



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2023 and 2022

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Lambda Legal Defense and Education Fund, Inc.
New York, NY

Opinion

We have audited the financial statements of Lambda Legal Defense and Education Fund, Inc. (“Lambda Legal”), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lambda Legal as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Lambda Legal and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lambda Legal’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Lambda Legal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lambda Legal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
June 24, 2024

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash (Note 11)	\$ 7,298,272	\$ 6,139,284
Pledges receivable, net (Notes 2K and 15)	8,556,394	4,257,166
Bequests receivable (Note 2H)	69,844	-
Prepaid expenses and other assets	969,779	1,103,493
Investments (Notes 2E, 2O, 4 and 13)	26,540,488	23,875,100
Assets held for gift annuities (Notes 2G, 4 and 14)	2,486,520	2,019,684
Beneficial interest in trusts (Notes 2I, 13 and 14)	1,263,008	1,126,411
Property and equipment, net (Notes 2D and 5)	1,234,150	990,120
Operating right-of-use asset (Note 7)	5,622,733	4,932,031
TOTAL ASSETS	\$ 54,041,188	\$ 44,443,289
LIABILITIES		
Accounts payable and accrued expenses	\$ 916,316	\$ 1,109,247
Accrued payroll and vacation	1,211,143	1,073,841
Deferred income (Note 2L)	43,450	25,375
Liabilities under gift annuities (Notes 2G and 13)	1,285,008	1,147,458
Operating lease liability (Note 7)	6,190,772	5,540,731
TOTAL LIABILITIES	9,646,689	8,896,652
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Invested in property and equipment	1,234,150	990,120
Board designated (Note 9)	657,413	7,481,736
Operations	28,126,841	20,226,506
Total without donor restrictions	30,018,404	28,698,362
With donor restrictions (Note 9)	14,376,095	6,848,275
TOTAL NET ASSETS	44,394,499	35,546,637
TOTAL LIABILITIES AND NET ASSETS	\$ 54,041,188	\$ 44,443,289

The accompanying notes are an integral part of these financial statements.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
OPERATING PUBLIC SUPPORT AND REVENUE:						
Special events revenue	\$ 6,145,647	\$ -	\$ 6,145,647	\$ 5,639,280	\$ -	\$ 5,639,280
Less: direct special event expenses	(1,880,399)	-	(1,880,399)	(729,622)	-	(729,622)
Net revenues from special events	4,265,248	-	4,265,248	4,909,658	-	4,909,658
Grants from foundations and corporations (Note 2K)	1,856,704	475,000	2,331,704	30,749	3,326,975	3,357,724
Contributions and memberships (Note 2K)	9,646,037	7,831,237	17,477,274	9,981,230	2,025,000	12,006,230
Donated professional services (Notes 2F and 12)	9,889,369	-	9,889,369	6,787,109	-	6,787,109
Attorney fees (Note 2J)	139,534	-	139,534	569,675	-	569,675
Contributions under gift annuities (Note 2G)	183,519	-	183,519	63,403	-	63,403
Other revenue	479,154	-	479,154	32,556	-	32,556
Loss on disposal (Note 5)	-	-	-	(52,600)	-	(52,600)
Net assets released from restrictions (Note 9)	2,142,134	(2,142,134)	-	2,923,365	(2,923,365)	-
TOTAL OPERATING PUBLIC SUPPORT AND REVENUE	28,601,699	6,164,103	34,765,802	25,245,145	2,428,610	27,673,755
OPERATING EXPENSES: (Note 2Q)						
Program Services:						
Legal (Including donated legal expenses of \$9,889,369 and \$6,787,109, respectively)	19,759,804	-	19,759,804	15,218,304	-	15,218,304
Educational	6,046,900	-	6,046,900	5,804,047	-	5,804,047
Total program services	25,806,704	-	25,806,704	21,022,351	-	21,022,351
Supporting Services:						
Management and general	3,643,932	-	3,643,932	4,856,898	-	4,856,898
Fundraising	5,194,558	-	5,194,558	5,907,365	-	5,907,365
Total supporting services	8,838,490	-	8,838,490	10,764,263	-	10,764,263
TOTAL OPERATING EXPENSES	34,645,194	-	34,645,194	31,786,614	-	31,786,614
EXCESS (DEFICIT) OF OPERATING PUBLIC SUPPORT AND REVENUE OVER OPERATING EXPENSES	(6,043,495)	6,164,103	120,608	(6,541,469)	2,428,610	(4,112,859)
NON-OPERATING ACTIVITY (Note 2P)						
Bequests (Note 2H)	4,347,716	1,000,000	5,347,716	3,127,551	-	3,127,551
Investment activity, net (Note 4)	3,112,944	227,120	3,340,064	(5,036,387)	(445,461)	(5,481,848)
Change in value of gift annuities (Note 2G)	(97,123)	33,473	(63,650)	(56,127)	(58,578)	(114,705)
Change in value of beneficial interest in trusts (Note 2I)	-	103,124	103,124	-	(138,325)	(138,325)
TOTAL NON-OPERATING ACTIVITY	7,363,537	1,363,717	8,727,254	(1,964,963)	(642,364)	(2,607,327)
TOTAL CHANGE IN NET ASSETS	1,320,042	7,527,820	8,847,862	(8,506,432)	1,786,246	(6,720,186)
Net assets - beginning of year	28,698,362	6,848,275	35,546,637	37,204,794	5,062,029	42,266,823
NET ASSETS - END OF YEAR	\$ 30,018,404	\$ 14,376,095	\$ 44,394,499	\$ 28,698,362	\$ 6,848,275	\$ 35,546,637

