NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2019
(With Summarized Comparative Information for the Year Ended December 31, 2018)

HAN GROUP
Certified Public Accountants and Consultants

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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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Center has adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
September 24, 2020

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE
Consolidated Statement of Financial Position
December 31, 2019
(With Summarized Comparative Information for 2018)

	2019	2018
Assets		
Cash	$ 861,295	$ 1,047,382
Grants and contributions receivable	1,104,171	567,148
Investments	2,148,477	1,307,245
Prepaid expenses and deposits	59,952	51,913
Property and equipment, net	13,038	17,981
Total assets	$ 4,186,933	$ 2,991,669
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 78,513	$ 47,748
Accrued vacation	60,100	66,191
Deferred rent	8,487	9,247
Security deposits payable	1,866	1,866
Total liabilities	148,966	125,052
Net Assets		
Without donor restrictions	2,363,257	1,945,004
With donor restrictions	1,674,710	921,613
Total net assets	4,037,967	2,866,617
Total liabilities and net assets	$ 4,186,933	$ 2,991,669

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE
Consolidated Statement of Activities
Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Grants and contributions	$ 2,108,296	$ 1,620,004	$ 3,728,300	$ 3,323,317
Donated services	199,891	-	199,891	452,511
Special event income				
Gross special event income	185,495	-	185,495	237,427
Donated supplies	32,663	-	32,663	-
Less: Direct donor benefits	(71,135)	-	(71,135)	(21,880)
Net special event income	147,023	-	147,023	215,547
Rental Income	35,157	-	35,157	27,683
Speaking and training	27,926	-	27,926	21,520
Net investment income	45,831	-	45,831	5,123
Other income	872	-	872	3,223
Net assets released from restrictions:				
Satisfaction of purpose restrictions	557,949	(557,949)	-	-
Expiration of time restrictions	308,958	(308,958)	-	-
Total revenue and support	3,431,903	753,097	4,185,000	4,048,924
Expenses				
Program services	2,052,059	-	2,052,059	2,104,291
Supporting services:				
Management and general	742,809	-	742,809	542,455
Fundraising	218,782	-	218,782	262,388
Total supporting services	961,591	-	961,591	804,843
Total expenses	3,013,650	-	3,013,650	2,909,134
Change in Net Assets	418,253	753,097	1,171,350	1,139,790
Net Assets, beginning of year	1,945,004	921,613	2,866,617	1,726,827
Net Assets, end of year	$ 2,363,257	$ 1,674,710	$ 4,037,967	$ 2,866,617

See accompanying notes.

NATIONAL CENTER FOR TRANSGENDER EQUALITY AND ITS AFFILIATE
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	2019					2018
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total	Total
Salaries and related expenses	$ 1,335,127	$ 381,346	$ 137,163	$ 518,509	$ 1,853,636	$ 1,632,884
Consultants	230,291	37,286	500	37,786	268,077	215,038
Rent	120,409	34,723	13,191	47,914	168,323	168,323
Professional services	110,921	224,704	-	224,704	335,625	548,860
Telecommunications	68,483	18,195	8,414	26,609	95,092	87,264
Travel and meals	65,517	15,643	6,214	21,857	87,374	58,559
Conference, events and meetings	9,771	523	28,628	29,151	38,922	32,331
Printing and publications	22,987	380	15,844	16,224	39,211	23,327
Bank fees	18,380	182	4,760	4,942	23,322	21,687
Grants and donations	16,575	-	-	-	16,575	9,650
Interns	14,223	1,400	577	1,977	16,200	19,628
Supplies	7,342	3,242	539	3,781	11,123	14,055
Insurance	1,435	6,889	151	7,040	8,475	6,061
Depreciation	4,855	2,454	913	3,367	8,222	8,258
Website	5,005	249	18	267	5,272	12,800
Advertising expenses	5,054	-	-	-	5,054	9,195
Dues and subscriptions	3,285	553	1,092	1,645	4,930	4,691
Other expenses	12,399	15,040	778	15,818	28,217	36,523
Total Expenses	$ 2,052,059	$ 742,809	$ 218,782	$ 961,591	$ 3,013,650	$ 2,909,134

See accompanying notes.

