Transgender Law Center

Financial Statements &

Independent Auditor's Report

for the Year Ended

December 31, 2023

COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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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, 2023, 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, 2023, 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, 2023. 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.

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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.

Report on Summarized Comparative Information

We have previously audited TLC's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
November 5, 2024

Transgender Law Center

Statement of Financial Position
December 31, 2023
with Comparative Totals for December 31, 2022

ASSETS	12/31/23	12/31/22 (Note 2)
Current Assets:		
Cash & equivalents	$ 22,994,448	$ 29,512,344
Investments (Note 3)	11,562,154	1,103,269
Contributions receivable, due within one year (Note 4)	2,856,789	2,074,942
Other receivables	7,528	115,490
Total current financial assets	37,420,919	32,806,045
Prepaid expenses & other current assets	173,411	68,622
Total current assets	37,594,330	32,874,667
Contributions receivable, due in one to two years (Note 4)	1,539,633	400,000
Deposits	83,449	72,642
Right-of-use asset	932,089	1,164,267
Property & equipment, net (Note 5)	91,082	55,222
TOTAL ASSETS	$ 40,240,583	$ 34,566,798
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable & accrued expenses	$ 495,699	$ 540,062
Grants payable	498,964	413,491
Accrued vacation pay	418,079	373,011
Accrued sabbatical leave - current (Note 2)	216,385	146,482
Lease liability - current (Note 6)	501,413	244,885
Total current liabilities	2,130,540	1,717,931
Lease liability- long-term (Note 6)	791,919	1,054,246
Accrued sabbatical leave - long-term (Note 2)	269,879	229,758
TOTAL LIABILITIES	3,192,338	3,001,935
Net Assets		
Without donor restrictions	16,257,096	11,247,665
With donor restrictions (Note 7)	20,791,149	20,317,198
TOTAL NET ASSETS	37,048,245	31,564,863
TOTAL LIABILITIES & NET ASSETS	$ 40,240,583	$ 34,566,798

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, 2023
with Comparative Totals for the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total (Note 2)
Support & Revenue:				
Foundation grants	$ 102,000	$ 12,883,933	$ 12,985,933	$ 10,860,969
Net assets released from restriction:				
Satisfaction of donor restrictions	13,185,208	(13,185,208)	-	-
Individual donations	2,735,051	146,868	2,881,919	1,790,961
Corporate contributions	1,007,321	170,800	1,178,121	3,498,147
Contributed legal services (Note 2,8)	3,164,128	-	3,164,128	2,591,722
Other in-kind services	3,200	-	3,200	
Gifts in-kind (Note 2)	-	-	-	39,383
Special events - contributions	247,680	-	247,680	267,717
Special events - fair value portion	18,840	-	18,840	-
Less: Direct event expenses	(85,615)	-	(85,615)	(10,200)
Forgiveness of debt	-	-	-	-
Dividends & interest	794,048	452,479	1,246,527	321,002
Realized & unrealized gains/(losses) on investments	516,897	5,079	521,976	(105,377)
Investment fees	(68,332)	-	(68,332)	-
Other revenue	63,798	-	63,798	68,212
Total support & revenue	21,684,224	473,951	22,158,175	19,322,536
Expenses:				
Program services	12,891,153	-	12,891,153	9,767,469
Management & general	2,024,740	-	2,024,740	1,596,833
Fundraising	1,758,900	-	1,758,900	1,407,484
Total expenses	16,674,793	-	16,674,793	12,771,786
CHANGE IN NET ASSETS	5,009,431	473,951	5,483,382	6,550,750
NET ASSETS, January 1	11,247,665	20,317,198	31,564,863	25,014,113
NET ASSETS, December 31	$16,257,096	$ 20,791,149	$ 37,048,245	$ 31,564,863

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

Transgender Law Center

Statement of Functional Expenses
for the Year Ended December 31, 2023
with Comparative Totals for the Year Ended December 31, 2022

