

GLSEN, INC.

Financial Statements

June 30, 2020 and 2019

GLSEN, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
GLSEN, Inc.

We have audited the accompanying financial statements of GLSEN, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GLSEN, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann CPAs

New York, New York
November 20, 2020

GLSEN, INC.
Statements of Financial Position
as of June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,073,454	\$ 2,131,568
Certificates of deposit	50,000	50,000
Investments - at fair value (Note 5)	68,881	64,699
Pledges receivable, net (Notes 4 and 10)	2,318,178	3,008,717
Accounts receivable	73,514	33,956
Prepaid expenses and other assets	170,029	284,197
Restricted cash - letter of credit (Note 11)	308,070	308,070
Property and equipment, net (Note 6)	635,747	557,112
	<u>\$ 12,697,873</u>	<u>\$ 6,438,319</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 493,174	\$ 589,104
Accrued salary and related expenses	262,495	276,318
Deferred rent (Note 11)	472,686	450,060
Deferred revenue	42,306	93,000
PPP loan payable (Note 7)	154,454	-
	<u>1,425,115</u>	<u>1,408,482</u>
Commitments and contingencies (Note 11)		
Net assets:		
Without donor restrictions	9,831,572	3,730,376
With donor restrictions (Note 8)	1,441,186	1,299,461
Total net assets	<u>11,272,758</u>	<u>5,029,837</u>
	<u>\$ 12,697,873</u>	<u>\$ 6,438,319</u>

See accompanying notes.

GLSEN, INC.
Statements of Activities
For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020	Without Donor Restrictions	With Donor Restrictions	2019
Public support and revenue:						
Special event revenue	\$ 1,762,735	\$ -	\$ 1,762,735	\$ 1,790,472	\$ -	\$ 1,790,472
Costs of direct benefits to donors	(195,022)	-	(195,022)	(356,189)	-	(356,189)
Contributions and net revenue from special events	1,567,713	-	1,567,713	1,434,283	-	1,434,283
Contributions	10,168,439	887,226	11,055,665	5,904,298	1,068,362	6,972,660
Contributions - in-kind (Note 2)	85,219	-	85,219	381,470	-	381,470
Merchandise sales	70,709	-	70,709	96,536	-	96,536
Speaking engagements	1,130	-	1,130	16,000	-	16,000
Investment income (Note 5)	3,919	-	3,919	5,450	-	5,450
Other income	154,163	-	154,163	126,540	-	126,540
PPP loan forgiveness (Note 7)	502,546	-	502,546	-	-	-
Loss on collection of contributions	(13,422)	-	(13,422)	(78,548)	-	(78,548)
Net assets released from restrictions (Note 8)	745,501	(745,501)	-	656,240	(656,240)	-
Total public support and revenue	13,285,917	141,725	13,427,642	8,542,269	412,122	8,954,391
Expenses:						
Program services:						
Media Relations and Public Voice	897,327	-	897,327	1,249,149	-	1,249,149
Education and Youth Services	942,124	-	942,124	874,980	-	874,980
Executive	402,268	-	402,268	478,974	-	478,974
Public Policy	542,053	-	542,053	631,619	-	631,619
Research Institute	825,320	-	825,320	780,402	-	780,402
Community Mobilization	579,259	-	579,259	999,664	-	999,664
Chapter Network	386,427	-	386,427	452,364	-	452,364
	4,574,778	-	4,574,778	5,467,152	-	5,467,152
Supporting services:						
Management and general	911,256	-	911,256	1,011,409	-	1,011,409
Development	1,698,687	-	1,698,687	1,489,196	-	1,489,196
	2,609,943	-	2,609,943	2,500,605	-	2,500,605
Total expenses	7,184,721	-	7,184,721	7,967,757	-	7,967,757
Change in net assets	6,101,196	141,725	6,242,921	574,512	412,122	986,634
Net assets, beginning of year	3,730,376	1,299,461	5,029,837	3,155,864	887,339	4,043,203
Net assets, end of year	\$ 9,831,572	\$ 1,441,186	\$ 11,272,758	\$ 3,730,376	\$ 1,299,461	\$ 5,029,837

See accompanying notes.