Cash Flows from Operating Activities	2019	2018
Change in net assets	$ 1,171,350	$ 1,139,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated stocks	(76,157)	(38,212)
Unrealized and realized gain from investments	(1,372)	(2,333)
Loss on disposal of asset	3,607	892
Depreciation	8,222	8,258
Change in operating assets and liabilities:		
Grants and contributions receivable	(537,023)	(161,436)
Prepaid expenses and deposits	(8,039)	9,065
Accounts payable and accrued expenses	30,765	(47,605)
Accrued vacation	(6,091)	25,334
Deferred rent	(760)	5,743
Security deposit payable	-	1,866
Net cash provided by operating activities	584,502	941,362
Cash Flows from Investing Activities		
Proceeds from sale of investments	422,177	41,549
Purchase of investments	(1,185,880)	(1,302,864)
Purchase of property and equipment	(6,886)	(10,167)
Net cash used in investing activities	(770,589)	(1,271,482)
Net Decrease in Cash	(186,087)	(330,120)
Cash, beginning of year	1,047,382	1,377,502
Cash, end of year	$ 861,295	$ 1,047,382

See accompanying notes.

1. Nature of Operations

National Center for Transgender Equality (NCTE) advocates to change policies and society to increase understanding and acceptance of transgender people. In the nation's capital and throughout the country, NCTE works to replace disrespect, discrimination, and violence with empathy, opportunity, and justice.

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 and Presentation

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 recorded when the obligation is incurred.

Grants and Contributions Receivable

Grants and contributions receivable are comprised of unconditional promises to give and are expected to be fully collected within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

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.

2. Summary of Significant Accounting Policies (continued)

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 general 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, 2019.

Revenue Recognition

Grants and Contributions

The majority of the Center's revenue is received through contributions and grants considered to be contributions. Grants and contributions without donor-imposed conditions are recognized upon receipt or notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Grants and contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying consolidated statement of activities as net assets released from restrictions.

Grants and contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. The Center adopted the simultaneous release option for donor-restricted conditional grants and contributions that are recognized and used within the same reporting period, therefore, these amounts are reported as without donor restrictions. Revenue recognized on grants and contributions, but have not been received, is reflected as grants and contributions receivable on the accompanying consolidated statement of financial position. Conversely, amounts received in advance of the conditions being met are included in deferred revenue on the accompanying consolidated statement of financial position. The Center had no unrecognized conditional awards at December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Special Event Income

Special event income consists primarily of registration fees and sponsorships for the Center's various fundraising events held. The Center considers all special event income received to be conditional contributions to be recognized upon the occurrence of the specified event. Thus, contributions received prior to the event are deferred and recognized when the contribution becomes unconditional (when the event has occurred). Special event revenue is recognized net of the costs that are direct benefit to the donors. At December 31, 2019, there was no deferred revenue related to conditional contributions for special events.

In-Kind Contributions

In-kind contributions consist of special event supplies and donated professional services which are recognized as support and expenses on the accompanying consolidated statement of activities at their estimated fair values at the date of the donation.

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 $199,891 of donated professional services and $32,663 of donated special event supplies during the year ended December 31, 2019 and are included on 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 on the accompanying consolidated statement of activities. The consolidated statement of functional expenses presents expenses by function and natural classification. The Center incurs expenses 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, and depreciation expenses.

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.

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles

Effective January 1, 2019, the Center adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or exchange transactions and determine whether a contribution is conditional. The Center adopted ASU 2018-08 using a modified prospective approach. The implementation of ASU 2018-08 did not have a material effect on the Center's financial positions, results of operations, or cash flows. There was no cumulative effect of a change in accounting principle recorded related to the adoption ASU 2018-08 on January 1, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Effective January 1, 2019, the Center adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The core principle of ASU 2014-09 requires the recognition of revenue for exchange and partial exchange transactions when, or as goods or services are delivered, in the amount that reflects the consideration to which the entity is entitled in exchange for what has been delivered. The ASU requires that the entity use the following five step process: 1) Identify exchange agreements or partial exchange agreements that create a contract; 2) Identify their performance obligations; 3) Determine the transaction price; 4) Allocate the transaction price among the performance obligations; 5) Recognize revenue at the point in time when, or over the time period during which, a performance obligation is recognized. The adoption of the ASU did not impact the change in net assets.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Lease (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, 2021. Management is currently evaluating the impact of ASU 2016-02 on the Center's financial statements.

