

Transgender Law Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2022

COOK &
COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Transgender Law Center
Oakland, California

Opinion

We have audited the financial statements of Transgender Law Center ("TLC" or "the Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, 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 TLC as of December 31, 2022, the changes in its net assets, its functional expenses, 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 (GAAS). 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 the Organization 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.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and Classification of Revenue and Support in the Financial Statements

We consider the recognition and classification of revenue and support, which is discussed in Note 2 of the accompanying financial statements, to be a key audit matter. Provisions of this area of accounting require the Organization to record contributions and revenues to the financial statements for the correct year. They also require categorizing revenue and support to the appropriate category based on its reciprocal or nonreciprocal nature as well as the absence or existence of donor restrictions and/or conditions. In addition, this area requires that the Organization reliably determine when performance obligations to customers are satisfied, when donor conditions are met, and when restricted amounts should be released from restriction.

This matter is considered a key audit matter because the recognition and classification of support and revenue has a pervasive effect on the Organization's financial statements, including its changes in net assets, total current assets, and composition amongst *net assets without donor restrictions* and *net assets with donor restrictions*. This area of accounting also requires the Organization to exercise significant judgment in its application of accounting standards, which have undergone changes in the past few years.

This matter was addressed in the current audit through the examination of documentary evidence that supports the recognition and classification of contributed support and contracts with customers. These procedures were instrumental in forming our opinion on the financial statements as a whole.

Allocation of Expenses to Functional Groupings in the Financial Statements

We consider the allocation of natural expense categories amongst functional groupings (i.e., *program services*, *management & general*, and *fundraising*) to be a key audit matter. This is discussed in Note 2 of the financial statements.

This matter is considered a key audit matter because certain charity rating services and some institutional funding sources have been known to evaluate nonprofit organizations according to the overall proportion of expenses allocated to program services. Furthermore, because the expense allocations are based on year-end time-and-effort estimates rather than factual data (e.g., timesheets), they require the Organization's personnel to exercise significant judgment.

This matter was addressed during the current audit through analysis of the design and execution of the Organization's cost allocation methodology. We assessed the methodology's consistency with GAAP, reviewed the underlying employee time-and-effort estimates for reasonableness and consistency with job titles, and verified through reperformance certain allocation calculations as part of forming our opinion on the financial statements as a whole.

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 the Organization'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. Misstatements, including omissions, 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate, and have communicated, 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.

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October 19, 2023
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Report on Summarized Comparative Information

We have previously audited TLC's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
San Francisco, California
October 19, 2023

Transgender Law Center

Statement of Financial Position December 31, 2022 with Comparative Totals for December 31, 2021

ASSETS	12/31/22	12/31/21 (Note 2)
Current Assets:		
Cash & equivalents	\$ 29,512,344	\$ 20,323,755
Investments (Note 3)	1,103,269	1,185,848
Contributions receivable, due within one year	2,074,942	4,137,774
Other receivables	115,490	2,037
Total current financial assets	32,806,045	25,649,414
Prepaid expenses & other current assets	68,622	88,747
Total current assets	32,874,667	25,738,161
Contributions receivable, due in one to two years	400,000	-
Deposits	72,642	144,315
Right-of-use asset	1,164,267	1,333,952
Property & equipment, net (Note 4)	55,222	57,484
 TOTAL ASSETS	 <u>\$ 34,566,798</u>	 <u>\$ 27,273,912</u>
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 540,062	\$ 267,800
Grants payable	413,491	103,527
Accrued vacation pay	373,011	279,109
Accrued sabbatical leave - current (Note 2)	146,482	125,790
Lease liability - current (Note 5)	244,885	-
Total current liabilities	1,717,931	776,226
Lease liability- long-term (Note 5)	1,054,246	1,333,952
Accrued sabbatical leave - long-term (Note 2)	229,758	149,621
 TOTAL LIABILITIES	 3,001,935	 2,259,799
 Net Assets		
Without donor restrictions	11,247,665	9,105,436
With donor restrictions (Note 6)	20,317,198	15,908,677
 TOTAL NET ASSETS	 <u>31,564,863</u>	 <u>25,014,113</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 34,566,798</u>	 <u>\$ 27,273,912</u>

See accompanying notes to financial statements
and independent auditor's report.