	Program Services	Management & General	Fundraising	2023 Total	2022 Total (Note 2)
Salaries	$ 3,582,278	$ 1,186,069	$ 820,932	$ 5,589,279	$ 4,855,901
Employee benefits	661,060	224,593	144,826	1,030,479	715,741
Payroll taxes	275,870	86,956	69,029	431,855	367,565
Subtotal	4,519,208	1,497,618	1,034,787	7,051,613	5,939,207
Grants to nonprofit organizations	841,885	-	-	841,885	538,958
Stipends & fellowships	289,656	-	-	289,656	214,293
Accounting fees	-	45,886	-	45,886	41,634
Legal fees	190,192	19,601	2,562	212,355	49,843
Contributed legal services	3,164,128	-	-	3,164,128	2,591,722
Advertising, public relations & promotion	95,498	-	137,571	233,069	339,990
Legal program advisors	53,067	-	-	53,067	98,751
Disability project consultants	83,899	-	-	83,899	69,775
Border project consultants	281,247	-	-	281,247	84,409
BLMP program consultants	196,901	-	-	196,901	258,334
Other program consultants	386,200	3,900	1,170	391,270	119,559
Organizational consultants	178,160	54,031	40,671	272,862	251,059
Other consultants & professional fees	289,927	32,585	32,276	354,788	132,667
Office expenses	188,933	56,554	43,721	289,208	265,324
Information technology	240,075	70,295	63,164	373,534	250,352
Rent	300,097	91,992	73,028	465,117	396,077
Travel	954,909	55,447	89,027	1,099,383	324,195
Conferences & training	42,342	1,361	1,689	45,392	17,756
Meetings	191,845	6,615	5,067	203,527	92,022
Depreciation	28,132	9,232	6,555	43,919	46,322
Insurance	27,365	8,626	6,847	42,838	41,269
Professional development	25,927	8,982	5,973	40,882	21,499
Staff & volunteer appreciation	41,029	12,196	9,201	62,426	54,115
Direct expenses of fundraising events	-	-	85,615	85,615	10,200
Other event production costs	-	-	107,861	107,861	56,238
Client travel & related assistance	121,512	-	-	121,512	256,410
Investment management fees	-	68,332	-	68,332	-
Bank fees	1,195	16,568	72,968	90,731	63,052
Bad debt expense	525	-	13,769	14,294	22,169
Dues & subscriptions	29,634	(29)	(24)	29,581	39,774
Miscellaneous expense	127,665	33,280	11,017	171,962	95,011
Total expenses by function	12,891,153	2,093,072	1,844,515	16,828,740	12,781,986
Less expenses included with revenue on the statement of activities					
Investment management fees	-	(68,332)	-	(68,332)	-
Direct expenses of fundraising events	-	-	(85,615)	(85,615)	(10,200)
Total expenses included in the expense section on the statement of activities	$ 12,891,153	$ 2,024,740	$ 1,758,900	$ 16,674,793	$ 12,771,786

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

Transgender Law Center

Statement of Cash Flows
for the Year Ended December 31, 2023
with Comparative Totals for the Year Ended December 31, 2022

	2023	2022 (Note 2)
Cash flows from operating activities:		
Change in net assets	$ 5,483,382	$ 6,550,750
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	43,919	46,322
Loss on disposal of fixed assets	5,776	-
Realized & unrealized (gains)/losses on investments	(521,976)	105,377
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	(1,813,518)	1,549,379
(Increase) decrease in other assets	(115,596)	91,798
(Increase) decrease in operating lease assets & liabilities	226,379	134,864
Increase (decrease) in accounts & grants payable	41,110	582,226
Increase (decrease) in accrued vacation	45,068	93,902
Increase (decrease) in accrued sabbatical leave	110,024	100,829
Cash provided (used) by operating activities:	3,504,568	9,255,447
Cash flows from investing activities:		
Purchases of property & equipment	(85,555)	(44,060)
Purchases of marketable securities	(9,936,909)	(22,798)
Cash provided (used) by investing activities:	(10,022,464)	(66,858)
Cash provided (used) during year	(6,517,896)	9,188,589
Cash & equivalents:		
Beginning of year, January 1	29,512,344	20,323,755
End of year, December 31	$ 22,994,448	$29,512,344

Supplemental cash flow information related to leases:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities :		
Operating cash flows from operating leases	$ (46,560)	$ (69,840)

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, 2023

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.

