



PFLAG, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

PFLAG, INC.

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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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 1 of the financial statements, PFLAG adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

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

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. 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
August 29, 2024

Certified Public Accountants

PFLAG, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2022)**

	2023	2022
Assets		
Assets		
Cash and Cash Equivalents	\$ 768,306	\$ 1,282,325
Contributions Receivable	338,807	683,359
Accounts Receivable	197,600	109,037
Loan Receivable	75,000	-
Investments	5,806,131	6,796,889
Prepaid Expenses	140,883	60,521
Inventory	135,281	78,399
Fixed Assets, Net	528,770	136,929
Operating Right-of-Use Assets	329,045	-
Deposits	7,705	110,055
Total Assets	\$ 8,327,528	\$ 9,257,514
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 513,936	\$ 314,564
Operating Lease Liabilities	310,515	-
Deferred Revenue	280,820	264,970
Total Liabilities	1,105,271	579,534
Net Assets		
Without Donor Restrictions	6,110,051	6,926,995
With Donor Restrictions		
Purpose or Timing Restricted	749,706	1,388,485
Endowment	362,500	362,500
Total Net Assets With Donor Restrictions	1,112,206	1,750,985
Total Net Assets	7,222,257	8,677,980
Total Liabilities and Net Assets	\$ 8,327,528	\$ 9,257,514

See accompanying Notes to Financial Statements.

PFLAG, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues				
Contributions	\$ 3,013,138	\$ 389,000	\$ 3,402,138	\$ 5,224,375
Donated Services	89,982	-	89,982	58,329
Chapter Dues	66,036	-	66,036	65,550
Training Service Fees	756,364	-	756,364	564,544
Publication Sales	71,259	-	71,259	70,463
Events	148,445	-	148,445	11,858
Net Investment Income (Loss)	207,511	26,552	234,063	(154,966)
Miscellaneous Income	9,581	-	9,581	8,006
Net Assets Released from Restrictions	1,054,331	(1,054,331)	-	-
Total Revenues	5,416,647	(638,779)	4,777,868	5,848,159
Expenses				
Program				
Chapter Network	1,428,225	-	1,428,225	846,223
Education and Advocacy	2,524,059	-	2,524,059	1,918,046
Total Program	3,952,284	-	3,952,284	2,764,269
Supporting				
Fundraising and Development	1,257,631	-	1,257,631	712,043
General and Administrative	1,023,676	-	1,023,676	762,635
Total Supporting	2,281,307	-	2,281,307	1,474,678
Total Expenses	6,233,591	-	6,233,591	4,238,947
Change in Net Assets	(816,944)	(638,779)	(1,455,723)	1,609,212
Net Assets, Beginning of Year	6,926,995	1,750,985	8,677,980	7,068,768
Net Assets, End of Year	\$ 6,110,051	\$ 1,112,206	\$ 7,222,257	\$ 8,677,980

See accompanying Notes to Financial Statements.

PFLAG, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)**

	Chapter Network	Education and Advocacy	Total Program	Fundraising and Development	General and Administrative	2023 Total	2022 Total
Salaries	\$ 800,067	\$ 874,038	\$ 1,674,105	\$ 318,247	\$ 305,293	\$ 2,297,645	\$ 2,073,415
Employee Benefits and Payroll Taxes	160,986	175,870	336,856	64,036	61,430	462,322	472,746
Donated Services	31,333	34,230	65,563	12,463	11,956	89,982	42,548
Professional Fees	65,589	420,701	486,290	205,940	294,959	987,189	701,398
Travel	47,535	66,782	114,317	5,941	90,357	210,615	52,416
Office Expenses	23,966	505,443	529,409	186,562	90,331	806,302	372,044
Other Occupancy	492	492	984	492	539	2,015	-
Operating Lease Expense	20,747	20,747	41,494	20,747	22,714	84,955	62,210
Conferences, Conventions, and Meetings	95,598	202,828	298,426	273,808	55,517	627,751	45,344
Depreciation and Amortization	113,373	-	113,373	-	14,860	128,233	24,402
Grants and Scholarships	33,380	-	33,380	-	-	33,380	87,060
Advertising	-	18,500	18,500	44,562	4,486	67,548	13,821
IT Services	8,767	32,590	41,357	76,032	28,964	146,353	124,317
Staff Development	9,000	9,234	18,234	6,000	6,000	30,234	29,455
Equipment and Maintenance	1,073	1,172	2,245	427	1,329	4,001	3,119
Miscellaneous	12,868	598	13,466	40,371	13,326	67,163	55,528
Insurance	-	1,982	1,982	-	14,959	16,941	23,135
Cost of Goods Sold	-	53,639	53,639	-	-	53,639	24,292
Dues and Subscriptions	3,451	105,213	108,664	2,003	6,656	117,323	31,697
Total Expenses	\$ 1,428,225	\$ 2,524,059	\$ 3,952,284	\$ 1,257,631	\$ 1,023,676	\$ 6,233,591	\$ 4,238,947

See accompanying Notes to Financial Statements.