GLSEN, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services							Supporting Services				
	Media Relations and Public Voice	Education and Youth Services	Executive	Public Policy	Research Institute	Community Mobilization	Chapter Network	Total Program Services	Management and General	Development	Total Supporting Services	Total
Personnel service costs	\$ 350,574	\$ 543,337	\$ 287,206	\$ 302,987	\$ 530,791	\$ 193,397	\$ -	\$ 2,208,292	\$ 577,273	\$ 839,797	\$ 1,417,070	\$ 3,625,362
Printing and publications	64,470	625	166	307	46,510	342	19,600	132,020	442	36,602	37,044	169,064
Postage and shipping	16,052	1,140	167	537	915	2,172	5,761	26,744	491	20,525	21,016	47,760
Professional fees	145,012	84,981	12,767	47,778	55,707	25,833	134,889	506,967	122,263	434,617	556,880	1,063,847
Occupancy	92,010	125,884	34,332	91,498	100,707	54,016	26,334	524,781	100,707	155,867	256,574	781,355
Telephone and telecommunications	3,287	4,497	1,226	1,840	3,598	1,930	3,935	20,313	3,598	5,568	9,166	29,479
Subgrants and awards	-	6,000	-	-	1,500	-	22,117	29,617	-	-	-	29,617
Equipment rental and maintenance	14,366	19,655	5,360	8,057	15,724	8,434	-	71,596	15,724	24,336	40,060	111,656
Office supplies	1,487	2,369	5,558	1,601	1,925	7,972	47,386	68,298	1,635	37,077	38,712	107,010
Insurance	3,439	4,705	1,283	1,925	3,764	2,019	-	17,135	3,764	5,826	9,590	26,725
Subscriptions and dues	172,320	3,999	1,742	25,488	17,047	5,667	6,400	232,663	3,931	14,214	18,145	250,808
Travel and conferences	6,983	106,466	39,610	43,528	16,002	256,001	104,308	572,898	781	29,691	30,472	603,370
Depreciation and amortization	19,524	26,711	7,285	10,927	21,369	11,462	742	98,020	21,369	33,074	54,443	152,463
Miscellaneous	7,803	11,755	5,566	5,580	9,761	10,014	14,955	65,434	59,278	61,493	120,771	186,205
Total expenses	\$ 897,327	\$ 942,124	\$ 402,268	\$ 542,053	\$ 825,320	\$ 579,259	\$ 386,427	\$ 4,574,778	\$ 911,256	\$ 1,698,687	\$ 2,609,943	\$ 7,184,721

See accompanying notes.

