



PFLAG, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

PFLAG, INC.

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SEPTEMBER 30, 2021

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Independent Auditor's 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PFLAG, Inc., as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
PFLAG, Inc.

Report on Summarized Comparative Information

We have previously audited PFLAG's September 30, 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, 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.
May 12, 2022

Certified Public Accountants

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2021
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Assets		
Cash and Cash Equivalents	\$ 732,976	\$ 1,373,066
Contributions Receivable	193,500	347,709
Other Receivables	92,850	81,038
Investments	6,201,460	4,614,512
Prepaid Expenses	50,472	55,613
Inventory	77,263	63,134
Fixed Assets, Net	51,848	26,403
Security Deposit	7,705	7,705
	<u>7,408,074</u>	<u>6,569,180</u>
Total Assets	<u>\$ 7,408,074</u>	<u>\$ 6,569,180</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 243,785	\$ 219,878
PPP Refundable Advance	-	288,367
Deferred Revenue	95,521	-
	<u>339,306</u>	<u>508,245</u>
Total Liabilities	339,306	508,245
Net Assets		
Without Donor Restrictions	6,074,816	4,950,898
With Donor Restrictions		
Purpose or Timing Restricted	631,452	747,537
Endowment	362,500	362,500
	<u>993,952</u>	<u>1,110,037</u>
Total Net Assets With Donor Restrictions	993,952	1,110,037
Total Net Assets	<u>7,068,768</u>	<u>6,060,935</u>
Total Liabilities and Net Assets	<u>\$ 7,408,074</u>	<u>\$ 6,569,180</u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues				
Contributions	\$ 2,634,024	\$ 1,096,531	\$ 3,730,555	\$ 5,504,082
Chapter Dues	67,239	-	67,239	42,885
Training Service Fees	464,650	-	464,650	142,181
Publication Sales	40,426	-	40,426	36,739
Events	9,414	-	9,414	93,414
Net Investment Income	32,514	54,790	87,304	63,846
Miscellaneous Income	7,272	-	7,272	711
Net Assets Released from Restrictions	1,267,406	(1,267,406)	-	-
Total Revenues	4,522,945	(116,085)	4,406,860	5,883,858
Expenses				
Program				
Chapter Network	792,504	-	792,504	747,494
Education and Advocacy	1,536,597	-	1,536,597	1,225,417
Total Program	2,329,101	-	2,329,101	1,972,911
Supporting				
Fundraising and Development	565,572	-	565,572	559,718
General and Administrative	504,354	-	504,354	496,415
Total Supporting	1,069,926	-	1,069,926	1,056,133
Total Expenses	3,399,027	-	3,399,027	3,029,044
Change in Net Assets	1,123,918	(116,085)	1,007,833	2,854,814
Net Assets, Beginning of Year	4,950,898	1,110,037	6,060,935	3,206,121
Net Assets, End of Year	\$ 6,074,816	\$ 993,952	\$ 7,068,768	\$ 6,060,935

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	2021 Total	2020 Total
Salaries	\$ 519,142	\$ 856,805	\$ 1,375,947	\$ 188,067	\$ 250,232	\$ 1,814,246	\$ 1,458,429
Employee Benefits and Payroll Taxes	110,016	181,574	291,590	39,855	53,029	384,474	303,520
Professional Fees	24,370	167,463	191,833	93,044	74,560	359,437	255,024
Travel	886	83	969	-	964	1,933	15,953
Office Expenses	50,880	98,798	149,678	174,827	29,869	354,374	368,628
Occupancy	26,359	43,504	69,863	9,549	14,872	94,284	195,982
Conferences, Conventions, and Meetings	8,818	2,625	11,443	1,339	1,652	14,434	168,081
Depreciation and Amortization	-	-	-	-	21,045	21,045	30,787
Grants and Scholarships	25,502	119,634	145,136	-	-	145,136	19,500
Advertising	630	5,624	6,254	953	305	7,512	1,270
IT Services	14,813	29,978	44,791	38,177	22,028	104,996	105,198
Equipment and Maintenance	5,342	-	5,342	-	8,961	14,303	9,663
Miscellaneous	1,223	-	1,223	17,799	7,431	26,453	37,342
Insurance	-	-	-	-	16,160	16,160	17,616
Taxes and Licenses	-	-	-	-	-	-	650
Cost of Goods Sold	-	4,371	4,371	-	-	4,371	23,634
Dues and Subscriptions	4,523	26,138	30,661	1,962	3,246	35,869	17,767
Total Expenses	\$ 792,504	\$ 1,536,597	\$ 2,329,101	\$ 565,572	\$ 504,354	\$ 3,399,027	\$ 3,029,044