PFLAG, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,455,723)	\$ 1,609,212
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	128,233	24,402
(Gain) Loss on Investments	(75,051)	217,748
Operating Lease Expense	84,955	-
<u>Decrease (Increase) in Assets</u>		
Contributions Receivable	344,552	(489,859)
Accounts Receivable	(88,563)	(16,187)
Loan Receivable	(75,000)	-
Prepaid Expenses	(88,105)	(10,049)
Inventory	(56,882)	(1,136)
Deposits	102,350	(102,350)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	199,372	70,779
Operating Lease Liabilities	(95,742)	-
Deferred Revenue	15,850	169,449
Net Cash (Used in) Provided by Operating Activities	(1,059,754)	1,472,009
Cash Flows from Investing Activities		
Purchases of Furniture, Fixtures, and Office Equipment	(520,074)	(109,483)
Proceeds from the Sales of Investments	3,637,053	275,590
Purchases of Investments	(2,571,244)	(1,088,767)
Net Cash Provided by (Used in) Investing Activities	545,735	(922,660)
Net (Decrease) Increase in Cash and Cash Equivalents	(514,019)	549,349
Cash and Cash Equivalents, Beginning of Year	1,282,325	732,976
Cash and Cash Equivalents, End of Year	\$ 768,306	\$ 1,282,325
Noncash Transactions from Investing and Financing Activities		
Establishment of Operating Right-of-Use Assets	\$ 400,340	\$ -
Establishment of Operating Lease Liabilities	392,598	-

See accompanying Notes to Financial Statements.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

PFLAG, Inc. (PFLAG) is an organization of LGBTQ+ people, parents, families, and allies who work together to create an equitable and inclusive world. PFLAG is people and chapters from coast to coast who are leading with love to support families, educate allies, and advocate for just, equitable, and inclusive legislation and policies. Since PFLAG's founding in 1973, PFLAG works every day to ensure LGBTQ+ people everywhere are safe, celebrated, empowered, and loved.

PFLAG's mission is to create a caring, just and affirming world for LGBTQ+ people and those who love them, and envisions an equitable, inclusive world where every LGBTQ+ person is safe, celebrated, empowered, and loved.

PFLAG realizes its vision through three pillars of work—a pipeline of engagement for LGBTQ+ people, their parents and families, and non-family allies—Support, Education, and Advocacy. PFLAG's work is to soften hearts, change minds, and create a lasting difference.

These activities are funded primarily through contributions.

The following programs are included in the accompanying financial statements:

The PFLAG Chapter Network

PFLAG National supports the PFLAG Chapter Network, the largest program of PFLAG, which is majority volunteer led. PFLAG National provides volunteer leaders learning opportunities, leadership and partnership support, critical resources, and technical assistance to create thriving chapters to carry out PFLAG's 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 National strengthens chapters by fostering greater networking among chapters and allies within regions and states. PFLAG National 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 PFLAG Chapter Network and PFLAG members and supporters.

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, 2023**

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.

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, 2023**

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

Accounts Receivable

Accounts receivable consist primarily of amounts due from training service fees. The management of PFLAG reviews the collectability of the accounts receivable on a regular basis. Management considers all amounts to be fully collectable.

Loan Receivable

On April 10, 2023, PFLAG provided an interest free loan to PFLAG New York City, a related party, in the amount of \$75,000. PFLAG expects the loan to be paid in full.

Investments

Investments are reported at the fair value based on quoted market prices on national exchanges for money market funds, equity securities, and U.S. treasury notes. 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. The certificates of deposit are reported at cost plus accrued interest.

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.

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 2022 amounts have been reclassified for comparative purposes.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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 approximately \$265,000 of prior year deferred revenue during the year ended September 30, 2023. Receivables from contracts with customers were approximately \$109,000 as of October 1, 2022.

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.

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, operating lease expense, other 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, 2023

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

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.

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, 2022. 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, 2022, from which the summarized information was derived.

Right-of-Use Assets and Lease Liabilities

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free discount rate that approximates the remaining term of the lease. The right-of-use assets are the lease liabilities adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring PFLAG's right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

PFLAG considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, PFLAG does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

PFLAG, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Adoption of Accounting Standards Codification Topic 842

During the year ended September 30, 2023, PFLAG adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. PFLAG also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position.

PFLAG adopted *Leases (Topic 842)* effective October 1, 2022, using the modified retrospective approach with October 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, operating right-of-use assets and lease liabilities totaling approximately \$400,000 and \$393,000, respectively, were recognized as of October 1, 2022. Existing lease prepaid rent of approximately \$8,000 as of October 1, 2022, is included as a reduction to the initial measurement of the right-of-use assets for the operating leases.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Although receivables related to grants and contributions are expressly excluded from the new standard, other assets that fall within the scope of ASU 2016-13 should be evaluated to determine if the measurement of expected credit losses is material. Management has not yet evaluated the impact of adopting the new standard. The new standard is effective for years beginning after December 15, 2022.