GLSEN, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services							Supporting Services				
	Media Relations and Public Voice	Education and Youth Services	Executive	Public Policy	Research Institute	Community Mobilization	Chapter Network	Total Program Services	Management and General	Development	Total Supporting Services	Total
Personnel service costs	\$ 575,434	\$ 523,655	\$ 357,611	\$ 264,794	\$ 482,515	\$ 496,619	\$ 13,163	\$ 2,713,791	\$ 762,041	\$ 599,537	\$ 1,361,578	\$ 4,075,369
Printing and publications	173,207	1,266	2,977	748	36,447	3,487	38,894	257,026	911	48,413	49,324	306,350
Postage and shipping	29,550	2,170	412	515	1,186	3,598	3,898	41,329	931	13,324	14,255	55,584
Professional fees	141,169	39,122	5,366	128,678	41,671	60,851	133,175	550,032	55,604	514,321	569,925	1,119,957
Occupancy	116,792	108,758	34,293	124,918	86,222	92,591	23,167	586,741	101,409	100,723	202,132	788,873
Telephone and telecommunications	4,422	4,118	1,298	2,449	3,265	3,506	3,437	22,495	3,840	3,814	7,654	30,149
Subgrants and awards	-	7,500	-	-	-	-	19,314	26,814	-	-	-	26,814
Equipment rental and maintenance	18,571	17,293	5,453	10,283	13,710	14,723	506	80,539	16,125	16,016	32,141	112,680
Office supplies	4,257	12,613	1,393	2,808	3,229	5,826	45,264	75,390	3,802	52,557	56,359	131,749
Insurance	4,372	4,071	1,284	2,421	3,228	3,466	-	18,842	3,796	3,771	7,567	26,409
Subscriptions and dues	103,265	2,220	1,919	43,018	12,538	5,218	7,359	175,537	3,777	11,444	15,221	190,758
Travel and conferences	29,354	110,905	52,252	25,852	63,824	259,112	147,198	688,497	1,377	33,806	35,183	723,680
Depreciation and amortization	16,197	15,082	4,756	8,968	11,957	12,840	400	70,200	14,063	13,968	28,031	98,231
Miscellaneous	32,559	26,207	9,960	16,167	20,610	37,827	16,589	159,919	43,733	77,502	121,235	281,154
Total expenses	\$ 1,249,149	\$ 874,980	\$ 478,974	\$ 631,619	\$ 780,402	\$ 999,664	\$ 452,364	\$ 5,467,152	\$ 1,011,409	\$ 1,489,196	\$ 2,500,605	\$ 7,967,757

See accompanying notes.

GLSEN, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 6,242,921	\$ 986,634
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	152,463	98,231
Donation of investments	(85,219)	(346,457)
Investment loss (gain), realized and unrealized, net	1,721	(1,163)
Loss on collection of contributions	13,422	78,548
Deferred rent	22,626	34,244
PPP loan forgiveness	(502,546)	-
Change in assets and liabilities:		
Pledges receivable, net	677,117	(1,005,111)
Accounts receivable	(39,558)	(16,464)
Prepaid expenses and other assets	114,168	(91,863)
Accounts payable and accrued expenses	(95,930)	(87,845)
Accrued salary and related expenses	(13,823)	(61,422)
Deferred revenue	(50,694)	(50,950)
Net cash provided by (used in) operating activities	6,436,668	(463,618)
Cash flows from investing activities:		
Purchase of property and equipment	(231,098)	(314,160)
Proceeds from sale of investments	84,578	345,993
Purchases of investments	(5,262)	(3,987)
Net cash provided by (used in) investing activities	(151,782)	27,846
Cash provided by financing activities:		
Proceeds from PPP loan	657,000	-
Net increase (decrease) in cash and cash equivalents	6,941,886	(435,772)
Cash, cash equivalents and restricted cash, beginning of year	2,439,638	2,875,410
Cash, cash equivalents and restricted cash, end of year	\$ 9,381,524	\$ 2,439,638

See accompanying notes.

GLSEN, INC.
Notes to Financial Statements

Note 1 - Nature of Organization

GLSEN, Inc. (“GLSEN”) is a national organization with headquarters in New York City, dedicated to ending bullying, harassment and biased behavior in K-12 public, private and parochial schools, especially as it relates to students who are, or are perceived to be, gay, lesbian, bisexual, transgender, or queer and questioning (LGBTQ). GLSEN employs community organizing, advocacy, public education, in-school programming, and rigorous research and evaluation to accomplish its mission.

GLSEN is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has been held to be a publicly supported organization, and not a private foundation under Section 509 (a). GLSEN’s primary source of revenue comes from contributions.

There are local volunteer-led chapters throughout the country that work in conjunction with GLSEN. The chapters follow guidelines established by GLSEN and have agreed to remit a program fee to GLSEN. The financial information of the chapters is included in GLSEN’s financial statements and any intercompany balances have been eliminated.

