

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

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December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Center for Transgender Equality and its affiliate

We have audited the accompanying consolidated financial statements of National Center for Transgender Equality (NCTE) and its affiliate, National Center for Transgender Equality Action Fund (NCTEAF) (collectively, the Center), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Center for Transgender Equality and its affiliate, National Center for Transgender Equality Action Fund, as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, the Center has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
September 13, 2019

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Consolidated Statement of Financial Position

December 31, 2018

Assets

| | |
|-------------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,047,382 |
| Grants and contributions receivable | 567,148 |
| Investments | 1,307,245 |
| Prepaid expenses and deposits | 51,913 |
| Property and equipment, net | <u>17,981</u> |
| Total assets | <u>\$ 2,991,669</u> |

Liabilities and Net Assets**Liabilities**

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 47,748 |
| Accrued vacation | 66,191 |
| Deferred rent | 9,247 |
| Security deposits payable | <u>1,866</u> |
| Total liabilities | <u>125,052</u> |

Net Assets

| | |
|----------------------------------|---------------------|
| Without donor restrictions | 1,945,004 |
| With donor restrictions | <u>921,613</u> |
| Total net assets | <u>2,866,617</u> |
| Total liabilities and net assets | <u>\$ 2,991,669</u> |

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Consolidated Statement of Activities

Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Revenue and Support | | | |
| Grants and contributions | \$ 2,607,676 | \$ 1,168,152 | \$ 3,775,828 |
| Event income | 237,427 | - | 237,427 |
| Rental Income | 27,683 | - | 27,683 |
| Speaking and training | 21,520 | - | 21,520 |
| Net investment income | 5,123 | - | 5,123 |
| Other income | 3,223 | - | 3,223 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | 500,396 | (500,396) | - |
| Expiration of time restrictions | 301,042 | (301,042) | - |
| Total revenue and support | <u>3,704,090</u> | <u>366,714</u> | <u>4,070,804</u> |
| Expenses | | | |
| Program services | 2,104,291 | - | 2,104,291 |
| Supporting services: | | | |
| Management and general | 542,455 | - | 542,455 |
| Fundraising | 284,268 | - | 284,268 |
| Total supporting services | <u>826,723</u> | <u>-</u> | <u>826,723</u> |
| Total expenses | <u>2,931,014</u> | <u>-</u> | <u>2,931,014</u> |
| Change in Net Assets | 773,076 | 366,714 | 1,139,790 |
| Net Assets, beginning of year | <u>1,171,928</u> | <u>554,899</u> | <u>1,726,827</u> |
| Net Assets, end of year | <u>\$ 1,945,004</u> | <u>\$ 921,613</u> | <u>\$ 2,866,617</u> |

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

| | Program Services | Supporting Services | | Total Supporting Services | Total |
|-------------------------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|
| | | Management and General | Fundraising | | |
| Salaries and related expenses | \$ 1,133,922 | \$ 330,833 | \$ 168,129 | \$ 498,962 | \$ 1,632,884 |
| Donated legal services | 414,315 | 37,746 | 450 | 38,196 | 452,511 |
| Consultants | 205,572 | 6,685 | 2,781 | 9,466 | 215,038 |
| Rent | 116,632 | 34,206 | 17,485 | 51,691 | 168,323 |
| Accounting | - | 96,150 | - | 96,150 | 96,150 |
| Telecommunications | 57,480 | 11,227 | 18,557 | 29,784 | 87,264 |
| Travel and meals | 51,936 | 2,519 | 4,104 | 6,623 | 58,559 |
| Conference and meetings | 13,420 | 209 | 40,582 | 40,791 | 54,211 |
| Printing and publications | 8,912 | 569 | 13,846 | 14,415 | 23,327 |
| Bank fees | 12,046 | 386 | 9,255 | 9,641 | 21,687 |
| Interns | 19,628 | - | - | - | 19,628 |
| Supplies | 10,004 | 3,085 | 966 | 4,051 | 14,055 |
| Website | 12,499 | 253 | 48 | 301 | 12,800 |
| Grants and donations | 9,650 | - | - | - | 9,650 |
| Advertising and recruiting expenses | 7,750 | 1,444 | 1 | 1,445 | 9,195 |
| Depreciation | 5,982 | 1,540 | 736 | 2,276 | 8,258 |
| Insurance | 1,306 | 4,558 | 197 | 4,755 | 6,061 |
| Dues and memberships | 3,451 | 130 | 1,110 | 1,240 | 4,691 |
| Legal services | - | 199 | - | 199 | 199 |
| Other expenses | 19,786 | 10,716 | 6,021 | 16,737 | 36,523 |
| Total Expenses | \$ 2,104,291 | \$ 542,455 | \$ 284,268 | \$ 826,723 | \$ 2,931,014 |