Summarized Comparative Information

The accompanying consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2018 from which the summarized information was derived.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 consolidated financial statement presentations.

3. Concentrations

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 59% of grants and contributions receivable due from three entities at December 31, 2019.

4. Investments

Investments consist of the following at December 31, 2019:

Cash and money market funds	$ 1,243,930
Certificates of deposits	900,244
Marketable securities	4,303
Total investments	$ 2,148,477

5. 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.

5. 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, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 1,243,930	$ -	$ -	$ 1,243,930
Certificates of deposits	900,244	-	-	900,244
Marketable securities	4,303	-	-	4,303
Total Investment at fair value	$ 2,148,477	$ -	$ -	$ 2,148,477

6. Property and Equipment

The Center held the following property and equipment at December 31, 2019:

Furniture and equipment	$ 27,697
Website	20,968
Total property and equipment	48,665
Less: accumulated depreciation	(35,627)
Property and equipment, net	$ 13,038

7. Liquidity and Availability of Resources

The following schedule reflects the Center's financial assets as of December 31, 2019, 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	$ 861,295
Grants and contributions receivable	1,104,171
Total financial assets	1,965,466
Less those unavailable for general expenditures within one year due to:	
Donor restricted funds	(1,674,710)
Financial assets available to meet cash needs for general expenditures within one year	$ 290,756

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. In addition, the Center operates with a balanced budget and without any short or long term non-operating debt.

8. 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, 2019, future minimum lease payments required under these leases are as follows for the year ending December 31:

2020	$	175,847
2021		14,990
Total future minimum lease payments	$	190,837

Total rent expense for the year ended December 31, 2019 was $168,323 and is included on the accompanying consolidated statement of functional expenses.

Employment Agreement

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

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2019:

Subject to passage of time	$	705,000
Subject to expenditures for specific purposes:		
Survey		615,671
State Administrative Policies		228,831
Trans Legal Fiscal Sponsor		34,051
Communication Support		32,724
Communication Project		25,000
Partnership Pilot Name Change Project		23,200
Public Education		10,233
Total net assets with donor restrictions	$	1,674,710

9. Net Assets With Donor Restrictions (continued)

During the year ended December 31, 2019, releases from net assets with donor restrictions were for the following:

Subject to passage of time	$	308,958
Subject to expenditures for specific purposes:		
Fundraising		5,000
Public Education		302,401
State Administrative Policies		87,337
Survey		68,196
Policy		55,624
Communication Support		17,276
Trans Legal Fiscal Sponsor		15,287
Family		5,028
Partnership Pilot Name Change Project		1,800
Total net assets released from donor restrictions	$	866,907

10. Retirement Plan

The Center maintains a 403(b) retirement 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 $39,828 to the Plan during the year ended December 31, 2019.

11. 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, 2019, 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 Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated 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. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Center performed an evaluation of uncertain tax positions for the year ended December 31, 2019 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. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns.

12. Subsequent Events

In preparing these consolidated financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 24, 2020, 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, other than as noted in the paragraph below.

The COVID-19 outbreak in the United States has caused disruption for businesses and has resulted in significant volatility in the financial markets. There have been mandated and voluntary closings of businesses including cancellations of events and meetings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions on gatherings and potential economic impacts. At this time the potential related financial impact and duration cannot be reasonably estimated.

Center received a Paycheck Protection Program (PPP) forgivable loan of $147,506. The loan has an interest rate of 1% and a term of 24 months, with a deferment of 6 months. All or a portion of the PPP loan has the potential to be forgiven under the provisions of the Coronavirus Aid, Relief, and Economic Security Act. The Center plans to request full forgiveness of the PPP loan when the 24-week covered period ends in 2020.