The following describe GLSEN’s programs:

- a. **Media Relations and Public Voice** - GLSEN’s Media Relations and Public Voice Department provides the public, press and GLSEN constituents with regular communications and marketing materials about GLSEN’s mission and programs. The department develops effective messaging, trains spokespeople to effectively discuss GLSEN’s issues, places media stories, develops marketing campaigns for GLSEN’s days of action, products and programs, and supports all departments in constituent engagement strategies that advance GLSEN’s work to create safe and inclusive K-12 schools for LGBTQ youth.
- b. **Education and Youth Services** - GLSEN’s Education and Youth Services Department produces research-based tools (educator guides, curricular resources, trainings and educator/student-led initiatives) that enhance educator and student capacity to create the kinds of respectful, affirming and LGBTQ-inclusive classrooms and schools that GLSEN envisions. Among this is supporting the strength and impact of more than 7,500 student-led clubs (commonly known as “GSAs”), the well-known *Safe Space Kit*, *Day of Silence*, national Training of Trainers workshops, *GLSEN’s National Student Council*, *Changing the Game: The GLSEN Sports Project* initiative and *Ready, Set, Respect! GLSEN’s Elementary School Toolkit*.

GLSEN, INC.
Notes to Financial Statements

Note 1 - Nature of Organization (Continued)

- c. **Executive** - GLSEN's Executive Department sets GLSEN's strategic direction and supervises its programmatic work. The national collaborations developed by GLSEN's Executive team amplify the organization's impact, increasing the reach of GLSEN's research and curricula, and increasing GLSEN's influence in the education world and the safe-schools and LGBTQ movements.

- d. **Public Policy** - GLSEN's Public Policy Department advocates directly with public officials at all levels of government and within coalitions for policy and legislative change that will create and support safe and affirming school environments for all students. Public Policy also regularly launches impactful grassroots advocacy campaigns and provides strategic support across the country to state and local organizations, including GLSEN chapters, working to fulfill GLSEN's mission.

- e. **Research Institute** - The GLSEN Research Institute conducts original research on issues of sexual orientation, gender identity and gender expression in K-12 education, including GLSEN's biennial survey of LGBTQ students, the *National School Climate Survey*, now in its 20th year. GLSEN Research Institute evaluates GLSEN programs and recommends efforts to improve school climate, and provides tools and technical assistance to government agencies, educators, students and local advocates to conduct research in order to document student experiences and improve schools across the country.

The GLSEN Research Institute also leads GLSEN's International Initiative, providing technical assistance and capacity-building support to 40+ NGO partners in four global regions to develop the evidence base for program development and advocacy on LGBTQ issues in primary and secondary education. In partnership with other GLSEN departments, the Research Institute organizes internal and partner capacity to engage with multilateral processes and international institutions to further norms of acceptance and inclusion for LGBTQ youth in education around the world, and to ensure their inclusion in global efforts to make education accessible to all.

- f. **Community Mobilization** - GLSEN's Community Mobilization Department provides capacity-building support, technical assistance and strategic planning guidance to volunteers and community-based advocates working to create safe, affirming and inclusive schools in their communities. These volunteers and advocates include 43 accredited GLSEN Chapters that work to realize GLSEN's mission on the local level and numerous individuals who take actions in their communities.

GLSEN, INC.
Notes to Financial Statements

Note 1 - Nature of Organization (Continued)

- g. **Chapter Network** - As GLSEN's local presence, the Chapter Network works directly with school administrators, educators, students and community partners to deliver programming to make schools safe, inclusive and affirming learning environments for all students, regardless of sexual orientation, gender identity and/or gender expression. The chapters provide direct training for educators and hold events that convene student GSAs and other constituencies to build their capacity to improve school climate. They also conduct initiatives to increase awareness of GLSEN's mission and fundraise to support their local work. There are currently 43 GLSEN chapters in 30 states.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The classification of GLSEN's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets - without donor restrictions and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These two classes are defined as follows:

Net Assets With Donor Restrictions - Net assets resulting from contributions and other inflows of assets whose use by GLSEN is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of GLSEN pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In addition, some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. GLSEN had \$1,441,186 and \$1,299,461 of net assets with donor restrictions at June 30, 2020 and 2019, respectively.

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions.