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

| | |
|---|--------------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ 1,139,790 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Donated stocks | (38,212) |
| Unrealized and realized gain from investments | (2,333) |
| Loss on disposal of asset | 892 |
| Depreciation | 8,258 |
| Change in operating assets and liabilities: | |
| Grants and contributions receivable | (161,436) |
| Prepaid expenses and deposits | 9,065 |
| Accounts payable and accrued expenses | (47,605) |
| Deferred rent | 5,743 |
| Security deposit payable | 1,866 |
| Accrued vacation | 25,334 |
| | <hr/> |
| Net cash provided by operating activities | 941,362 |
| Cash Flows from Investing Activities | |
| Proceeds from sale of investments | 41,549 |
| Purchase of investments | (1,302,864) |
| Purchase of property and equipment | (10,167) |
| | <hr/> |
| Net cash used in investing activities | (1,271,482) |
| Net Decrease in Cash and Cash Equivalents | (330,120) |
| Cash and Cash Equivalents, beginning of year | <hr/> 1,377,502 |
| Cash and Cash Equivalents, end of year | <hr/> <hr/> \$ 1,047,382 |

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

1. Nature of Operations

National Center for Transgender Equality (NCTE) is a nonprofit national social justice organization devoted to ending discrimination and violence against transgender people through education and advocacy on national issues of importance to transgender people. By empowering transgender people and allies to educate and influence policymakers and others, NCTE facilitates a strong and clear voice for transgender equality in the nation's capital and around the country.

National Center for Transgender Equality Action Fund (NCTEAF) is a nonprofit advocacy organization fighting for transgender equality at the local, state, and federal levels. By organizing and empowering transgender people, NCTEAF creates new possibilities for transgender people through political participation and influence. NCTE and NCTEAF fund their program and supporting services primarily through grants, contributions and sponsorships from various foundations, corporations and individuals.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements are presented and include the accounts of NCTE and NCTEAF (collectively, the Center). Consolidated financial statements are presented because of the common control of NCTE and NCTEAF. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Accounting

The accompanying consolidated financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are measured at fair value and are composed of cash and money market funds, certificates of deposits and marketable securities. 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. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment income is presented net of investment advisory and management fees, if any, in the accompanying consolidated statement of activities. Net realized and unrealized gains or losses on investments are included in net investment income (loss) in the accompanying consolidated statement of activities. Cash and money market funds held in investment portfolios are included in investments in the accompanying consolidated statement of financial position.

Property and Equipment

Property and equipment with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Direct costs incurred during the application stage of the development of the Center's website are capitalized and amortized over an estimated useful life of three years. Expenditures for minor and routine repairs and maintenance are expensed as incurred.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Center's operations.
- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center does not have any donor-imposed restrictions which are perpetual in nature at December 31, 2018.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of 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 consolidated statement of activities as net assets released from restrictions. Revenue from all other sources is recognized when earned.

Donated Services

Donated services are recognized as contributions if the services received create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. The Center received \$452,511 of donated legal services during the year ended December 31, 2018 and is included in grants and contributions revenue in the accompanying consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. The Center incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Center also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as distribution of labor or estimates of time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, rent, telecommunications, supplies, website, advertising and depreciation expenses.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles

Effective January 1, 2018, the Center adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting Investment return net of external and direct expenses, and (g) modifying other financial statement report requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Center’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Center’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Center did not have any permanently restricted net assets.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements (continued)

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*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Center for annual reporting periods beginning after December 31, 2018. Management is currently evaluating the impact of these Accounting Standards Updates on the Center's consolidated financial statements.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Center to significant concentrations of credit risk consist of cash deposits and investments. The Center maintains cash deposits and investments with various financial institutions that exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Center has not experienced any losses on its cash deposits and investments to date as it relates to FDIC or SIPC insurance limits. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

In addition, the Center had 73% of grants and contributions receivable due from four organizations at December 31, 2018.

4. Grants and Contributions Receivable

Grants and contributions receivable is comprised of unconditional promises to give and is receivable as follows at December 31, 2018:

| | |
|--|-------------------|
| Receivable in less than one year | \$ 467,148 |
| Receivable in one to five years | <u>100,000</u> |
| Grants and contributions receivable, net | <u>\$ 567,148</u> |

There was no allowance for doubtful accounts recorded as the entire balance has been deemed by management to be fully collectible at December 31, 2018. In addition, a present value discount for grants and contracts receivable due in over one year has not been recorded due to immateriality at December 31, 2018.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

5. Investments

Investments consist of the following at December 31, 2018:

| | | |
|-----------------------------|----|------------------|
| Cash and money market funds | \$ | 909,502 |
| Certificates of deposits | | 395,545 |
| Marketable securities | | <u>2,198</u> |
| Total investments | \$ | <u>1,307,245</u> |

Investment income consists of the following at December 31, 2018:

| | | |
|--|----|--------------|
| Interest and dividends | \$ | 2,940 |
| Net realized and unrealized gain | | <u>2,333</u> |
| Total investment income | | 5,273 |
| Less: investment advisory and management fee | | <u>(150)</u> |
| Net investment income | \$ | <u>5,123</u> |

6. Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- *Level 1* - Inputs based on unadjusted, quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.
- *Level 2* - Inputs based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability, such as quoted prices for similar assets or liabilities in active markets.
- *Level 3* - Unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

6. Fair Value of Financial Instruments (continued)

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments at December 31, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|---------------------|-------------|-------------|---------------------|
| Cash and money market funds | \$ 909,502 | \$ - | \$ - | \$ 909,502 |
| Certificates of deposits | 395,545 | - | - | 395,545 |
| Marketable securities | 2,198 | - | - | 2,198 |
| Total Investment at fair value | <u>\$ 1,307,245</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,307,245</u> |

7. Liquidity and Availability of Resource

The following schedule reflects the Center's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,047,382 |
| Grants and contributions receivable | <u>467,148</u> |
| Total financial assets | 1,514,530 |
| Less those unavailable for general expenditures within one year due to: | |
| Donor restricted funds | <u>(512,655)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,001,875</u> |

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. After unavailable financial assets are subtracted, as of December 31, 2018, the Center has remaining financial assets equivalent to approximately five months of operating expenses excluding non-cash expenses. In addition, the Center operates with a balanced budget and without any short or long term non-operating debt.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

8. Property and Equipment

The Center held the following property and equipment at December 31, 2018:

| | | |
|--------------------------------|----|----------------------|
| Furniture and equipment | \$ | 76,220 |
| Website | | <u>20,968</u> |
| Total property and equipment | | 97,188 |
| Less: accumulated depreciation | | <u>(79,207)</u> |
| Property and equipment, net | \$ | <u><u>17,981</u></u> |

9. Commitments

Leases

In June 2017, the Center entered into an office occupancy lease agreement commencing on August 1, 2017 and expiring on January 30, 2021. The terms of the lease require monthly payments of \$13,859 with a 4% annual escalation clause.

At December 31, 2018, future minimum lease payments required under these leases are as follows for the year ending December 31:

| | | |
|-------------------------------------|----|-----------------------|
| 2019 | \$ | 169,083 |
| 2020 | | 175,847 |
| 2021 | | <u>14,990</u> |
| Total future minimum lease payments | \$ | <u><u>359,920</u></u> |

Total rent expense for the year ended December 31, 2018 was \$168,323 and is included in the accompanying consolidated statement of functional expenses.

Employment Agreement

In April 2015, the Center entered into an employment agreement with one of its officers with a term from April 15, 2015 to March 31, 2018. The agreement provided a specific pension contribution in addition to a pension plan available to all employees, and the officer was eligible for bonuses during the contract term, paid at the discretion of the Board of Directors. It also provided a one-time sabbatical leave for four months which needs to be completed no later than October 31, 2017 and a termination obligation of up to 15 weeks of the current salary and benefits.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

9. Commitments (continued)

Employment Agreement (continued)

In March 2018, the Center entered into a new employment agreement with the same officer with a term from April 1, 2018 to December 31, 2021. During this term, the officer is eligible for bonuses during the contract term, paid at the discretion of the Board of Directors. It provides a one-time sabbatical leave for three months which needs to be completed no later than December 31, 2018 and a termination obligation of up to 18 weeks of the current salary and benefits.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2018:

| | | |
|--|----|----------------|
| Subject to passage of time | \$ | 408,958 |
| Subject to expenditures for specific purposes: | | |
| Public Education | | 257,003 |
| State Administrative Policies | | 166,168 |
| Survey | | 58,867 |
| TransLaw | | 25,617 |
| Fundraising | | 5,000 |
| | | <hr/> |
| Total net assets without donor restrictions | \$ | <u>921,613</u> |

During the year ended December 31, 2018, releases from net assets with donor restrictions were for the following:

| | | |
|---|----|----------------|
| Subject to passage of time | \$ | 301,042 |
| Subject to expenditures for specific purposes: | | |
| Policy | | 161,760 |
| Public Education | | 107,878 |
| Development | | 100,000 |
| State Administrative Policies | | 99,822 |
| Survey | | 16,133 |
| Family | | 10,000 |
| TransLaw | | 4,803 |
| | | <hr/> |
| Total net assets released from donor restrictions | \$ | <u>801,438</u> |

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

11. Pension Plan

The Center maintains a 403(b)-pension plan (the Plan) for all eligible employees. Participants may make voluntary contributions up to the maximum amount allowable by law. The Center contributes up to 1% non-elective and 2% match of an employee's annual salary for all eligible employees. The Center contributed \$34,752 to the Plan during the year ended December 31, 2018.

12. Income Taxes

Under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code, NCTE and NCTEAF, respectively, are nonprofit organizations and are exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2018, as the Center had no material taxable net unrelated business income.

The Center follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Center performed an evaluation of uncertain tax positions for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. At December 31, 2018, the statute of limitations for the tax years ended December 31, 2015 to 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

13. Subsequent Events

In preparing these consolidated financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 13, 2019, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the consolidated financial statements