



# **LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**

Financial Statements  
(Together with Independent Auditors' Report)

For the Year Ended October 31, 2008  
(With Comparative Totals For October 31, 2007)



LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.

FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)

FOR THE YEAR ENDED OCTOBER 31, 2008  
(With Comparative Totals for October 31, 2007)

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Lambda Legal Defense and Education Fund, Inc.

We have audited the accompanying statement of financial position of the Lambda Legal Defense and Education Fund, Inc. ("Lambda Legal") as of October 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Lambda Legal's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Lambda Legal's October 31, 2007 financial statements and, in our report dated January 10, 2008, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lambda Legal Defense and Education Fund, Inc. as of October 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth & Shron LLP*

New York, NY  
January 8, 2009



**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF OCTOBER 31, 2008**  
**(With Comparative Totals for October 31, 2007)**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Cash	\$ 218,863	\$ 322,292
Pledges receivable, net - individuals (Note 2K)	108,931	101,098
Grants receivable - foundations and corporations (Note 2K)	-	50,000
Bequest receivable, net (Notes 2H, 4 and 12)	9,195,501	-
Prepaid expenses and other assets	217,199	194,975
Property and equipment, net (Notes 2D and 6)	181,123	225,185
Investments (Notes 2E and 5)	2,433,278	2,877,802
Assets held for gift annuities (Notes 2G and 5)	792,542	864,678
<b>TOTAL ASSETS</b>	<b>\$ 13,147,437</b>	<b>\$ 4,636,030</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 2I)	\$ 359,125	\$ 570,070
Accrued payroll and vacation	322,985	315,918
Deferred income (Note 2L)	2,820	38,659
Deferred rent (Note 2M)	45,633	60,844
Liabilities under gift annuities (Note 2G)	603,231	582,229
<b>TOTAL LIABILITIES</b>	<b>1,333,794</b>	<b>1,567,720</b>
<b>COMMITMENTS (Note 8)</b>		
<b>NET ASSETS (Note 2C)</b>		
Unrestricted	2,161,536	2,792,240
Temporarily restricted (Note 9)	9,418,925	212,888
Permanently restricted	233,182	63,182
<b>TOTAL NET ASSETS</b>	<b>11,813,643</b>	<b>3,068,310</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,147,437</b>	<b>\$ 4,636,030</b>

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

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2008**  
(With Comparative Totals for October 31, 2007)

For the Year Ended October 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>					
Special events revenue	\$ 3,754,664	\$ 67,680	\$ -	\$ 3,822,344	\$ 3,881,302
Less: direct special event expenses	<u>(570,238)</u>	-	-	<u>(570,238)</u>	<u>(641,491)</u>
Net revenues from special events	3,184,426	67,680	-	3,252,106	3,239,811
Grants from foundations and corporations (Note 2B)	1,084,759	737,550	-	1,822,309	2,065,223
Contributions and memberships (Note 2B)	4,405,454	74,690	-	4,480,144	5,047,727
Bequests (Notes 2H and 12)	1,507,843	9,245,501	170,000	10,923,344	958,941
Donated services (Notes 2F and 10)	5,324,004	-	-	5,324,004	4,357,589
Attorney fees (Note 2J)	80,582	-	-	80,582	9,913
Revenue under gift annuities (Note 2G)	22,943	-	-	22,943	108,159
Investment activity (Note 5)	(29,970)	-	-	(29,970)	208,680
Change in value of gift annuities (Note 2G)	(42,200)	-	-	(42,200)	(113,724)
Other revenue (Note 8)	38,152	-	-	38,152	7,716
Net assets released from restrictions (Note 9)	<u>919,384</u>	<u>(919,384)</u>	-	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>16,495,377</u>	<u>9,206,037</u>	<u>170,000</u>	<u>25,871,414</u>	<u>15,890,035</u>
<b>EXPENSES:</b>					
Program Services:					
Legal	9,281,895	-	-	9,281,895	7,987,687
Educational	4,582,111	-	-	4,582,111	4,183,133
Total program services	<u>13,864,006</u>	-	-	<u>13,864,006</u>	<u>12,170,820</u>
Supporting Services:					
Management and general	1,255,884	-	-	1,255,884	1,254,136
Fundraising	1,781,547	-	-	1,781,547	1,952,712
Special events	224,644	-	-	224,644	116,196
Total supporting services	<u>3,262,075</u>	-	-	<u>3,262,075</u>	<u>3,323,044</u>
<b>TOTAL EXPENSES</b>	<u>17,126,081</u>	-	-	<u>17,126,081</u>	<u>15,493,864</u>
<b>CHANGE IN NET ASSETS</b>	<u>(630,704)</u>	<u>9,206,037</u>	<u>170,000</u>	<u>8,745,333</u>	<u>396,171</u>
Net assets - beginning of year	<u>2,792,240</u>	<u>212,888</u>	<u>63,182</u>	<u>3,068,310</u>	<u>2,672,139</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,161,536</u>	<u>\$ 9,418,925</u>	<u>\$ 233,182</u>	<u>\$ 11,813,643</u>	<u>\$ 3,068,310</u>