Cash and Cash Equivalents

GLSEN considers all highly liquid debt instruments with an original maturity date of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents are comprised of cash and money market funds, with the exception of funds held by GLSEN's financial institution as collateral for the standby letter of credit further described in Note 11.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash as of June 30, 2020 and 2019 consists of \$308,070 held in a bank account that serves as cash collateral for outstanding letters of credit (see Note 11). During the year ended June 30, 2020, GLSEN adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-18 guidance for presentation of restricted cash on the statement of cash flows using a retrospective approach. Restricted cash amounts are now reported on the statement of cash flows together with cash as one line item. Restricted cash amounts as of June 30, 2019 have been reclassified in the statement of cash flows in order to comply with the new guidance.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,073,454	\$ 2,131,568
Restricted cash	<u>308,070</u>	<u>308,070</u>
	<u>\$ 9,381,524</u>	<u>\$ 2,439,638</u>

Pledges and Accounts Receivable

Pledges (unconditional promises to give) are recorded as revenue when the pledge is made and are recorded at realizable value. GLSEN considers pledges to be collected in future periods to be implicitly time restricted and such future pledges are recorded as net assets with donor restrictions. GLSEN evaluates the need for an allowance for doubtful accounts (for both pledges and accounts receivable) based on its historical loss experience and consideration of the age of receivables. As of June 30, 2020 and 2019, GLSEN determined that the allowance for doubtful accounts was \$4,000 and \$77,000, respectively.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

GLSEN's revenue is derived primarily from contributions and special events as follows:

- Contributions - It is the policy of GLSEN to record contributed grants as revenue in accordance with the terms of the respective donor. Accordingly, GLSEN 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. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met.
- Special events - GLSEN conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (such as meals and entertainment). Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of those direct costs provided at special events is measured at the actual cost to GLSEN. Proceeds received in excess of the direct costs are recorded as contributions and net revenue from special events in the accompanying statements of activities.

GLSEN records contributed goods at their fair value on the date of receipt. GLSEN also receives contributed services that are an integral part of its operations. Such services are only recorded as contributions in-kind (at fair value) if the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. During the year ended June 30, 2020, GLSEN did not receive contributed goods and services. During the year ended 2019, GLSEN recognized approximately \$35,000 of contributed good and services.

Investments

Investments are stated at fair value, which is the prevailing market value, in the accompanying statements of financial position. Investments consist of various mutual funds. Realized and unrealized gains and losses are recognized in change in net assets in the statements of activities.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value

GLSEN applies FASB Accounting Standards Codification (“ASC”) 820, *Fair Value Measurement*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America (“U.S. GAAP”). FASB ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 - Observable inputs other than Level 1 inputs including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or that can be derived principally from or corroborated by observable market data.
- Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For the years ended June 30, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market price activity of the instrument.

All transfers between fair value hierarchy levels are recognized at the end of each year. There had been no transfers between fair value hierarchy levels during the years ended June 30, 2020 and 2019.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation or amortization. GLSEN capitalizes all assets having a useful life of more than one year and a cost greater than \$1,000. Purchases below \$1,000 are expensed at the time of acquisition. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Deferred Rent

GLSEN leases its New York City office, whereby the landlord provided rent credits at the start of the lease. Accordingly, GLSEN reflects a liability for this free rent period and escalation clause that is amortized on a straight-line basis over the life of the lease.

Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. GLSEN reports fundraising expenses as development. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

The ratio of functional expenses for GLSEN's FY20 is significantly out of line with its historical performance, and represented a significant departure from its budgeted spending plan. This was due to two extraordinary factors related to the COVID-19 pandemic and the shutdown of in-person activities across the United States from March 16 through the end of the fiscal year. First, significant program costs in the fourth quarter were related to in-person events and travel, all of which had to be cancelled, depressing program expenditures. Second, GLSEN was in the process of hiring a number of program personnel when the pandemic hit, and deep economic uncertainty required a pause in hiring, leaving a number of program positions unfilled. At the same time, the fundraising, finance and operations functions were fully staffed, adding to the imbalance in expenses.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

GLSEN follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. GLSEN is subject to regular audit by tax authorities. Management believes that it has appropriate support for the positions taken on its tax returns. In assessing the reliability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Recently Issued Accounting Standards

Presentation of Financial Statements for Not-for-Profit Entities

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in ASU 2018-18 are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. GLSEN adopted the provisions of ASU 2018-18 for transactions in which it serves as the resource recipient as of June 30, 2020. Adoption did not have a material impact on GLSEN's financial statements.