Transgender Law Center

Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2022 with Comparative Totals for the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total (Note 2)
Support & Revenue:				
Foundation grants	\$ 467,869	\$ 10,393,100	\$ 10,860,969	\$ 11,049,716
Net assets released from restriction:				
Satisfaction of donor restrictions	8,783,677	(8,783,677)	-	-
Individual donations	1,603,776	187,185	1,790,961	1,816,666
Corporate contributions	886,234	2,611,913	3,498,147	968,169
Contributed legal services (Note 2)	2,591,722	-	2,591,722	1,079,864
Gifts in-kind (Note 2)	39,383	-	39,383	-
Special events - contributions	267,717	-	267,717	253,452
Less: Direct event expenses	(10,200)	-	(10,200)	(19,890)
Forgiveness of debt	-	-	-	453,465
Dividends & interest	321,002	-	321,002	16,704
Realized & unrealized gains/(losses) on investments	(105,377)	-	(105,377)	(28,846)
Other revenue	68,212	-	68,212	41,391
Total support & revenue	14,914,015	4,408,521	19,322,536	15,630,691
Expenses:				
Program services	9,767,469	-	9,767,469	6,245,852
Management & general	1,596,833	-	1,596,833	1,201,242
Fundraising	1,407,484	-	1,407,484	985,221
Total expenses	12,771,786	-	12,771,786	8,432,315
CHANGE IN NET ASSETS	2,142,229	4,408,521	6,550,750	7,198,376
NET ASSETS, January 1	9,105,436	15,908,677	25,014,113	17,815,737
NET ASSETS, December 31	<u>\$11,247,665</u>	<u>\$ 20,317,198</u>	<u>\$ 31,564,863</u>	<u>\$ 25,014,113</u>

See accompanying notes to financial statements
and independent auditor's report.

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Statement of Functional Expenses for the Year Ended December 31, 2022 with Comparative Totals for the Year Ended December 31, 2021

	Program Services	Management & General	Fundraising	2022 Total	2021 Total (Note 2)
Salaries	\$ 3,148,345	\$ 970,446	\$ 737,110	\$ 4,855,901	\$ 3,715,312
Employee benefits	464,342	142,156	109,243	715,741	495,343
Payroll taxes	238,460	73,004	56,101	367,565	283,630
Subtotal	3,851,147	1,185,606	902,454	5,939,207	4,494,285
Grants to nonprofit organizations	538,958	-	-	538,958	459,327
Stipends & fellowships	214,293	-	-	214,293	182,050
Accounting fees	-	41,634	-	41,634	48,553
Legal fees	35,935	13,908	-	49,843	55,412
Contributed legal services	2,591,722	-	-	2,591,722	1,079,864
Advertising, public relations & promotion	163,440	425	176,125	339,990	358,275
Legal program advisors	98,751	-	-	98,751	-
Disability project consultants	69,775	-	-	69,775	-
Border project consultants	84,409	-	-	84,409	-
BLMP program consultants	258,334	-	-	258,334	-
Other program consultants	119,559	-	-	119,559	229,223
Organizational consultants	84,127	98,718	23,364	206,209	-
Other consultants & professional fees	137,575	26,723	13,219	177,517	216,567
Office expenses	194,610	35,400	35,314	265,324	159,170
Information technology	164,832	40,379	45,141	250,352	229,291
Rent	262,542	66,356	67,179	396,077	349,608
Travel	296,715	13,665	13,815	324,195	95,202
Conferences & training	17,739	8	9	17,756	6,181
Meetings	85,064	5,575	1,383	92,022	53,839
Depreciation	30,485	7,870	7,967	46,322	47,336
Insurance	27,160	7,011	7,098	41,269	34,583
Professional development	4,197	15,932	1,370	21,499	14,838
Staff & volunteer appreciation	35,338	9,635	9,142	54,115	1,337
Direct expenses of fundraising events	-	-	10,200	10,200	19,890
Other event production costs	217	36	55,985	56,238	29,025
Client travel & related assistance	256,357	53	-	256,410	160,828
Bank fees	2,122	17,654	43,276	63,052	59,916
Bad debt expense	22,169	-	-	22,169	16,500
Dues & subscriptions	35,335	3,982	457	39,774	7,706
Miscellaneous expense	84,562	6,263	4,186	95,011	43,399
Total expenses by function	9,767,469	1,596,833	1,417,684	12,781,986	8,452,205
Less expenses included with revenue on the statement of activities					
Direct expenses of fundraising events	-	-	(10,200)	(10,200)	(19,890)
Total expenses included in the expense section on the statement of activities	\$ 9,767,469	\$ 1,596,833	\$ 1,407,484	\$ 12,771,786	\$ 8,432,315