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 OCTOBER 31, 2008**  
(With Comparative Totals for October 31, 2007)

For the Year Ended October 31, 2008

	Program Services			Supporting Services					Total 2007
	Legal	Educational	Total Program Services	Management and General	Fund Raising	Special Events	Total Supporting Services	Total 2008	
Salaries	\$ 2,577,498	\$ 2,326,035	\$ 4,903,533	\$ 628,658	\$ 754,390	-	\$ 1,383,048	\$ 6,286,581	\$ 5,732,154
Payroll taxes and employee benefits (Note 7)	733,301	661,760	1,395,061	178,856	214,625	-	393,481	1,788,542	1,618,629
<b>Total Salaries and Related Costs</b>	<b>3,310,799</b>	<b>2,987,795</b>	<b>6,298,594</b>	<b>807,514</b>	<b>969,015</b>	<b>-</b>	<b>1,776,529</b>	<b>8,075,123</b>	<b>7,350,783</b>
Occupancy (Note 8)	284,223	256,494	540,717	69,323	83,187	-	152,510	693,227	720,800
Professional services	18,025	17,284	35,309	71,929	130,718	134,508	337,155	372,464	428,363
Travel and meetings	94,684	87,319	181,973	24,877	122,166	13,821	160,864	342,837	305,534
Office supplies	53,205	48,014	101,219	12,740	15,572	-	28,312	129,531	82,486
Insurance	31,969	28,850	60,819	7,797	9,357	-	17,154	77,973	76,846
Equipment rental and repairs	21,350	19,267	40,617	5,207	6,249	-	11,456	52,073	47,427
Telecommunications	74,214	66,974	141,188	18,090	21,721	-	39,811	180,999	146,052
Dues and subscriptions	22,159	4,804	26,963	6,868	2,761	-	9,629	36,592	32,996
Credit card and bank charges (Note 5)	-	-	-	128,812	-	-	128,812	128,812	120,813
Donated services (Notes 2F and 10)	5,097,971	182,017	5,279,988	20,007	24,009	-	44,016	5,324,004	4,357,589
Postage	52,250	47,152	99,402	8,654	15,293	-	23,947	144,377	102,164
Printing and outreach	6,802	790,325	797,127	1,662	362,517	21,028	419,466	1,216,593	1,309,459
Recruitment and training	15,330	17,546	32,876	12,413	9,813	-	22,226	55,102	104,324
Direct case expenses	167,618	-	167,618	-	-	-	-	167,618	176,195
Direct special event expenses	-	-	-	-	-	570,238	570,238	570,238	641,491
Bad debt	-	-	-	52,350	-	-	52,350	52,350	20,960
Depreciation and amortization	31,326	28,270	59,596	7,641	9,169	-	16,810	76,406	111,273
<b>Subtotal</b>	<b>9,281,895</b>	<b>4,582,111</b>	<b>13,864,006</b>	<b>1,255,884</b>	<b>1,781,547</b>	<b>794,882</b>	<b>3,832,313</b>	<b>17,696,319</b>	<b>16,135,355</b>
Less: expenses deducted directly from revenues on the statement of activities	-	-	-	-	-	(570,238)	(570,238)	(570,238)	(641,491)
<b>TOTAL EXPENSES</b>	<b>\$ 9,281,895</b>	<b>\$ 4,582,111</b>	<b>\$ 13,864,006</b>	<b>\$ 1,255,884</b>	<b>\$ 1,781,547</b>	<b>\$ 224,644</b>	<b>\$ 3,262,075</b>	<b>\$ 17,126,081</b>	<b>\$ 15,493,864</b>