<u>Nature of Funding</u>
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

<u>Basis of Accounting</u>
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.

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

Investments

The Organization's investments, consisting of mutual funds held with a brokerage firm, are recorded at fair value as described in Note 3. All investments are traded in an active market on a national exchange, and fair value is determined based on quoted market prices. The *statement of activities and changes in net assets* reflects the components of investment return, including dividends, interest, and realized and unrealized gains or losses.

Gains and losses on investments and other assets or liabilities are reported as changes in *net assets without donor restrictions* unless otherwise restricted by donor stipulation or law. The Organization has received restricted grants for its Black LGBTQIA Migrant Project and invested a portion of these funds in marketable securities. In accordance with the agreements with funding sources, investment earnings on these grants are subject to the same programmatic restrictions as the grants themselves and are therefore classified as *net assets with donor restrictions*.

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 using the U.S. Daily Treasury Par Yield Curve Rate in effect when the underlying pledges were made.

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-of-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. Payments on this lease are staggered such that there was a rent abatement period at the beginning of the lease, while payments are larger in future years (including a lump sum payment in 2024). In accordance with ASC 842, however, rent expense has been straight-lined so that it is spread evenly over the lease term.

The Organization does not hold any "finance leases" as defined by ASC 842.

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.
>
> **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. 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 had not been contributed. TLC solicits information from its volunteer attorneys in order to calculate and record the contributions. The majority of volunteer attorneys respond to these requests. Based on the responses, median composite hourly valuation rates are developed for the various types of law firm respondents (using firm size and estimated contribution level to categorize each one) and applied to the total population of TLC's volunteer attorneys (i.e., those who responded to the Organization's request for contribution data and those who did not) in order to determine the total estimated value of contributed services to record in the financial statements. The composite rate used for the law firms that responded was approximately $581 per hour contributed, while the composite rate used for the firms that did not respond was approximately $800 per estimated hour contributed. (The rate used for non-respondents was higher since those firms generally fit a different profile than the average firm that did respond.)

Transgender Law Center

Notes to the Financial Statements
for the Year Ended December 31, 2023

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*.

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 (i.e., development staff are charged to fundraising, program staff are charged to program services, etc.). Those staff members who cross functions are allocated to functions at year-end based on management's estimates of time and effort spent on each function, as follows:

Position	Functions Expensed
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	10% Program Services, 90% Management & General

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 the underlying nature of the expense.

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 2020 through 2023 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 2019 through 2023 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.

Recent Accounting Pronouncements

Leases

The financial statements for the year ended December 31, 2022 and 2023, 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 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 future lease payments to present value.

Contributed Nonfinancial Assets

The financial statements reflect the adoption of Accounting Standards Update No. 2020-07— *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which the FASB enacted in September 2020. The standard, which is effective for years ending June 30, 2022, and later, was designed to enhance transparency regarding the recognition and disclosure of contributed nonfinancial assets (i.e., in-kind support). Under ASU 2020-07, nonprofit organizations are required to report in-kind contributions as a separate line item on the *statement of activities and changes in net assets*, provide a disaggregation of the amount of in-kind contributions recognized, and disclose qualitative information about how the contributions were used or whether they were sold. If applicable, organizations are also required to disclose if they have a policy on monetizing rather than using in-kind contributions. In addition, nonprofits are required to disclose any donor-imposed restrictions on in-kind contributions. Lastly, organizations are required to describe the valuation techniques used in determining the fair value of in-kind contributions.