See accompanying notes to financial statements
and independent auditor's report.

Transgender Law Center

Statement of Cash Flows for the Year Ended December 31, 2022 with Comparative Totals for the Year Ended December 31, 2021

	2022	2021 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 6,550,750	\$ 7,198,376
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	46,322	47,336
Realized & unrealized (gains)/losses on investments	105,377	28,846
Forgiveness of debt	-	(453,465)
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	1,549,379	814,741
(Increase) decrease in other assets	91,798	(61,965)
(Increase) decrease in operating lease assets & liabilities	134,864	(23,206)
Increase (decrease) in accounts & grants payable	582,226	112,121
Increase (decrease) in subtenant deposit	-	(26,013)
Increase (decrease) in accrued vacation	93,902	107,413
Increase (decrease) in accrued sabbatical leave	100,829	84,954
Cash provided (used) by operating activities:	9,255,447	7,829,138
<i>Cash flows from investing activities:</i>		
Purchases of property & equipment	(44,060)	(36,080)
Purchases of marketable securities	(22,798)	(15,431)
Cash provided (used) by investing activities:	(66,858)	(51,511)
Cash provided (used) during year	9,188,589	7,777,627
Cash & equivalents:		
Beginning of year, January 1	20,323,755	12,546,128
End of year, December 31	\$ 29,512,344	\$20,323,755

Supplemental cash flow information related to leases:

Cash paid for amounts included in the measurement of lease liabilities :		
Operating cash flows from operating leases	\$ 355,486	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 1,333,952

See accompanying notes to financial statements
and independent auditor's report.

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

1. The Organization

Transgender Law Center (TLC or the Organization) changes law, policy and attitudes so that all people can live safely, authentically, and free from discrimination regardless of their gender identity or expression.

TLC is the largest national trans-led organization advocating for a world in which all people are free to define themselves and their futures. Grounded in legal expertise and committed to racial justice, TLC employs a variety of community-driven strategies to keep transgender and gender nonconforming people alive, thriving, and fighting for liberation. The Organization is a nonprofit public benefit corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Founded in 2002, Transgender Law Center (TLC) has grown into the largest trans-specific, trans-led organization in the United States. Our advocacy and precedent-setting litigation victories—in areas including employment, prison conditions, education, immigration, and healthcare—protect and advance the rights of transgender and gender nonconforming people across the country. Through our organizing and movement-building programs, TLC assists, informs, and empowers thousands of individual community members a year and builds towards a long-term, national, trans-led movement for liberation.