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

**LAMDBA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2008**  
**(With Comparative Totals for October 31, 2007)**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 8,745,333	\$ 396,171
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	76,406	111,273
Change in value of gift annuities	42,200	113,724
Change in discount on bequest receivable	942,080	-
Non-cash contributions to annuities	-	(227,770)
Net realized and unrealized loss (gain) on investments	189,090	(21,260)
Donated investments	(605,827)	(501,329)
Contributions restricted for investment in endowment	(170,000)	-
Bad debt expense	52,350	20,960
Subtotal	9,271,632	(108,231)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable - individuals	(60,183)	83,303
Grants receivable - foundations and corporations	50,000	50,000
Bequest receivable	(10,137,581)	-
Prepaid expenses and other assets	(22,224)	(52,565)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(210,945)	103,027
Accrued payroll and vacation	7,067	11,810
Deferred income	(35,839)	33,659
Deferred rent	(15,211)	(15,211)
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(1,153,284)</b>	<b>105,792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investment sales	3,370,615	801,766
Purchase of investments	(2,437,219)	(1,063,641)
Purchase of property and equipment	(32,344)	(47,093)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>901,052</b>	<b>(308,968)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on annuities and trusts	(58,255)	(48,043)
Contributions restricted from investment in endowment	170,000	-
Proceeds from issuance of annuities	37,058	123,729
<b>Net Cash Provided by Financing Activities</b>	<b>148,803</b>	<b>75,686</b>
<b>NET DECREASE IN CASH</b>	<b>(103,429)</b>	<b>(127,490)</b>
Cash - beginning of year	322,292	449,782
<b>CASH - END OF YEAR</b>	<b>\$ 218,863</b>	<b>\$ 322,292</b>

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

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Lambda Legal Defense and Education Fund, Inc. ("Lambda Legal") is a national organization committed to achieving full recognition of the civil rights of lesbians, gay men, bisexuals, transgender people and those 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 policies generally accepted in the United States of America.
- B. Lambda Legal reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 temporarily restricted, as well as released from restrictions.
- C. Lambda Legal maintains its net assets under the following three classes:
- Unrestricted – net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.
  - Temporarily Restricted – net assets resulting from contributions and other inflows of assets whose use by Lambda Legal is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Lambda Legal pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.
  - Permanently Restricted – net assets resulting from contributions and other inflows of assets whose use by Lambda Legal is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Lambda Legal.
- D. Property and equipment is 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 \$1,000 threshold above which assets are capitalized. Purchases below \$1,000 are expensed at the time of acquisition. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. All other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- E. Investments are reported at quoted market value.
- F. Lambda Legal records contributed items at their fair value on the date of receipt. Lambda Legal also receives contributed services that are an integral part of its operations. Such services are only recorded as contributions in-kind (at their fair value) provided they meet the criteria for recognition. Donated services received are estimated at \$5,324,004 and \$4,357,589 for the years ended October 31, 2008 and 2007, respectively, and are reflected as donated services as both income and expense in the accompanying financial statements.

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. Lambda Legal has a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar annual return of the gift assets during their lifetimes. 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 income 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 statement of activities.

Lambda Legal was the recipient of two deferred gift annuities. The first deferred gift annuity, \$20,000, was received during the year ended October 31, 2005. Commencing in September 2015, Lambda Legal will make annual payments of \$1,940 until the donor's death. If the donor dies before September 2015, Lambda Legal is released from all obligations under this agreement. The second deferred gift annuity, \$10,361, was received during the year ended October 31, 2007. Commencing in October 2011, Lambda Legal will make annual payments of \$694 until the donors' death. If the donors die before October 2011, Lambda Legal is released from all obligations under this agreement.

Regarding the above-mentioned agreements, Lambda Legal recorded an asset amounting to \$792,542 and a liability of \$603,231 as of October 31, 2008. The assets invested are \$40,586 in money market funds and \$751,956 in mutual funds. Contribution income of \$22,943 and \$108,159 for the years ended October 31, 2008 and 2007, respectively, is included in the accompanying statement of activities.

