



PFLAG, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

PFLAG, INC.

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SEPTEMBER 30, 2022

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of PFLAG, Inc. (PFLAG), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PFLAG as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PFLAG and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PFLAG's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PFLAG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PFLAG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited PFLAG's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
June 1, 2023

Certified Public Accountants

PFLAG, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash and Cash Equivalents	\$ 1,282,325	\$ 732,976
Contributions Receivable	683,359	193,500
Other Receivables	109,037	92,850
Investments	6,796,889	6,201,460
Prepaid Expenses	60,521	50,472
Inventory	78,399	77,263
Fixed Assets, Net	136,929	51,848
Deposits	<u>110,055</u>	<u>7,705</u>
Total Assets	<u><u>\$ 9,257,514</u></u>	<u><u>\$ 7,408,074</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 314,564	\$ 243,785
Deferred Revenue	<u>264,970</u>	<u>95,521</u>
Total Liabilities	<u>579,534</u>	<u>339,306</u>
Net Assets		
Without Donor Restrictions	6,926,995	6,074,816
With Donor Restrictions		
Purpose or Timing Restricted	1,388,485	631,452
Endowment	<u>362,500</u>	<u>362,500</u>
Total Net Assets With Donor Restrictions	<u><u>1,750,985</u></u>	<u><u>993,952</u></u>
Total Net Assets	<u><u>8,677,980</u></u>	<u><u>7,068,768</u></u>
Total Liabilities and Net Assets	<u><u>\$ 9,257,514</u></u>	<u><u>\$ 7,408,074</u></u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues				
Contributions	\$ 3,711,516	\$ 1,512,859	\$ 5,224,375	\$ 3,687,846
Donated Services	58,329	-	58,329	42,709
Chapter Dues	65,550	-	65,550	67,239
Training Service Fees	564,544	-	564,544	464,650
Publication Sales	70,463	-	70,463	40,426
Events	11,858	-	11,858	9,414
Net Investment (Loss) Income	(137,202)	(17,764)	(154,966)	87,304
Miscellaneous Income	8,006	-	8,006	7,272
Net Assets Released from Restrictions	738,062	(738,062)	-	-
Total Revenues	5,091,126	757,033	5,848,159	4,406,860
Expenses				
Program				
Chapter Network	846,223	-	846,223	792,504
Education and Advocacy	1,918,046	-	1,918,046	1,536,597
Total Program	2,764,269	-	2,764,269	2,329,101
Supporting				
Fundraising and Development	712,043	-	712,043	565,572
General and Administrative	762,635	-	762,635	504,354
Total Supporting	1,474,678	-	1,474,678	1,069,926
Total Expenses	4,238,947	-	4,238,947	3,399,027
Change in Net Assets	852,179	757,033	1,609,212	1,007,833
Net Assets, Beginning of Year	6,074,816	993,952	7,068,768	6,060,935
Net Assets, End of Year	<u>\$ 6,926,995</u>	<u>\$ 1,750,985</u>	<u>\$ 8,677,980</u>	<u>\$ 7,068,768</u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)**

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	2022 Total	2021 Total
Salaries	\$ 569,298	\$ 915,744	\$ 1,485,042	\$ 248,071	\$ 340,302	\$ 2,073,415	\$ 1,814,246
Employee Benefits and Payroll Taxes	129,802	208,793	338,595	56,561	77,590	472,746	384,474
Professional Fees	32,762	440,492	473,254	108,193	162,499	743,946	359,437
Travel	9,086	35,606	44,692	1,169	6,555	52,416	1,933
Office Expenses	58,217	77,586	135,803	207,666	28,575	372,044	354,374
Occupancy	17,081	27,476	44,557	7,443	10,210	62,210	94,284
Conferences, Conventions, and Meetings	1,712	9,880	11,592	4,160	29,592	45,344	14,434
Depreciation and Amortization	6,700	10,777	17,477	2,920	4,005	24,402	21,045
Grants and Scholarships	2,560	84,500	87,060	-	-	87,060	145,136
Advertising	-	8,318	8,318	-	5,503	13,821	7,512
IT Services	17,500	42,331	59,831	43,653	20,833	124,317	104,996
Staff Development	972	1,604	2,576	5,760	21,119	29,455	1,122
Equipment and Maintenance	309	519	828	-	2,291	3,119	14,303
Miscellaneous	-	-	-	16,100	39,428	55,528	25,331
Insurance	-	-	-	9,944	13,191	23,135	16,160
Cost of Goods Sold	-	24,292	24,292	-	-	24,292	4,371
Dues and Subscriptions	224	30,128	30,352	403	942	31,697	35,869
Total Expenses	\$ 846,223	\$ 1,918,046	\$ 2,764,269	\$ 712,043	\$ 762,635	\$ 4,238,947	\$ 3,399,027

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,609,212	\$ 1,007,833
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	24,402	21,045
Loss (Gain) on Investments	217,748	(36,788)
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	(489,859)	154,209
Other Receivables	(16,187)	(11,812)
Prepaid Expenses	(10,049)	5,141
Inventory	(1,136)	(14,129)
Deposits	(102,350)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	70,779	23,907
PPP Refundable Advance	-	(288,367)
Deferred Revenue	169,449	95,521
	<u>1,472,009</u>	<u>956,560</u>
Net Cash Provided by Operating Activities	1,472,009	956,560
Cash Flows from Investing Activities		
Purchases of Furniture, Fixtures, and Office Equipment	(109,483)	(46,490)
Proceeds from the Sales of Investments	275,590	3,629,538
Purchases of Investments	(1,088,767)	(5,179,698)
	<u>(922,660)</u>	<u>(1,596,650)</u>
Net Cash Used in Investing Activities	(922,660)	(1,596,650)
Net Increase (Decrease) in Cash and Cash Equivalents	549,349	(640,090)
Cash and Cash Equivalents, Beginning of Year	732,976	1,373,066
	<u>732,976</u>	<u>1,373,066</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,282,325</u></u>	<u><u>\$ 732,976</u></u>

See accompanying Notes to Financial Statements.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

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 chapters, 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.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022**

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.