The accompanying notes are an integral part of these financial statements.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	For the Year Ended December 31, 2023							
	Program Services			Supporting Services				
	Legal	Educational	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2023	Total 2022
Salaries	\$ 4,625,909	\$ 2,354,300	\$ 6,980,209	\$ 1,957,484	\$ 2,487,227	\$ 4,444,711	\$ 11,424,920	\$ 11,182,950
Payroll taxes and employee benefits (Note 6)	1,491,460	727,987	2,219,447	553,834	910,885	1,464,719	3,684,166	3,342,795
Total Salaries and Related Costs	6,117,369	3,082,287	9,199,656	2,511,318	3,398,112	5,909,430	15,109,086	14,525,745
Donated professional services (Notes 2F and 12)	9,749,462	120,245	9,869,707	-	19,662	19,662	9,889,369	6,787,109
Printing and outreach (Note 10)	413,263	1,051,892	1,465,155	112,702	246,012	358,714	1,823,869	860,168
Occupancy (Note 7)	688,927	330,725	1,019,652	189,711	349,158	538,869	1,558,521	1,497,814
Professional services	1,293,706	918,202	2,211,908	235,576	683,954	919,530	3,131,438	4,906,146
Travel and meetings	515,339	242,827	758,166	54,513	207,367	261,880	1,020,046	745,026
Office supplies	12,585	8,950	21,535	1,520	5,744	7,264	28,799	24,779
Insurance	47,359	22,664	70,023	13,056	24,021	37,077	107,100	110,920
Equipment rental and repairs (Note 7)	30,440	14,568	45,008	29,576	17,940	47,516	92,524	59,155
Telecommunications	171,747	89,516	261,263	44,560	81,502	126,062	387,325	473,462
Dues and subscriptions	216,011	37,474	253,485	16,129	33,298	49,427	302,912	239,923
Credit card and bank charges	100,263	46,565	146,828	28,750	61,264	90,014	236,842	218,933
Postage	14,697	25,235	39,932	3,848	7,262	11,110	51,042	48,226
Equipment	27,938	13,370	41,308	8,512	14,171	22,683	63,991	73,716
Direct case expenses	273,427	615	274,042	(1,641)	827	(814)	273,228	112,366
Special event expenses	-	-	-	-	1,880,399	1,880,399	1,880,399	1,277,171
Bad debt	-	-	-	371,741	-	371,741	371,741	390,924
Depreciation and amortization (Note 5)	87,271	41,765	129,036	24,061	44,264	68,325	197,361	164,653
Subtotal	19,759,804	6,046,900	25,806,704	3,643,932	7,074,957	10,718,889	36,525,593	32,516,236
Less: Direct cost of special events reported net of revenue on the statement of activities	-	-	-	-	(1,880,399)	(1,880,399)	(1,880,399)	(729,622)
TOTAL EXPENSES	\$ 19,759,804	\$ 6,046,900	\$ 25,806,704	\$ 3,643,932	\$ 5,194,558	\$ 8,838,490	\$ 34,645,194	\$ 31,786,614

