

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

*Functional Expense Allocation (Continued)*

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.

*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, 2019. 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, 2019, from which the summarized information was derived.

**2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08**

During the year ended September 30, 2020, PFLAG adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2020. The impact of adoption was not material to the financial statements.

**3. 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.

**PFLAG, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**3. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)**

As of September 30, 2020, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2021:

*Financial Assets*

Cash and Cash Equivalents	\$ 1,373,066
Contributions Receivable	347,709
Other Receivables	81,038
Investments	4,614,512
Less Net Assets Restricted for Purpose	(649,828)
Less Endowment Funds Held in Perpetuity	<u>(362,500)</u>
Total Financial Assets and Liquidity Available within One Year	<u><u>\$ 5,403,997</u></u>

**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).

The following presents PFLAG's assets and liabilities measured at fair value as of September 30, 2020:

Description	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 2,916,414	\$ -	\$ -	\$ 2,916,414
Certificates of Deposit	-	1,213,175	-	1,213,175
Exchange Traded Funds	49,306	-	-	49,306
Mutual Funds - Equities	263,436	-	-	263,436
Mutual Funds - Fixed Income	172,181	-	-	172,181
Total Investments at Fair Value	<u>3,401,337</u>	<u>1,213,175</u>	<u>-</u>	<u>4,614,512</u>
Total Assets at Fair Value	<u><u>\$ 3,401,337</u></u>	<u><u>\$ 1,213,175</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,614,512</u></u>

PFLAG's Level 2 investments are valued based on readily available pricing sources for comparable investments.

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.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**5. DONATED SERVICES**

For the year ended September 30, 2020, the fair value of approximately \$80,300 donated services are included in contributions and general and administrative expenses in the statement of activities.

**6. CONCENTRATIONS**

As of September 30, 2020, three donors comprised 86% of contributions receivable, and three entities comprised 43% of other receivables. For the year ended September 30, 2020, 51% of revenue was received from one donor. As of September 30, 2020, approximately 44% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO.

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.

**7. FIXED ASSETS**

As of September 30, 2020, fixed assets consisted of the following:

Furniture, Fixtures, and Office Equipment	\$ 199,823
Software	126,541
Website	199,349
	<hr/>
Total Fixed Assets	525,713
Less Accumulated Depreciation and Amortization	(499,310)
	<hr/>
Fixed Assets, Net	<u>\$ 26,403</u>

**8. NET ASSETS WITH DONOR RESTRICTIONS**

At September 30, 2020, PFLAG's net assets with donor restrictions for purpose and timing consisted of the following:

	<u>Amount</u>
Purpose Restricted - Arnold T. Schwab Endowment	\$ 462,662
Purpose Restricted - Various Programs	549,666
Time Restriction	97,709
	<hr/>
Total Net Assets Restricted for Purpose or Time	<u>\$ 1,110,037</u>

Net assets released from restrictions for the year ended September 30, 2020, were as follows:

	<u>Amount</u>
Communications and Outreach Infrastructure	\$ 250,000
Advocating for LGBTQ+ Affirmation	33,333
Diversity and Inclusion	50,000
Advocacy and Education Outreach	50,000
Time Restriction	117,500
	<hr/>
Total Releases	<u>\$ 500,833</u>

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

9. 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 had the following changes in the endowment during the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment	Invested in Perpetuity	
Endowment Net Assets, Beginning of Year	\$ -	\$ 61,020	\$ 362,500	\$ 423,520
Contributions	-	-	-	-
Investment Return, Net	-	39,142	-	39,142
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 100,162</u>	<u>\$ 362,500</u>	<u>\$ 462,662</u>

10. 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 \$34,000 for the year ended September 30, 2020, and is included in employee benefits in the accompanying schedule of functional expenses.



PFLAG, INC.

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**11. PPP REFUNDABLE ADVANCE**

During 2020, PFLAG received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$288,367. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If PFLAG maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

PFLAG is accounting for this SBA loan as a conditional contribution since repayment has not been waived as of September 30, 2020, and as such the loan proceeds are shown as PPP Refundable Advance in the statement of financial position.

Subsequent to year end, PFLAG was informed that the PPP loan forgiveness was confirmed by the SBA.

**12. COMMITMENTS AND CONTINGENCIES**

*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.

*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, and it will continue on a fully at-will basis. 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.

*COVID-19 Pandemic*

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adopt to changed circumstances.

**13. SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 20, 2021, which is the date the financial statements were available to be issued.