GLSEN, INC.
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (Continued)

Presentation of Financial Statements for Not-for-Profit Entities (Continued)

GLSEN is to apply the amendments related to transactions in which it serves as the resource provider to annual periods beginning after December 15, 2019. The amendments can be applied on a modified prospective basis or retrospectively. GLSEN has yet to choose an implementation method and has yet to determine the impact that these amendments may have on its financial statements.

Note 3 - Liquidity and Availability

In accordance with ASU 2016-14, GLSEN regularly monitors liquidity to meet its operating needs and other contractual commitments. GLSEN has various sources of liquidity at its disposal including cash and cash equivalents, investments, pledges and accounts receivable.

As of June 30, 2020, financial assets held by GLSEN and available within one year for general expenditure are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 9,073,454
Certificates of deposit	50,000
Investments - at fair value	68,881
Pledges receivable, net	2,318,178
Accounts receivable	73,514
Prepaid expenses and other assets	<u>170,029</u>
	11,754,056
Less: Those financial assets unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(1,441,186)</u>
	<u>\$ 10,312,870</u>

GLSEN, INC.
Notes to Financial Statements

Note 4 - Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2020	2019
Amount due in less than one year	\$ 1,686,248	\$ 1,240,771
Amount due from one to five years	<u>653,749</u>	<u>1,902,049</u>
	2,339,997	3,142,820
Less allowance for doubtful accounts	(3,850)	(77,717)
Less discounts - long-term pledges at 5%	<u>(17,969)</u>	<u>(56,386)</u>
	<u>\$ 2,318,178</u>	<u>\$ 3,008,717</u>

Note 5 - Investments and Fair Value Measurement

All investments are in mutual funds as of June 30, 2020 and 2019.

Investments in mutual funds are considered Level 1 investments and are stated at fair value based on quoted market prices.

For the years ended June 30, 2020 and 2019, return on investments consists of the following:

	2020	2019
Realized loss	\$ (667)	\$ (515)
Unrealized gain (loss)	<u>(1,054)</u>	<u>1,678</u>
	<u>\$ (1,721)</u>	<u>\$ 1,163</u>

GLSEN, INC.
Notes to Financial Statements

Note 6 - Property and Equipment, Net

Property and equipment consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Computer equipment	\$ 168,739	\$ 160,600	3 years
Furniture and fixtures	234,933	234,933	5 years
Leasehold improvements	207,556	207,556	Life of lease
Construction in process	-	298,323	
Website development cost	<u>527,507</u>	<u>143,488</u>	5 years
	1,138,735	1,044,900	
Less: Accumulated depreciation and amortization	<u>(502,988)</u>	<u>(487,788)</u>	
	<u>\$ 635,747</u>	<u>\$ 557,112</u>	

Depreciation and amortization expense was \$152,463 and \$98,231 for the years ended June 30, 2020 and 2019, respectively.

Note 7 - PPP Loan Payable

GLSEN applied for and received a forgivable Paycheck Protection Program (PPP) loan of \$657,000 as provided under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and the loan was funded on May 6, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24-week period through October 21, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on May 6, 2022 and carries an interest rate of 1%. Through June 30, 2020, GLSEN has used \$502,546 of the proceeds on qualified costs and such amount has been reported as grant revenue with an offsetting reduction to the federal loan payable on the statement of financial position. GLSEN anticipates using all the proceeds for eligible costs and expects the entire loan to be forgiven. A formal request for forgiveness will be submitted after the performance period outlined above.