The accompanying notes are an integral part of these financial statements.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			Total 2022
	Legal	Educational	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 4,744,217	\$ 2,655,016	\$ 7,399,233	\$ 1,472,048	\$ 2,311,669	\$ 3,783,717	\$ 11,182,950
Payroll taxes and employee benefits (Note 6)	1,463,114	812,669	2,275,783	393,308	673,704	1,067,012	3,342,795
Total Salaries and Related Costs	6,207,331	3,467,685	9,675,016	1,865,356	2,985,373	4,850,729	14,525,745
Donated professional services (Notes 2F and 12)	6,641,446	134,363	6,775,809	-	11,300	11,300	6,787,109
Printing and outreach (Note 10)	72,258	178,327	250,585	2	609,581	609,583	860,168
Occupancy (Note 7)	654,932	325,991	980,923	186,795	330,096	516,891	1,497,814
Professional services	842,697	1,395,212	2,237,909	1,924,160	744,077	2,668,237	4,906,146
Travel and meetings	171,469	69,561	241,030	181,442	322,554	503,996	745,026
Office supplies	10,277	5,401	15,678	3,009	6,092	9,101	24,779
Insurance	49,311	24,103	73,414	12,937	24,569	37,506	110,920
Equipment rental and repairs (Note 7)	24,446	15,876	40,322	6,491	12,342	18,833	59,155
Telecommunications	156,913	85,003	241,916	36,645	194,901	231,546	473,462
Dues and subscriptions	153,111	25,725	178,836	5,462	55,625	61,087	239,923
Credit card and bank charges	893	690	1,583	216,821	529	217,350	218,933
Postage	17,368	16,904	34,272	3,414	10,540	13,954	48,226
Equipment	29,082	22,305	51,387	7,656	14,673	22,329	73,716
Direct case expenses	112,366	-	112,366	-	-	-	112,366
Special event expense	-	-	-	-	1,277,171	1,277,171	1,277,171
Bad debt	-	-	-	390,924	-	390,924	390,924
Depreciation and amortization (Note 5)	74,404	36,901	111,305	15,784	37,564	53,348	164,653
Subtotal	15,218,304	5,804,047	21,022,351	4,856,898	6,636,987	11,493,885	32,516,236
Less: Direct cost of special events reported net of revenue on the statement of activities	-	-	-	-	(729,622)	(729,622)	(729,622)
TOTAL EXPENSES	\$ 15,218,304	\$ 5,804,047	\$ 21,022,351	\$ 4,856,898	\$ 5,907,365	\$ 10,764,263	\$ 31,786,614

The accompanying notes are an integral part of these financial statements.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,847,862	\$ (6,720,186)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	197,361	164,653
Change in value of gift annuities	63,650	56,127
Change in value of beneficial interest in trusts	(103,124)	138,325
Net realized and unrealized (gain) loss on investments	(2,893,238)	5,697,360
Bad debt expense	371,741	390,924
Non-cash lease expenses	1,019,908	924,234
Loss on disposal of property and equipment	-	52,600
Endowment contributions restricted in perpetuity	(1,000,000)	-
Subtotal	6,504,160	704,037
Changes in operating assets and liabilities:		
(increase) decrease in assets:		
Pledges receivable	(4,670,969)	(2,473,588)
Bequests receivable	(69,844)	75,162
Prepaid expenses and other assets	133,714	(64,680)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(192,931)	153,856
Accrued payroll and vacation	137,302	(765,323)
Deferred income	18,075	(17,310)
Change in operating lease liabilities	(1,060,569)	(952,609)
Net Cash Provided by (Used in) Operating Activities	798,938	(3,340,455)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	28,417,269	53,593,165
Purchase of investments	(28,189,419)	(49,832,593)
Purchase of property and equipment and leasehold improvements	(441,391)	(695,250)
Net Cash Provided by Investing Activities	(213,541)	3,065,322
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions restricted in perpetuity	1,000,000	-
Net (payments) proceeds on annuities and trusts	(426,409)	264,208
Net Cash (Used in) Provided by Financing Activities	573,591	264,208
NET INCREASE (DECREASE) IN CASH	1,158,988	(10,925)
Cash - beginning of year	6,139,284	6,150,209
CASH - END OF YEAR	\$ 7,298,272	\$ 6,139,284

The accompanying notes are an integral part of these financial statements.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Lambda Legal Defense and Education Fund, Inc. (“Lambda Legal”) is a national organization working to achieve full recognition of the civil rights of lesbians, gay men, bisexuals, transgender people and everyone living with HIV, through impact litigation, education and public policy work.