Kris Hayashi, the outgoing executive director, joined TLC in 2013 as deputy director and assumed leadership of the organization in 2015, becoming the first trans person of color to lead an organization of TLC's size and scope. Over the last six years, TLC's Legal Program has won precedent-setting legal victories through cases like that of Ash Whitaker and Shiloh Quine. The Policy & Organizing Program has released the Trans Agenda for Liberation, a multi-pillar community-led agenda borne out of years of national organizing and trans leadership development. The Organization has developed and incubated groundbreaking programs including Black Trans Circles, Positively Trans, the Black LGBTQIA+ Migrant Project, the Disability Project, and Gender Justice Leadership Project/TRUTH. During this period, TLC has more than doubled in size and made an explicit commitment and shift towards centering racial justice in trans liberation work.

Nature of Funding

TLC receives the majority of its funding through grants from foundations. Additional funding is received from contributed legal services, individual donations, legal settlements, corporate contributions, and special events.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Cash & Cash Equivalents

Cash & cash equivalents include funds held in bank checking accounts, money market funds held with an investment brokerage, and undeposited checks.

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

Investments

Investments, consisting of mutual funds held with a brokerage firm, are carried on the books at fair value as discussed in Note 3. All of the Organization's investments are traded in an active market on a national exchange. Accordingly, the prices quoted by the exchange determine fair value.

Contributions Receivable

Contributions receivable are reported based on written promises received from foundations and other nonprofit organizations. As management believes that all amounts are fully collectible, no allowance for uncollectible accounts has been established. Amounts due within one year are stated at face value, while amounts due in one to two years are discounted to present value only in cases where such discounts are material to the financial statements. Currently, there are no discounts reflected in the accompanying financial statements.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

The Organization capitalizes fixed assets, consisting primarily of office and computer equipment, with an initial cost, or fair market value if donated, of at least \$1,000, and depreciates them on a straight-line basis over their estimated useful lives (3 to 5 years for assets currently on the books).

Leases

Leases with an initial term of at least 12 months are capitalized as a right-to-use asset with a corresponding lease liability in accordance with FASB ASC 842. Currently, the Organization holds an operating lease for its Oakland office and this lease is reflected on the Organization's statement of financial position as an asset and a liability. The Organization does not hold any "finance leases" as defined by ASC 842.

In implementing this standard, the Organization has elected the package of implementation practical expedients discussed in the New Accounting Pronouncement section below. In addition, the Organization has elected the practical expedients available under ASC 842 to exclude from the statement of financial position leases with an initial term of 12 months or less, and to discount long-term amounts using a risk-free rate of return.

Accrued Sabbatical Leave

Full-time employees are entitled to two months of paid sabbatical leave every five years. Sabbatical leave is not a vested benefit and is not payable to employees upon termination of employment. However, in accordance with generally accepted accounting principles, the cost of each employee's sabbatical leave is accrued in the financial statements over a five-year period.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Support and Revenue

In recognizing revenue and support in these financial statements, the Organization follows the provisions of ASC 958, *Not-for-Profit Entities*, and ASC 606, *Revenue from Contracts with Customers*. Amounts received are generally considered contributions recognizable under ASC 958 when the funding sources do not receive direct commensurate value in exchange for resources provided. Conversely, amounts received from a funding source to provide services directly to the resource provider are considered contracts with customers recognizable under ASC 606. TLC does not typically engage in contracts with customers.

Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributed Services

In order to accomplish its mission, TLC relies heavily on pro bono services provided by attorneys. These attorneys assist TLC with various civil rights court cases. In accordance with generally accepted accounting principles, the Organization records the estimated fair market value of these services in the *statement of activities and changes in net assets* based on what the Organization would be required to pay in the event that services hadn't been contributed. During the course of 2022, approximately 2,500 hours were contributed with an estimated value approximating \$2,591,722 (based on an billable rate of approximately \$1,037 per attorney hour).

In connection with these services, TLC received donated materials (printing, photocopies, etc.) with an approximate value of \$39,383, and these have also been recognized as revenue and expense in the financial statements.

Due to the fact that certain assumptions must be made when calculating and recording estimates, it is at least reasonably possible that the actual value of services received differs from the amount recorded in the financial statements.