- H. Legacies and bequests are recognized when Lambda Legal is notified that all 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 free rate of return, unless the value is immaterial. The amortization of the bequest discount is reflected as additional contribution revenue. Lambda Legal received a generous bequest in fiscal year 2008 further discussed in Notes 4 and 12.
- I. During the year ending October 31, 2008, Lambda Legal received cash that it holds on behalf of an organization. The amount has been recorded as a liability since Lambda Legal is subject to the resource provider's unilateral right to redirect these funds to third party beneficiaries. The liability as of October 31, 2008 of \$15,770 is included in accounts payable and accrued expenses in the accompanying statement of financial position.
- J. Attorney fees are agreed upon fees in amounts corresponding to the value of the time spent by attorneys and can include reimbursement of actual expenses incurred while litigating matters on behalf of Lambda Legal's clients.
- K. Pledges and grants are recorded as revenue when the pledge or grant is made. It is Lambda Legal's practice to discount pledges and grants receivable due in more than one year to present value unless the value is immaterial. Pledges and grants receivable are all scheduled to be collected in the next fiscal year. Historically, Lambda Legal has not experienced significant bad debt losses. Lambda Legal bases its allowance for doubtful accounts on its historical loss experience considering the age of the receivables. Pledges and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Lambda Legal has determined that an allowance of approximately \$55,000 and \$21,000 was necessary as of October 31, 2008 and 2007, respectively, for pledges and no allowance was necessary for grants.
- L. Lambda Legal also receives cash in advance of special events that are to be held after the statement of financial position date. It is Lambda Legal's policy to record the contribution portion of the events as income when received and the exchange portion as deferred income until earned.
- M. Lambda Legal leases its New York City office whereby the landlord provided a free rent period of 15 months. Lambda Legal reflected a liability for this free rent period that it amortizes on a straight-line basis over the life of the lease which expires in 2011.

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- N. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- O. The October 31, 2008 financial statements include certain prior-year summarized comparative information in total but not in detail for the statements of activities and functional expenses. In addition, certain notes to the financial statements do not contain full detail for October 31, 2007. As a result, the October 31, 2007 comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such October 31, 2007 information should be read in conjunction with Lambda Legal's financial statements for the year ended October 31, 2007, from which the summarized information was derived.

**NOTE 3 – CONDITIONAL PLEDGES**

Lambda Legal had secured \$450,000 and \$225,000 in two conditional pledges during the years ended October 31, 2007 and 2006, respectively. Lambda Legal had received \$300,000 through October 31, 2007 and an additional \$225,000 during the year ended October 31, 2008. The one remaining pledge payment is due within the next year and is conditional based on progress and reporting satisfactory to the donor.

**NOTE 4 – BEQUEST RECEIVABLE**

The bequest receivable consists of a generous bequest from the Estate of Ric Weiland. As of October 31, 2008, the net bequest receivable associated with this contribution amounted to approximately 89% of total receivables. Equal quarterly disbursements of the Weiland Estate commenced in March of 2008 and are scheduled to continue for an eight year period. The bequest receivable is scheduled to be received as follows as of October 31, 2008:

Amount due in less than one year	\$ 1,398,288
Amount due in one to five years	6,991,440
Amount due thereafter	<u>1,747,853</u>
	10,137,581
Less discount (at 3.23%)	<u>(942,080)</u>
	<u>\$ 9,195,501</u>

**NOTE 5 – INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES**

Investments consist of the following as of October 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 2,192,877	\$ 2,171,156
Bond mutual fund	240,401	307,876
Corporate bonds	-	199,684
U.S. Government bonds and bond mutual funds	<u>-</u>	<u>199,086</u>
	<u>\$ 2,433,278</u>	<u>\$ 2,877,802</u>

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

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 5 – INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES (Continued)**

Assets held for gift annuities consist of the following as of October 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 40,586	\$ 44,475
Equity mutual fund	101,919	131,530
Bond mutual fund	483,378	600,695
Government bond funds	<u>166,659</u>	<u>87,978</u>
	<u>\$ 792,542</u>	<u>\$ 864,678</u>

Investment activity consists of the following for the years ended October 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 111,398	\$ 152,094
Unrealized loss on investments	(66,989)	(10,300)
Realized (loss) gain on investment sales	<u>(1,395)</u>	<u>2,700</u>
	<u>\$ 43,014</u>	<u>\$ 144,494</u>