Founded in 1973, Lambda Legal 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). Funding is primarily from contributions, bequests and donated services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Lambda Legal's financial statements have been prepared on the accrual basis of accounting. Lambda Legal adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. Lambda Legal reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit their use. 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 are reported in the statements of activities as net assets released from restrictions. Accordingly, even if a restriction is fulfilled in the same time period in which the contribution is received, Lambda Legal reports the support as net assets with donor restrictions, as well as released from restrictions.
- C. Lambda Legal maintains its net assets under the following two classes:
- Without donor restrictions – net assets that have not been restricted by the donor. Such resources are available to support Lambda Legal's operations.
 - With donor restrictions – net assets resulting from contributions and other inflows of assets whose use by Lambda Legal is limited by donor-imposed stipulations, including net assets that must be invested in perpetuity.
- D. Property and equipment are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Contributed fixed assets are stated at fair value at the date of gift. Lambda Legal has established a \$2,500 threshold above which assets are capitalized. Purchases below \$2,500 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. All other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- E. Investments in marketable securities are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned net of any investment expenses. Lambda Legal holds equity interests in private companies without a readily determinable fair value. These assets are valued at cost less impairment under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 321-10-35-2.
- F. Lambda Legal records donated services that meet the criteria for recognition. A significant portion of the donated services received are services provided free of charge to Lambda Legal by lawyers supervised or guided by Lambda Legal staff. Such contributions-in-kind are reflected as both income and expense in the accompanying statements of activities.
- G. Lambda Legal has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Lambda Legal has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of Lambda Legal or any other purpose other than annuity benefits specified in the agreements. In addition, this portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lambda Legal's entire gift annuity program consisted of assets amounting to \$2,486,520 and \$2,019,684 and liabilities of \$1,285,008 and \$1,147,458 as of December 31, 2023 and 2022, respectively. Contribution revenue amounted to \$183,519 and \$63,403 for the years ended December 31, 2023 and 2022, respectively, and is included in the accompanying statements of activities.

- H. Legacies and bequests are recognized as revenue when Lambda Legal is notified that actual or potential disputes are resolved and funds are forthcoming. Accordingly, bequests are accrued when wills have passed through probate and legal counsel has confirmed amounts held on behalf of Lambda Legal. It is Lambda Legal's practice to discount bequests receivable due in more than one year to its present value using a risk adjusted rate of return, unless the value is immaterial. The amortization of the bequest discount is reflected as contribution revenue.
- I. Lambda Legal's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts held by third parties. Charitable remainder unitrust gifts are time-restricted contributions not available to Lambda Legal until after the death of the donor and other beneficiaries, who, while living, receive payouts from the trust based on a fixed percentage of the market value of the invested funds each year as stated in the trust agreements. The trust agreements, in certain instances, allow for the beneficiaries to receive additional distributions, which may substantially reduce the value of expected future cash flows.

Lambda Legal recognizes as assets and contributions to net assets with donor restrictions the fair value of the trusts based on the present value of the estimated expected future cash flows from the trusts' assets. The present value is calculated using risk-adjusted discount rates based on the term of the trust. Distributions received by Lambda Legal are net assets without donor restrictions unless specified otherwise in the trust documents.

- J. Attorneys' fees are amounts awarded by a court when Lambda Legal's clients prevail in a case or amounts paid by opposing parties as part of the settlement of litigation in which attorneys' fees could be awarded that compensate Lambda Legal for time spent representing its clients and can include reimbursement of actual expenses incurred by Lambda Legal in connection with such legal representation.
- K. Contributions and grants are nonexchange transactions and accounted for under FASB Accounting Standards Update ("ASU") 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation. Lambda Legal bases its allowance for doubtful accounts on its historical loss experience considering the age of the receivables and other factors. Pledges and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Lambda Legal determined that an allowance of approximately \$356,000 and \$144,000 was necessary as of December 31, 2023 and 2022, respectively, for pledges receivable, and that no allowance was necessary for grants receivable.
- L. Lambda Legal sometimes receives cash in advance of special events that is to be held after the statements of financial position date. Lambda Legal records the contribution portion of the events as income when received and the exchange portion as deferred income until earned.
- M. The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- N. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 13.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- O. Lambda Legal considers all money market funds to be investments.
- P. Lambda Legal includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment return, bequests, changes in value of gift annuities and beneficial interest in trusts are recognized as non-operating activities.
- Q. The costs of providing program and supporting services of Lambda Legal have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort. Other allocated expenses include occupancy, professional services, travel and meetings, office supplies, insurance, equipment rental and repairs, telecommunications, dues and subscriptions, postage, recruitment and training, and depreciation and amortization, which are all allocated based on the allocation of salary costs.
- R. Certain line items in the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due. Lambda Legal considers all expenditures related to its ongoing program activities, as well as services undertaken to support those activities and restricted funds, to be general expenditures. Lambda Legal has a \$2,500,000 revolving line of credit, secured by Lambda Legal's investments, which it can draw upon in the event of a liquidity need. No funds were borrowed from this revolving line of credit during the years ended December 31, 2023 and 2022.