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,007,833	\$ 2,854,814
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	21,045	30,787
Gain on Investments	(36,788)	(36,085)
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	154,209	(230,209)
Other Receivables	(11,812)	5,799
Prepaid Expenses	5,141	47,589
Inventory	(14,129)	(37,525)
Security Deposit	-	8,216
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	23,907	(14,419)
PPP Refundable Advance	(288,367)	288,367
Deferred Rent	-	(58,401)
Deferred Revenue	95,521	(86,229)
Net Cash Provided by Operating Activities	<u>956,560</u>	<u>2,772,704</u>
Cash Flows from Investing Activities		
Purchases of Furniture, Fixtures, and Office Equipment	(46,490)	(14,802)
Proceeds from the Sales of Investments	3,629,538	29,736
Purchases of Investments	(5,179,698)	(2,054,617)
Net Cash Used in Investing Activities	<u>(1,596,650)</u>	<u>(2,039,683)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(640,090)	733,021
Cash and Cash Equivalents, Beginning of Year	<u>1,373,066</u>	<u>640,045</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 732,976</u></u>	<u><u>\$ 1,373,066</u></u>

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

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.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Education and Advocacy (Continued)

- 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.

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.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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.

Training service fees are recognized as revenue in the year the training is provided. Amounts paid for events are recognized when the event occurs. Amounts received in advance for training service fees and events are recorded as deferred income and are recognized in the period in which the training or 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.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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 2020 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 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.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2020. 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, 2020, from which the summarized information was derived.

2. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 606

During the year ended September 30, 2021, PFLAG adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopted using the modified retrospective method as of October 1, 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.

As of September 30, 2021, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2022:

Financial Assets

Cash and Cash Equivalents	\$ 732,976
Contributions Receivable	193,500
Other Receivables	92,850
Investments	6,201,460
Less Net Assets Restricted for Purpose	(537,952)
Less Endowment Funds Held in Perpetuity	<u>(362,500)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 6,320,334</u></u>

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021:

Description	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 516,004	\$ -	\$ -	\$ 516,004
Certificates of Deposit	-	754,810	-	754,810
Mutual Funds - Fixed Income	4,930,646	-	-	4,930,646
Total Investments at Fair Value	<u>\$ 5,446,650</u>	<u>\$ 754,810</u>	<u>\$ -</u>	<u>\$ 6,201,460</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.

5. DONATED SERVICES

For the year ended September 30, 2021, the fair value of approximately \$42,700 donated services are included in contributions and professional fees in general and administrative expenses on the statement of activities.

6. CONCENTRATIONS

As of September 30, 2021, two donors comprised 64% of contributions receivable, and two entities comprised 39% of other receivables. As of September 30, 2021, approximately 59% 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.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

7. **FIXED ASSETS**

As of September 30, 2021, fixed assets consisted of the following:

Furniture, Fixtures, and Office Equipment	\$ 76,328
Software	23,226
Website	<u>231,524</u>
Total Fixed Assets	331,078
Less Accumulated Depreciation and Amortization	<u>(279,230)</u>
Fixed Assets, Net	<u>\$ 51,848</u>

8. **NET ASSETS WITH DONOR RESTRICTIONS**

At September 30, 2021, PFLAG's net assets with donor restrictions for purpose and timing consisted of the following:

	<u>Amount</u>
Purpose Restricted - Arnold T. Schwab Endowment	\$ 517,452
Chapter Engagement	283,000
Learning and Education	100,000
Time Restriction	<u>93,500</u>
Total Net Assets Restricted for Purpose or Time	<u>\$ 993,952</u>

Net assets released from restrictions for the year ended September 30, 2021, were as follows:

	<u>Amount</u>
Chapter Engagement	\$ 350,000
Learning and Education	819,697
Time Restriction	<u>97,709</u>
Total Releases	<u>\$ 1,267,406</u>

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.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

9. 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 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, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment	Invested in Perpetuity	
Endowment Net Assets, Beginning of Year	\$ -	\$ 100,162	\$ 362,500	\$ 462,662
Contributions	-	-	-	-
Investment Return, Net	-	54,790	-	54,790
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	\$ -	\$ 154,952	\$ 362,500	\$ 517,452

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 \$62,000 for the year ended September 30, 2021, and is included in employee benefits in the accompanying schedule of functional expenses.

11. OPERATING LEASE

PFLAG has entered into a lease for office space that expires in November 2023. Under the terms of the lease, the base rent increases annually by 2.75%.

As of September 30, 2021, future minimum lease payments under the operating lease are as follows:

<u>For the Years Ending September 30,</u>	<u>Amount</u>
2022	\$ 75,353
2023	93,124
2024	15,911
Total	\$ 184,388

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

12. COVID-19 PANDEMIC

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. The PPP loan was forgiven in full in January 2021 and is included in contributions on the statement of activities for the year ended September 30, 2021.

COVID-19 Financial Risk

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 adapt to changed circumstances.

13. 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.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 12, 2022, which is the date the financial statements were available to be issued.