Contracts with Customers

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.

Contributions

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, 2022, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation of 2022, please refer to the financial statements for that fiscal year. Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

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, 2023, consist of various categories of publicly-traded securities held with an investment brokerage:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic corporate bonds and bond funds	$6,921,223	$6,921,223		
Domestic stocks and stock funds	2,030,487	2,030,487		
Global corporate bonds and bond funds	1,618,465	1,618,465		
Global / international equities	441,081	441,081		
U.S. Government bond funds	246,897	246,897		
Blended corporate and government bond fund	128,396	128,396		
Other funds	175,605	175,605		
Total	$11,562,154	$11,562,154		

4. Contributions Receivable

Current	
Due within one year	$2,856,789
Non-current	
Due in one to two years	1,612,000
Less: present value discount (at 3.75% - 4.90%)	(72,367)
Subtotal – non-current	1,539,633
Total	$4,396,422

5. Property & Equipment

Computers	$241,373
Office equipment	21,614
Total cost	262,987
Less: accumulated depreciation	(171,905)
Property & equipment, net book value	$91,082

6. Lease Liabilities

TLC rents office facilities in downtown Oakland under a 65-month operating lease that expires in 2027. Monthly base rent in effect in 2023 was $23,978, 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, 2023, was

$272,939. The remaining lease term is 44 months and the annual interest rate used to discount future lease payments is 3.5%.

As of December 31, 2023, the future minimum lease liabilities are as follows:

2024	$533,301
2025	303,041
2026	312,133
2027	213,545
Less: Unamortized discount (at 3.5%)	(68,688)
Total lease liabilities	$1,293,332
Less amount presented as current	(501,413)
Total long-term lease liabilities	$791,919

The Organization rents additional office space in other cities under various month-to-month arrangements. The combined rent expense for all offices was approximately $465,117 for the year ended December 31, 2023.

7. Net Assets with Donor Restrictions

As of December 31, 2023, unspent grants were restricted to the following activities:

Black LGBTQIA Migrant Project	$13,323,683
General support for future periods	3,072,411
Border project	1,538,661
Narrative lab	1,000,000
Positively Trans program	452,407
Heath Not Prisons	437,781
Gender Justice Leadership/Truth project	403,268
Leadership trainings	150,000
National convening	100,000
Migrant justice	100,000
Legal fellowship	62,685
Trans health fund	57,755
Colorado legal case	50,000
Other projects & programs	42,498
Total	$20,791,149

8. Contributed Legal Services

Services reported (approx. 2,240 hours)	$1,300,499
Additional services estimated (approx. 2,330 hours)	1,863,629
Total in-kind services recorded	$3,164,128

See Note 2 for a description of the hourly rates used.

9. 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, 2023, the Organization contributed a total of $103,824 to the retirement accounts of its employees.

10. Contingencies, Risks & Uncertainties

Cash Deposits in Excess of Federal Limits
As of December 31, 2023, TLC held approximately $4.7 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 $18.2 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*.

11. 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	$37,420,919
Less: Amounts included above which are subject to donor-imposed purpose restrictions	(16,179,106)*
Net current financial assets after donor-imposed purpose restrictions	$21,241,813

*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.

12. Subsequent Events

Claim

A TLC employee has brought an individual claim against the Organization for alleged wrongdoing. Management believes that the claim is unsubstantiated. The Organization has engaged legal counsel to explore options for resolving the matter. As of the date the financial statements were available to be issued, the Organization is unable to make an evaluation of the likelihood of an unfavorable outcome or the amount (or range of amounts) of a potential loss from the matter. Based on the Organization's insurance coverage, however, management does not believe there is any significant exposure to TLC.

Financial Statement Preparation

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2024, the date the financial statements were available to be issued. As of this date, no additional subsequent events requiring disclosure or recognition were noted.