Functional Expenses

The Organization presents its expenses by natural category (e.g., salaries, office expenses, etc.) and by function. The three major functions included in the accompanying financial statements are *program services, management & general* and *fundraising*.

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

Program services include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

The majority of employees work within one function and their salaries are charged accordingly. Those staff members who cross functions are allocated to those functions at year-end based on management's estimates of time and effort spent on each function, as follows:

<u>Position</u>	<u>Functions Expensed</u>
Dir. of Development	5% Program Services, 95% Fundraising
Dir. of Finance/Operations	5% Program Services, 90% Management & General, 5% Fundraising
Dir. & Assoc. of People/Org. Culture	5% Program Services, 95% Management & General
Executive Director	35% Program Services, 50% Management & General, 15% Fundraising
Sr. Manager of Data/Equity	55% Program Services, 45% Fundraising
BLMP Co-Director 1	50% Management & General, 50% Fundraising
BLMP Co-Director 2	90% Program Services, 5% Management & General, 5% Fundraising
BLMP Project Director	85% Program Services, 5% Management & General, 10% Fundraising

Shared costs, primarily consisting of occupancy and information technology expenses, are allocated based on overall compensation expense allocated to each function.

Other expenses are charged directly to the appropriate function based on specific identification.

Advertising, Public Relations & Promotion

TLC engages in extensive advertising, public relations and promotion activities to reach its donors, constituents, and the general public. This takes the form of media advertising, focus group research, and consultants. All advertising costs are expensed as incurred.

Client Assistance

Client assistance includes travel and related assistance provided to TLC's program participants.

Income Taxes

As a public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2019 through 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's *California Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2018 through 2022 are subject to examination by the California Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

The financial statements for the year ended December 31, 2022, reflect the adoption of Accounting Standards Update No. 2016-02—*Leases (Topic 842)* (ASU 2016-02), which the Financial Accounting Standards Board issued in February 2016. The standard was originally set to be effective for nonpublic

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

entities (including nonprofit organizations) for years ending December 31, 2019, and later, with early adoption permitted. The effective date for nonpublic entities was subsequently postponed to years ending December 31, 2022, and later, with early adoption permitted. ASU 2016-02 requires that organizations present operating leases and finance leases as assets and liabilities on the statement of financial position. Previously, organizations were required to present capital leases, but not operating leases, on their statement of financial position. The standard also requires certain quantitative and qualitative disclosures regarding an Organization's leases.

In implementing this standard, the Organization has elected the package of implementation practical expedients to 1) not reassess whether any expired or existing contracts are or contain leases, 2) not reassess the lease classification (i.e., operating or finance) for any expired or existing leases, and 3) not reassess initial direct costs for any existing leases. As a result, the Organization will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize as a right-of-use asset and a lease liability all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. In addition, the Organization has also elected the practical expedients available under ASC 842 to exclude leases with a term of 12 months or less from the statement of financial position, and to use a risk-free rate of return in discounting long-term lease liabilities to present value.

Recent Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The enactment of this pronouncement was reflected in the Organization's financial statements for the year ended December 31, 2020. However, the implementation of this pronouncement had no effect on the Organization's financial statements.

Accounting Standards Update No. 2018-08—Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received (ASU 2018-08) was enacted by FASB in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. This pronouncement was effective for calendar years ending in 2019 and beyond.

Comparative Data

The financial statement information for the year ended December 31, 2021, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation of 2021, please refer to the financial statements for that fiscal year. Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

Transgender Law Center

Notes to the Financial Statements for the Year Ended December 31, 2022

3. Investments – Fair Value Measurements

The Organization has valued its investments in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e., supported by little or no market activity).