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, 2023**

2. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)

As of September 30, 2023, the following financial assets and liquidity sources are available for general operating expenditures in the year ending September 30, 2024:

Financial Assets

Cash and Cash Equivalents	\$ 768,306
Contributions Receivable	338,807
Accounts Receivable	197,600
Loan Receivable	75,000
Investments	5,806,131
Less Net Assets Restricted for Purpose	(321,206)
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>\$ 6,502,138</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, 2023:

Description	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 581,977	\$ -	\$ -	\$ 581,977
Equity Securities	24,920	-	-	24,920
U.S. Treasury Notes	<u>4,183,672</u>	<u>-</u>	<u>-</u>	<u>4,183,672</u>
Total Investments at Fair Value	4,790,569	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,790,569</u>
Certificates of Deposit	<u>1,015,562</u>			
Total Investments	<u><u>\$ 5,806,131</u></u>			

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, 2023**

4. DONATED SERVICES

During the year ended September 30, 2023, PFLAG received donated services of approximately \$89,900, which are included in the statement of functional expenses and are allocated as follows:

Chapter Network	Education and Advocacy	Fundraising and Development	General and Administrative	2023 Total
\$ 28,794	\$ 33,293	\$ 10,798	\$ 17,097	\$ 89,982

PFLAG was provided legal services at no cost. Based on current market rates for legal services, PFLAG would have paid approximately \$90,000 for the year ended September 30, 2023. All donated services received by PFLAG for the year ended September 30, 2023, were considered without donor restrictions and available to be used by PFLAG as determined by the Board of Directors and management.

5. FIXED ASSETS

As of September 30, 2023, fixed assets consisted of the following:

Furniture, Fixtures, and Office Equipment	\$ 96,438
Website	828,836
Total Fixed Assets	925,274
Less Accumulated Depreciation and Amortization	(396,504)
Fixed Assets, Net	\$ 528,770

6. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2023, PFLAG's net assets with donor restrictions for purpose and timing consisted of the following:

	Amount
Purpose Restricted - Arnold T. Schwab Endowment	\$ 526,240
Chapter Engagement	90,800
Learning and Education	66,666
Time Restriction	428,500
Total Net Assets Restricted for Purpose or Time	\$ 1,112,206

Net assets released from restrictions for the year ended September 30, 2023, were as follows:

	Amount
Chapter Engagement	\$ 258,125
Learning and Education	252,347
Time Restriction	543,859
Total Releases	\$ 1,054,331

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. 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 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, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment	Invested in Perpetuity	
Endowment Net Assets, Beginning of Year	\$ -	\$ 137,188	\$ 362,500	\$ 499,688
Contributions	-	-	-	-
Investment Earnings	-	26,552	-	26,552
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 163,740</u>	<u>\$ 362,500</u>	<u>\$ 526,240</u>

8. CONCENTRATIONS

As of September 30, 2023, three donors comprised 85% of contributions receivable, and two entities comprised 43% of accounts receivable. As of September 30, 2023, approximately 50% of PFLAG's employees are members of Office and Professional Employees International Union, Local 2, AFL-CIO.

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. CONCENTRATIONS (CONTINUED)

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.

9. PENSION PLANS

PFLAG maintains a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code which is available to all eligible employees. Employer matching contributions are made on behalf of employees with at least one year of service. PFLAG may also make additional employer contributions. Both employer and employee contributions are fully vested. Pension expense was approximately \$70,000 for the year ended September 30, 2023, and is included in employee benefits in the accompanying schedule of functional expenses.

10. LEASING ARRANGEMENTS

Operating Lease under Topic 842

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%. This lease was renewed effective December 2023 and expires in November 2027. Under the terms of the lease renewal, the base rent increases annually 2.99% and includes six months in abated rent to be received in certain months between December 2023 and February 2025. PFLAG has also entered into a copier lease that expires in December 2027. Only lease options that PFLAG believes are reasonably certain to be exercised are included in the measurement of the right-of-use assets and lease liabilities.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term.

Maturity of the operating lease liabilities as of September 30, 2023, is as follows:

<u>For the Years Ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2024	\$ 58,332	\$ 3,207	\$ 61,540
2025	66,281	3,207	69,489
2026	91,175	3,207	94,382
2027	93,910	3,207	97,117
2028	15,728	802	16,530
Total Undiscounted Minimum Lease Payments	325,426	13,630	339,058
Less Discount to Present Value	(27,460)	(1,081)	(28,543)
Total Operating Lease Liability	<u>\$ 297,966</u>	<u>\$ 12,549</u>	<u>\$ 310,515</u>

The supplementary qualitative operating lease information is as follows:

<u>Supplementary Qualitative Operating Lease Information</u>	<u>Amount</u>
Weighted-Average Remaining Lease Term (Years)	4.17
Weighted-Average Discount Rate	3.88%

PFLAG, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

11. 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 is committed under agreements for its future events. The agreements contain clauses 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. Management does not believe any cancellations under these contracts will occur.

12. SUBSEQUENT EVENTS

Subsequent to year end, PFLAG entered into an employment contract (the Contract) with an employee. 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.

Subsequent events were evaluated through August 29, 2024, which is the date the financial statements were available to be issued.