Lambda Legal's financial assets available to meet general expenditures over the next year are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 7,298,272	\$ 6,139,284
Pledges receivable, net	8,556,394	4,257,166
Bequests receivable	69,844	-
Investments	26,540,488	23,875,100
Assets held for gift annuities	<u>2,486,520</u>	<u>2,019,684</u>
Total financial assets	44,951,518	36,291,234
Less: pledges receivable due in more than one year, net	(4,606,629)	(1,760,000)
Less: endowment investments	(3,280,295)	(8,740,901)
Less: assets held for gift annuities	<u>(2,486,520)</u>	<u>(2,019,684)</u>
	<u>\$ 34,578,074</u>	<u>\$ 23,770,649</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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NOTE 4 – INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES

Investments consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 5,884,811	\$ 2,938,891
Common stock	13,143,061	12,369,374
U.S. government bonds	5,520,972	5,220,439
Corporate bonds	1,794,733	3,140,549
Other investments held at cost	<u>196,911</u>	<u>205,847</u>
	<u>\$ 26,540,488</u>	<u>\$ 23,875,100</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Assets held for gift annuities consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 51,233	\$ 16,947
Common stock	1,591,356	1,237,969
U.S. government bonds	336,516	353,135
Corporate bonds	<u>507,415</u>	<u>411,633</u>
	<u>\$ 2,486,520</u>	<u>\$ 2,019,684</u>

Investment activity for investments held consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 535,093	\$ 355,974
Unrealized gain (loss) on investments	3,518,919	(2,963,730)
Realized loss on investment sales	(963,207)	(2,442,454)
Investment management fees	<u>(131,872)</u>	<u>(173,274)</u>
Sub-total	<u>\$ 2,958,933</u>	<u>\$ (5,223,484)</u>

Investment activity for assets held for gift annuities consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 43,605	\$ 32,812
Unrealized gain (loss) on investments	212,696	(323,756)
Realized gain on investment sales	<u>124,830</u>	<u>32,580</u>
Sub-total	<u>381,131</u>	<u>(258,364)</u>
Total investment activity, net	<u>\$ 3,340,064</u>	<u>\$ (5,481,848)</u>

Investment activity related to Lambda Legal's gift annuities is reported net of fees incurred, which are not separated from the components of investment return above.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	\$ 964,779	\$ 845,090	3-5 years
Website	798,233	492,050	
Leasehold improvements	<u>736,597</u>	<u>1,013,964</u>	5-15 years
Total cost	2,499,609	2,351,104	
Less: accumulated depreciation and amortization	<u>(1,265,459)</u>	<u>(1,360,984)</u>	
Net book value	<u>\$ 1,234,150</u>	<u>\$ 990,120</u>	

Depreciation and amortization expense amounted to \$197,361 and \$164,653 for the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2022, Lambda Legal disposed of and wrote off fixed assets of \$117,107 with accumulated depreciation of \$64,507, resulting in a loss of \$52,600 from the disposal. During the years ended December 31, 2023 and 2022, \$292,886 and \$354,613 of fully depreciated equipment no longer in service was written off, respectively.

NOTE 6 – PENSION PLAN

Lambda Legal maintains a qualified defined contribution pension plan covering all eligible employees after 90 days of service. Employees vest over a multiyear period. For the years ended December 31, 2023 and 2022, Lambda Legal's contributions amounted to approximately \$219,000 and \$207,000, respectively.