Assets held for gift annuities activity consists of the following for the years ended October 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 47,722	\$ 35,326
Unrealized (loss) gain on investments	(120,706)	21,683
Realized gain on investment sales	<u>-</u>	<u>7,177</u>
	<u>\$ (72,984)</u>	<u>\$ 64,186</u>
Total activity of investments and assets held for gift annuities	<u>\$ (29,970)</u>	<u>\$ 208,680</u>

Lambda Legal incurred investment management fees of \$12,135 and \$9,548 during the fiscal years ending October 31, 2008 and 2007, respectively. The fees are reflected as credit card and bank charges in the accompanying statement of functional expenses.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of October 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	\$ 820,955	\$ 794,671	3-5 years
Leasehold improvements	<u>446,683</u>	<u>440,623</u>	5-15 years
Total cost	1,267,638	1,235,294	
Less: accumulated depreciation and amortization	<u>(1,086,515)</u>	<u>(1,010,109)</u>	
Net book value	<u>\$ 181,123</u>	<u>\$ 225,185</u>	

Depreciation expense amounted to \$76,406 and \$111,273 for the years ended October 31, 2008 and 2007, respectively. During the years ended October 31, 2008 and 2007, Lambda Legal wrote off fully depreciated assets in the amount of \$0 and \$58,932, respectively.

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 7 – PENSION PLAN**

Lambda Legal maintains a qualified defined contribution pension plan covering all eligible employees after one year of service. Employees vest over a multiyear period. Lambda Legal makes discretionary contributions to this plan based on an approval by the Board of Directors. During the years ended October 31, 2008 and 2007, Lambda Legal contributed 10% of the participating employees' salaries, which amounted to approximately \$484,000 and \$455,000, respectively.

**NOTE 8 – COMMITMENTS**

Lambda Legal has lease agreements for the rental of its New York, Los Angeles, Chicago, Dallas and Atlanta offices.

Minimum annual rentals related to the above leases are as follows for years ended subsequent to October 31, 2008:

2009	\$ 592,833
2010	593,391
2011	470,701
2012	<u>103,730</u>
	<u>\$ 1,760,655</u>

Rent expense amounted to approximately \$579,000 for each of the years ended October 31, 2008 and 2007.

Other revenue in the accompanying statement of activities includes rental income from subleases amounting to \$5,400 and \$4,600 for the years ended October 31, 2008 and 2007, respectively. Future minimum sublease payments from the one year sublease agreement are \$5,280 to be received in fiscal year 2009.

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$9,418,925 as of October 31, 2008 consist of \$130,744 available for the legal and educational programs in all of our offices and \$9,288,181, which is time restricted for future fiscal years.

Net assets were released from restrictions during the year ended October 31, 2008 by incurring expenses or the passage of time thus satisfying the restricted purposes as follows:

Family Protections	\$ 136,914
Youth	206,730
Proyecto Igualdad	109,962
Fair Courts	120,000
Workplace Fairness	50,000
Earned Legal Salary	108,888
Other	32,890
Period ended October 31, 2008	<u>154,000</u>
	<u>\$ 919,384</u>

**NOTE 10 – DONATED SERVICES**

Some of the program services provided by Lambda Legal are furnished by lawyers and other professionals who, working under the supervision and guidance of Lambda Legal staff members, perform their services free of cost. The total amount of donated services for the years ended October 31, 2008 and 2007 amounted to \$5,324,004 and \$4,357,589, respectively.

**LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

**NOTE 11 – ALLOCATION OF JOINT COSTS**

Lambda Legal incurred joint costs of \$410,245 (other than donated services) for informational materials and activities that were included in fundraising appeals. Of these costs, \$115,374 was allocated to program expenses and \$294,871 was allocated to fundraising.

**NOTE 12 – CONCENTRATIONS**

During the year ended October 31, 2008, a single donor (The Estate of Ric Weiland) bequeathed \$11,186,297 to Lambda Legal. Lambda Legal received three payments totaling \$1,048,716 during the year ended October 31, 2008. The bequest receivable was recorded net of a discount to present value as equal payments are scheduled over the ensuing eight years. The net contribution amounts to approximately 39% of total revenues.

**NOTE 13 – SUBSEQUENT EVENT**

Due to current market conditions, subsequent to October 31, 2008, Lambda Legal incurred a reduction in workforce of approximately 10% of personnel.