GLSEN, INC.
Notes to Financial Statements

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Student Leadership Program	\$ 320,430	\$ 341,124
Fund for Local Impact	29,097	29,097
Wells Fargo - Research, TOT, Youth engagements	450,000	450,000
Changing the Game	100,000	-
State Advocacy & Safe Schools Initiative	-	150,000
Bullying Prevention/Educator Trainings	420,107	268,439
Intern Program & Prom/Youth Summit/Scholarship Fund	21,552	10,801
Time Restricted	<u>100,000</u>	<u>50,000</u>
	<u>\$ 1,441,186</u>	<u>\$ 1,299,461</u>

Net assets were released from restrictions during the year ended June 30, 2020 by incurring program expenses or the passage of time, thus satisfying the restricted purposes as follows:

Student Leadership Program	\$ 56,239
State Advocacy & Safe Schools Initiative	150,000
Wells Fargo - Research, TOT, Youth engagements	450,000
Bullying Prevention/Educator Trainings	35,013
Intern Program & Prom/Youth Summit/Scholarship Fund	4,249
Time Restricted	<u>50,000</u>
	<u>\$ 745,501</u>

Note 9 - Benefit Plan

GLSEN maintains a qualified defined contribution plan covering all eligible employees after one year of service. Employees vest over a multi-year period. GLSEN makes discretionary contributions to this plan based on years of service. During the years ended June 30, 2020 and 2019, GLSEN contributed approximately \$94,000 and \$129,000, respectively.

GLSEN, INC.
Notes to Financial Statements

Note 10 - Concentrations and Credit Risk

Credit Risk

Financial instruments that potentially subject GLSEN to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. GLSEN places its temporary cash investments with high credit quality financial institutions. At times, deposits may be in excess of the FDIC limits. GLSEN has not experienced any losses in such accounts.

Pledges Receivable

Three donors accounted for approximately 51% and 56% of GLSEN’s pledges receivable as of June 30, 2020 and 2019, respectively.

Note 11 - Commitments and Contingencies

Leases

Beginning December 2015, GLSEN entered into a lease in New York City for its national office with a free rent period and yearly escalations. The lease expires in April 2026. GLSEN has a lease in Washington, D.C. for its Public Policy office, which expired in October 2018; at present, the lease is month-to-month. Rents are accounted for on a straight-line basis over the life of the lease. Included in the statements of financial position is a liability of approximately \$473,000 and \$450,000 as of June 30, 2020 and 2019, respectively, related to deferred rent under the straight-line method of accounting. GLSEN also leases office equipment for its operations.

As of June 30, 2020, the minimum lease obligations were as follows:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ 708,200
2022	748,500
2023	765,300
2024	782,600
2025	800,200
Thereafter	<u>679,300</u>
	<u>\$ 4,484,100</u>

GLSEN, INC.
Notes to Financial Statements

Note 11 - Commitments and Contingencies (Continued)

Leases (Continued)

As of June 30, 2020 and 2019, GLSEN maintained a standby letter of credit in the amount of \$308,070 for both years in lieu of a security deposit for its national office. GLSEN secured the letter of credit through the purchase of money market funds and certificates of deposit, which is shown as restricted cash on the statements of financial position.

Rental expense (including real estate tax escalation charges and other operating expenses) for the years ended June 30, 2020 and 2019 was approximately \$781,000 and \$789,000, respectively.

Note 12 - Subsequent Events

GLSEN has evaluated subsequent events through November 20, 2020, the date the financial statements were available to be issued.

As of July 27, 2020, GLSEN entered into a revolving line of credit of \$300,000 with a financial institution. The interest shall accrue on the unpaid outstanding principal of the line of credit at the greater of a floating rate equal to the Index plus 2%, or the floor rate of 5%. The Index is the Prime Rate set by the lender from time to time, which serves as the basis upon which effective rates of interest are calculated; however, the Index shall never be less than zero percent.