NOTE 7 – OPERATING LEASES

Lambda Legal has lease agreements for the rental of its New York, Los Angeles, Chicago, Dallas, District of Columbia and Atlanta offices, as well as several operating leases. These leases include rent escalations. Lambda Legal assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As of December 31, 2023 and 2022, the right-of-use ("ROU") asset had a balance of \$5,622,733 and \$4,932,031, respectively. The lease liability totaled \$6,190,772 and \$5,540,731, respectively, as reflected in the accompanying statements of financial position. As of December 31, 2023 and 2022, the lease liabilities were calculated utilizing the risk-free rate in effect at the initial adoption date of January 1, 2022 for leases with commencement dates prior to January 1, 2022, and risk-free rate in effect as of the commencement date of the leases for new leases during the year.

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2023 and thereafter are as follows:

2024	\$ 1,353,721
2025	1,369,198
2026	1,398,853
2027	997,359
2028	613,824
Thereafter	<u>862,761</u>
Total lease payments	6,595,716
Less: Present value discount	<u>(404,944)</u>
Present value of lease liabilities	<u>\$ 6,190,772</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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NOTE 7 – OPERATING LEASES (Continued)

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$1,177,281	\$1,000,371
Right-of-use assets obtained in exchange for new operating liabilities	\$1,710,609	\$5,856,265
Weighted-average remaining lease term	58 months	53 months
Weight-average discount rate	2.32%	1.47%

Lease expense consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Real property	\$ 1,234,973	\$ 1,195,969
Equipment	62,099	96,500
	<u>\$ 1,297,072</u>	<u>\$ 1,292,469</u>

Such amounts are included in occupancy and equipment rental and repairs in the accompanying statements of functional expenses.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

- A. In January 2016, Lambda Legal established a revolving line of credit with a bank with a maximum borrowing amount of \$2,500,000. The interest rate charged by the bank is equal to the London Inter-Bank Offered Rate (“LIBOR”) plus a spread which the bank may change with 30 days’ notice. Lambda Legal can also request advances based on the Fixed Rate Advance Index or the Term Advance Index, subject to the bank’s approval. The line of credit is secured by Lambda Legal’s investments. During the years ended December 31, 2023 and 2022, there were no borrowings. As of June 24, 2024, there was \$0 outstanding.
- B. Lambda Legal and its employees signed a collective bargaining agreement in 2019, which expired on June 30, 2022. An updated contract was ratified on March 13, 2024 and expires June 30, 2029. For the years ended December 31, 2023 and 2022, Lambda Legal had approximately 60% of its employees covered under the collective bargaining agreement.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT

Net assets with donor restrictions consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Time restrictions		
Beneficial interest in trusts	\$ 1,263,008	\$ 1,126,411
Other time restricted gifts	7,922,831	1,615,000
Purpose restrictions	2,567,374	2,847,699
Unappropriated earnings from donor-restricted endowment	282,310	(84,737)
Term endowment*	1,892,482	895,812
Donor-restricted endowment corpus	448,090	448,090
	<u>\$ 14,376,095</u>	<u>\$ 6,848,275</u>

* During the year ended December 31, 2018, Lambda Legal received a term endowment gift to fund a legal fellowship. Until the end of 2028, Lambda Legal must invest the donation and use the investment to fund the Legal fellowship. After 2028, Lambda Legal may use the remaining portion of the gift for other restricted purposes. During the year ended December 31, 2023, Lambda Legal received a bequest in the amount of \$1,000,000. Until the end of 2043, Lambda Legal must use all of the annual income plus equal distributions of the principal such that the entire amount of the gift, plus all income, will be expended over a period of twenty years.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT (Continued)

Net assets of \$2,142,134 and \$2,923,365 were released from restrictions during the years ended December 31, 2023 and 2022, respectively, by incurring expenses or the passage of time, thus satisfying the restricted purposes.

Lambda Legal believes it has adopted reasonable and prudent investment policies for endowment assets that attempt to achieve favorable investment returns without exposure to undue risk that would threaten the preservation and growth of endowment principal. The portfolio is invested by external investment managers based on a diversified total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Lambda Legal recognizes that the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the market value of its donor-restricted endowment funds. During the years ended December 31, 2023 and 2022, the Board approved a resolution to appropriate 7% of the rolling five-year average market value of the donor-restricted endowment funds to net assets without donor restrictions.