Fair value of assets measured on a recurring basis at December 31, 2022, consist of various categories of mutual funds held with an investment brokerage:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Vanguard Short-Term Investment Grade Fund (VFSUX)	\$372,997	\$372,997		
Vanguard Intermediate-Term Treasury Fund (VFIUX)	365,326	365,326		
Vanguard Short-Term Treasury Fund (VFIRX)	<u>364,946</u>	<u>364,946</u>		
Total	\$1,103,269	\$1,103,269		

4. Property & Equipment

Computers	\$226,745
Office equipment	<u>4,925</u>
Total cost	231,670
Less: accumulated depreciation	<u>(176,448)</u>
Property & equipment, net book value	\$55,222

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Notes to the Financial Statements for the Year Ended December 31, 2022

5. Operating Leases

TLC rents office facilities in downtown Oakland under a 65-month operating lease that expires in 2027. Monthly base rent in effect in 2022 was \$23,280, and this amount shall increase by 3% each April for the duration of the lease term. The total cost of this lease for the year ended December 31, 2022, was \$204,704. The remaining lease term is 56 months and the annual interest rate used to discount long term lease liabilities is 3.5%.

As of December 31, 2022, the future minimum lease liabilities are as follows:

2023	\$285,646
2024	294,215
2025	303,041
2026	312,133
2027	213,545
Less: Unamortized discount (at 3.5%)	<u>(109,449)</u>
Total lease liabilities	\$1,299,131
Less amount presented as current	<u>(244,885)</u>
Total long-term lease liabilities	\$1,054,246

The Organization rents additional office space in other cities under various month-to-month arrangements. The combined rent expense for all offices was approximately \$379,610 for the year ended December 31, 2022.

6. Net Assets with Donor Restrictions

As of December 31, 2022, unspent grants were restricted to the following activities:

Black LGBTQIA Migrant project	\$10,086,291
General support for future periods	5,991,667
Border project	1,305,341
<i>Heath Not Prisons</i>	875,561
Truth project	607,062
<i>Positively Trans</i> program	456,765
To build leadership of LGBTQ people with disabilities	279,093
Bay Area/California Work	266,667
To improve health of TGNC Californians	175,000
<i>Black Trans Circle</i> project	84,104
Legal fellowship	52,828
Colorado legal case	50,000
Other projects & programs	<u>86,819</u>
Total	\$20,317,198

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Notes to the Financial Statements for the Year Ended December 31, 2022

7. Retirement Plan

TLC participates in an Internal Revenue Code Section 403(b) defined contribution retirement plan, which covers the Organization's employees upon employment. The Organization makes matching contributions of up to 3% of each employee's salary. In addition, the Organization may make additional contributions to employee accounts at the discretion of its board of directors. For the year ended December 31, 2022, the Organization contributed a total of \$15,407 to the retirement accounts of its employees.

8. Contingencies, Risks & Uncertainties

Cash Deposits in Excess of Federal Limits

As of December 31, 2022, TLC held approximately \$2.4 million in a single financial institution. The FDIC insures these deposits only up to \$250,000.

Investment Risk

In addition, TLC holds marketable securities (including the investments discussed in Note 3 as well as approximately \$27 million in money market funds classified as cash equivalents) that are subject to fluctuation in market value. Although this presents the risk of loss to the Organization, management believes that the investment portfolio is adequately diversified to mitigate this risk.

Funding Source Requirements

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants and contributions that have either been recorded directly to *net assets without donor restrictions* or released from *net assets with donor restrictions*.

9. Liquidity and Availability

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are as follows:

Total current financial assets from statement of financial position	\$32,806,045
Less: Amounts included above which are subject to donor-imposed purpose restrictions	(13,925,531)*
Net current financial assets after donor-imposed purpose restrictions	\$18,880,514

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Notes to the Financial Statements for the Year Ended December 31, 2022

*Total current financial assets are not reduced by amounts included in *net assets with donor restrictions* which are time-restricted but not purpose-restricted since these amounts are considered available for general expenditures within one year of the balance sheet date.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 19, 2023, the date the financial statements were available to be issued. As of this date, no additional subsequent events requiring disclosure or recognition were noted.