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.

Deposits

Deposits consist of a security deposit and amounts paid in advance for a new website.

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.

PFLAG recognized \$95,251 of prior year deferred revenue during the year ended September 30, 2022. Receivables from contracts with customers were \$109,037 as of September 30, 2022.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

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.

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.

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.

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.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2021. 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, 2021, from which the summarized information was derived.

Adoption of Accounting Standards Update 2020-07

During the year ended September 30, 2022, PFLAG adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofits through enhancements to presentation and disclosure. Specifically, the ASU addresses the lack of transparency surrounding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in programs and other activities. Management believes that the adoption of this ASU enhances the transparency of financial information among nonprofit entities. The change in accounting principle was applied on a retrospective basis.

Upcoming Accounting Pronouncements

The FASB has issued ASU 2016-02 *Leases (Topic 842)*, which is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. PFLAG plans to adopt the standard on its effective date, which for PFLAG is October 1, 2022. PFLAG has not evaluated the impact of this standard.

Reclassifications

Certain 2021 amounts have been reclassified for comparative purposes.

2. 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, 2022**

2. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)

As of September 30, 2022, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2023:

Financial Assets

Cash and Cash Equivalents	\$ 1,282,325
Contributions Receivable	643,859
Other Receivables	109,037
Investments	6,796,889
Less Net Assets Restricted for Purpose	(805,126)
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>\$ 7,664,484</u></u>

3. 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, 2022:

Description	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,016,766	\$ -	\$ -	\$ 1,016,766
Certificates of Deposit	-	1,007,035	-	1,007,035
Mutual Funds - Fixed Income	4,773,088	-	-	4,773,088
Total Investments at Fair Value	<u><u>\$ 5,789,854</u></u>	<u><u>\$ 1,007,035</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,796,889</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, 2022**

4. DONATED SERVICES

During the year ended September 30, 2022, PFLAG received donated services of approximately \$58,300, which are included in the statement of functional expenses and are allocated as follows:

	Education and Advocacy	General and Administrative	2022 Total
Professional Fees	\$ 12,500	\$ 42,548	\$ 55,048
Conferences, Conventions, and Meetings	-	3,281	3,281
Total Expenses	<u>\$ 12,500</u>	<u>\$ 45,829</u>	<u>\$ 58,329</u>

PFLAG was provided legal, design, and catering services at no cost. Based on current market rates for legal, design, and catering services, PFLAG would have paid approximately \$58,300 for the year ended September 30, 2022. All donated services received by PFLAG for the year ended September 30, 2022, were considered without donor restrictions and available to be used by PFLAG as determined by the Board of Directors and management.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of September 30, 2022, are summarized below:

Description	Amount
Receivable in Less Than One Year	\$ 643,859
Receivable in One to Five Years	39,500
Total Contributions Receivable	<u>\$ 683,359</u>

6. FIXED ASSETS

As of September 30, 2022, fixed assets consisted of the following:

Furniture, Fixtures, and Office Equipment	\$ 90,968
Software	23,226
Website	326,368
Total Fixed Assets	440,562
Less Accumulated Depreciation and Amortization	(303,633)
Fixed Assets, Net	<u>\$ 136,929</u>

7. CONCENTRATIONS

As of September 30, 2022, three donors comprised 70% of contributions receivable, and two entities comprised 52% of other receivables. As of September 30, 2022, 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, 2022**

8. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2022, PFLAG's net assets with donor restrictions for purpose and timing consisted of the following:

	Amount
Purpose Restricted - Arnold T. Schwab Endowment	\$ 499,688
Chapter Engagement	348,925
Learning and Education	319,013
Time Restriction	583,359
Total Net Assets Restricted for Purpose or Time	<u>\$ 1,750,985</u>

Net assets released from restrictions for the year ended September 30, 2022, were as follows:

	Amount
Chapter Engagement	\$ 473,575
Learning and Education	170,987
Time Restriction	93,500
Total Releases	<u>\$ 738,062</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.

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.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

9. ENDOWMENT (CONTINUED)

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, 2022:

	Without Donor Restrictions	With Donor Restrictions		
		Unappropriated Endowment	Invested in Perpetuity	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 154,952	\$ 362,500	\$ 517,452
Contributions	-	-	-	-
Investment Loss, Net	-	(17,764)	-	(17,764)
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	\$ -	\$ 137,188	\$ 362,500	\$ 499,688

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 \$72,000 for the year ended September 30, 2022, 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, 2022, future minimum lease payments under the operating lease are as follows:

<u>For the Years Ending September 30,</u>	<u>Amount</u>
2023	\$ 93,124
2024	15,911
Total	<u>\$ 109,035</u>

12. 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 adapt to changed circumstances.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 was renewed as of October 1, 2022, and will remain in effect until September 30, 2025.

PFLAG has entered into an agreement with a hotel for its future event to be held in March 2023. The agreement contains a clause whereby PFLAG is liable for liquidated damages in the event of cancellation. The total commitment under the agreement is not determinable as it depends upon attendance and other unknown factors.

14. SUBSEQUENT EVENTS

In March 2023, PFLAG amended its lease for the Washington, D.C. office. The amendment is effective on December 1, 2023, and expires on November 30, 2027. Under this amendment, PFLAG will receive six months of fully abated rent.

Subsequent events were evaluated through June 1, 2023, which is the date the financial statements were available to be issued.