In accordance with NYPMIFA, any unappropriated earnings on donor-restricted endowment funds, if not otherwise restricted by the donor, are reflected as net assets with donor restrictions until appropriated by the Board of Directors. Accordingly, all investment earnings on the donor-restricted endowment since inception have been classified as net assets with donor restrictions in a manner consistent with the standards prescribed by NYPMIFA.

Lambda Legal’s Board designated endowments consist of a discretionary fund intended to be used for future strategic initiatives with Board approval.

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions– Board Designated	With Donor Restrictions			2023 Total
		Term Endowment	Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ 971,477	\$ 134,409	\$ 114,040	\$ -	\$ 1,219,926
Additions	601,740	1,000,000	-	-	1,601,740
Transfers	-	-	260,000	-	260,000
Releases	(8,397,540)	-	-	-	(8,297,540)
Appropriations from donor-restricted funds	-	(137,739)	(6,993)	-	(144,732)
Change in endowment net assets	(6,824,323)	996,670	367,047	-	(5,460,606)
Endowment net assets, beginning of year	7,481,736	895,812	(84,737)	448,090	8,740,901
Endowment net assets, end of year	<u>\$ 657,413</u>	<u>\$ 1,892,482</u>	<u>\$ 282,310</u>	<u>\$ 448,090</u>	<u>\$ 3,280,295</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions– Board Designated	With Donor Restrictions			2023 Total
		Term Endowment	Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ (2,091,626)	\$ (172,026)	\$ (269,435)	\$ -	\$ (2,537,087)
Additions	-	81,900	-	25,000	106,900
Appropriations from donor-restricted funds	92,769	(82,339)	(10,430)	-	-
Change in endowment net assets	(1,998,857)	(176,465)	(279,865)	25,000	(2,430,187)
Endowment net assets, beginning of year	9,480,593	1,072,277	195,128	423,090	11,171,088
Endowment net assets, end of year	<u>\$ 7,481,736</u>	<u>\$ 895,812</u>	<u>\$ (84,737)</u>	<u>\$ 448,090</u>	<u>\$ 8,740,901</u>

As of December 31, 2023 and 2022, endowment net assets of \$3,280,295 and \$8,740,901 are included with investments on the accompanying statements of financial position.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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DECEMBER 31, 2023 AND 2022

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Lambda Legal to retain as a fund of perpetual duration. Lambda Legal had no such deficiency in its donor-restricted endowment funds as of December 31, 2023. As of December 31, 2022, there was a deficiency of \$84,737. The Board of Directors of Lambda Legal has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 10 – ALLOCATION OF JOINT COSTS

Lambda Legal incurred joint costs of \$421,860 and \$345,409 (other than donated services) for informational materials and activities that were included in fundraising appeals during the years ended December 31, 2023 and 2022, respectively. Of these costs, \$151,870 and \$127,698 were allocated to program expenses and \$269,990 and \$217,711 were allocated to fundraising for the years ended December 31, 2023 and 2022, respectively, as prescribed by U.S. GAAP.

NOTE 11 – CONCENTRATIONS

Cash that potentially subjects Lambda Legal to a concentration of credit risk includes accounts with one bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The bank account is insured up to \$250,000 per depositor. As of December 31, 2023 and 2022, there was approximately \$6,883,000 and \$5,842,000, respectively, of cash held by the bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 12 – DONATED SERVICES

Donated services for the year ended December 31, 2023 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Donated professional services	\$ 9,889,369	Various positions in programs	No associated donor restrictions	Based on hourly rates

Donated services for the year ended December 31, 2022 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Donated professional services	\$ 6,787,109	Various positions in programs	No associated donor restrictions	Based on hourly rates

NOTE 13 – FAIR VALUE MEASUREMENTS

In determining fair value, Lambda Legal utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

Investments in money market funds, common stock, and U.S. government bonds are valued using market prices in active markets (Level 1). Mutual funds are valued at the net asset value (“NAV”) of shares held by Lambda Legal at year end based upon quoted market prices determined in an active market. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate bonds and certificates of deposit are valued using a model approach (Level 2). Level 2 instrument valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets and liabilities are carried at fair value at December 31, 2023 and are classified as Level 1 and Level 2 in the table as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2023</u>
Investments:				
Money market funds	\$ 5,884,811	\$ -	\$ -	\$ 5,884,811
Common stock	13,143,061	-	-	13,143,061
U.S. government bonds	2,730,955	2,790,017	-	5,520,972
Corporate bonds	<u>1,794,733</u>	<u>-</u>	<u>-</u>	<u>1,794,733</u>
Total investments	<u>23,553,560</u>	<u>2,790,017</u>	<u>-</u>	<u>26,343,577</u>
Assets held for gift annuities:				
Money market funds	51,233	-	-	51,233
Common stock	1,591,356	-	-	1,591,356
Fixed income – U.S. government bonds	336,516	-	-	336,516
Fixed income – corporate bonds	<u>507,415</u>	<u>-</u>	<u>-</u>	<u>507,415</u>
Total assets held for gift annuities	<u>1,979,105</u>	<u>-</u>	<u>-</u>	<u>2,486,520</u>
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>1,263,008</u>	<u>1,263,008</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 26,502,871</u>	<u>\$ 2,790,017</u>	<u>\$ 1,263,008</u>	<u>\$ 30,093,105</u>
 LIABILITIES CARRIED AT FAIR VALUE:				
Liabilities under gift annuities	<u>-</u>	<u>\$ 1,211,143</u>	<u>-</u>	<u>\$ 1,211,143</u>
TOTAL LIABILITIES AT FAIR VALUE	<u>\$ -</u>	<u>\$ 1,211,143</u>	<u>\$ -</u>	<u>\$ 1,211,143</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
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NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities are carried at fair value at December 31, 2022 and are classified as Level 1 and Level 2 in the table as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2022</u>
Investments:				
Money market funds	\$ 2,938,891	\$ -	\$ -	\$ 2,938,891
Common stock	12,369,374	-	-	12,369,374
U.S. government bonds	4,506,115	714,324	-	5,220,439
Corporate bonds	<u>3,053,094</u>	<u>87,455</u>	<u>-</u>	<u>3,140,549</u>
Total investments	<u>22,867,474</u>	<u>801,779</u>	<u>-</u>	<u>23,669,253</u>
Assets held for gift annuities:				
Money market funds	16,947	-	-	16,947
Common stock	1,237,969	-	-	1,237,969
Fixed income – U.S. government bonds	353,135	-	-	353,135
Fixed income – corporate bonds	<u>411,633</u>	<u>-</u>	<u>-</u>	<u>411,633</u>
Total assets held for gift annuities	<u>2,019,684</u>	<u>-</u>	<u>-</u>	<u>2,019,684</u>
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>1,126,411</u>	<u>1,126,411</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 24,887,158</u>	<u>\$ 801,779</u>	<u>\$ 1,126,411</u>	<u>\$ 26,815,348</u>
LIABILITIES CARRIED AT FAIR VALUE:				
Liabilities under gift annuities	<u>-</u>	<u>\$ 1,073,841</u>	<u>-</u>	<u>\$ 1,073,841</u>
TOTAL LIABILITIES AT FAIR VALUE	<u>\$ -</u>	<u>\$ 1,073,841</u>	<u>\$ -</u>	<u>\$ 1,073,841</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2023 and 2022, there were no transfers.

NOTE 14 – BENEFICIAL INTEREST IN TRUSTS

Lambda Legal has been named a beneficiary in charitable trusts, four of which provide Lambda Legal current information:

- A Charitable Remainder UniTrust from which a beneficiary is currently receiving 8% of the initial net-fair market value of the assets of such trust valued on the first business day of such taxable year. Subsequent to this beneficiary passing, Lambda Legal is named to receive 100% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 25% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 30% of the balance of the trust.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – BENEFICIAL INTEREST IN TRUSTS (Continued)

- A Charitable Remainder Trust from which a beneficiary is currently receiving 25% of the initial net-fair market value of the assets of such trust valued on the first business day of such taxable year.

NOTE 15 – PLEDGES RECEIVABLE

Pledges and grants receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Collectible in:		
Less than one year	\$ 4,305,767	\$ 2,875,404
One to five years	5,281,649	1,760,000
Greater than five years	<u>116,400</u>	<u>-</u>
	9,703,816	4,635,404
Less: Discount on pledges (4.36% and 4.49%, respectively)	(791,420)	(233,834)
Less: allowance for doubtful accounts	<u>(356,002)</u>	<u>(144,404)</u>
	<u>\$ 8,556,394</u>	<u>\$ 4,257,166</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 24, 2024, the date the financial statements were available to be issued.