HUMAN RIGHTS CAMPAIGN, INC. AND HUMAN RIGHTS CAMPAIGN FOUNDATION

Combined Financial Statements

For the Year Ended March 31, 2019
(With Summarized Financial Information for the Year Ended March 31, 2018)

and
Report Thereon

HUMAN RIGHTS CAMPAIGN, INC. AND
HUMAN RIGHTS CAMPAIGN FOUNDATION

TABLE OF CONTENTS
For the Year Ended March 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors of the
Human Rights Campaign, Inc. and
the Human Rights Campaign Foundation

Report on Financial Statements

We have audited the accompanying combined financial statements of the Human Rights Campaign, Inc. (HRC) and the Human Rights Campaign Foundation (the Foundation), which comprise the combined statement of financial position as of March 31, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

Continued

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of HRC and the Foundation as of March 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

HRC and the Foundation's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated August 16, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
July 25, 2019

HUMAN RIGHTS CAMPAIGN, INC. AND
HUMAN RIGHTS CAMPAIGN FOUNDATION

COMBINED STATEMENT OF FINANCIAL POSITION
March 31, 2019
(With Summarized Financial Information as of March 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 9,035,343	$ 9,765,758
Investments	16,615,813	16,973,443
Pledges receivable, net	1,391,407	2,155,899
Contracts and other receivables, net	3,199,235	1,380,240
Prepaid expenses and other assets	1,504,201	1,561,323
Beneficial interests in trusts	291,466	460,000
Interest rate swap	26,092	50,735
Property and equipment, net	19,635,667	19,982,689
TOTAL ASSETS	$ 51,699,224	$ 52,330,087
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 5,652,826	$ 5,639,594
Deferred revenue	1,383,080	1,272,178
Note payable	1,847,558	2,286,276
Charitable gift annuity payable	193,196	95,310
TOTAL LIABILITIES	9,076,660	9,293,358
Net Assets		
Without donor restrictions	38,540,350	38,381,936
With donor restrictions	4,082,214	4,654,793
TOTAL NET ASSETS	42,622,564	43,036,729
TOTAL LIABILITIES AND NET ASSETS	$ 51,699,224	$ 52,330,087

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

HUMAN RIGHTS CAMPAIGN, INC. AND
HUMAN RIGHTS CAMPAIGN FOUNDATION

COMBINED STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2019
(With Summarized Financial Information for the Year Ended March 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Contributions and grants:				
Member contributions	$ 25,887,473	$ 252,006	$ 26,139,479	$ 24,461,502
Federal Club members and major donor program	16,306,361	2,330,000	18,636,361	17,749,134
Corporate and foundation grants and contracts	2,924,743	6,058,052	8,982,795	6,853,260
Planned giving	1,339,352	291,466	1,630,818	2,563,570
In-kind	2,186,905	-	2,186,905	2,377,784
Special events	11,396,679	-	11,396,679	11,241,320
Consumer marketing	2,756,454	236,048	2,992,502	2,722,798
Rental and other income	1,160,001	-	1,160,001	1,105,541
Investment income, net	284,336	-	284,336	167,750
Net assets released from restrictions:				
Satisfaction of time restrictions	5,988,060	(5,988,060)	-	-
Satisfaction of program restrictions	3,752,091	(3,752,091)	-	-
TOTAL REVENUE AND SUPPORT	73,982,455	(572,579)	73,409,876	69,242,659
EXPENSES				
Program Services:				
Federal, field, electoral and legal advocacy	18,296,212	-	18,296,212	10,626,889
Public policy, education and training	14,154,715	-	14,154,715	15,028,668
Communications and media advocacy	5,729,762	-	5,729,762	5,009,260
Membership education and mobilization	11,677,609	-	11,677,609	12,754,069
Total Program Services	49,858,298	-	49,858,298	43,418,886
Supporting Services:				
Management and general	11,523,868	-	11,523,868	9,826,363
Fundraising	11,599,273	-	11,599,273	10,214,944
Direct benefit to donors	817,959	-	817,959	830,543
Total Supporting Services	23,941,100	-	23,941,100	20,871,850
TOTAL EXPENSES	73,799,398	-	73,799,398	64,290,736
Change in net assets before other item	183,057	(572,579)	(389,522)	4,951,923
OTHER ITEM				
Unrealized gain (loss) on interest rate swap	(24,643)	-	(24,643)	32,863
CHANGE IN NET ASSETS	158,414	(572,579)	(414,165)	4,984,786
NET ASSETS, BEGINNING OF YEAR	38,381,936	4,654,793	43,036,729	38,051,943
NET ASSETS, END OF YEAR	$ 38,540,350	$ 4,082,214	$ 42,622,564	$ 43,036,729

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

HUMAN RIGHTS CAMPAIGN, INC. AND
HUMAN RIGHTS CAMPAIGN FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2019
(With Summarized Financial Information for the Year Ended March 31, 2018)

	Program Services					Supporting Services					
	Federal, Field, Electoral and Legal Advocacy	Public Policy, Education and Training	Communications and Media Advocacy	Membership Education and Mobilization	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	2019 Total	2018 Total
Salaries and benefits	$ 6,192,032	$ 5,749,745	$ 3,626,277	$ 2,272,571	17,840,625	$ 6,950,890	$ 4,197,800	$ -	$ 11,148,690	$ 28,989,315	$ 24,720,315
Professional services	3,982,697	1,414,035	814,636	5,049,529	11,260,897	1,559,296	1,297,985	-	2,857,281	14,118,178	13,930,532
Conferences, conventions and meetings	1,967,606	1,999,112	125,594	517,139	4,609,451	402,659	1,818,586	817,959	3,039,204	7,648,655	7,468,659
Advertising and promotion	1,847,093	1,174,477	142,056	7,337	3,170,963	424	13,998	-	14,422	3,185,385	772,224
Travel	1,022,586	560,687	315,753	352,310	2,251,336	315,175	406,247	-	721,422	2,972,758	2,161,490
Other office expenses and miscellaneous	353,574	198,938	119,235	671,859	1,343,606	716,189	383,261	-	1,099,450	2,443,056	1,849,440
Occupancy costs	131,667	1,128,432	233,654	208,753	1,702,506	399,318	218,751	-	618,069	2,320,575	2,372,245
Equipment and technology costs	376,036	175,682	248,221	632,950	1,432,889	627,676	251,738	-	879,414	2,312,303	2,060,125
Premiums - development	174,776	64,507	1,240	721,682	962,205	41,642	295,009	-	336,651	1,298,856	1,182,064
Grants and contributions	1,091,717	706,417	28,830	87,693	1,914,657	186,496	7,240	-	193,736	2,108,393	1,874,002
Direct mail and telemarketing	499,647	73,576	-	499,832	1,073,055	31,282	933,572	-	964,854	2,037,909	1,811,139
Postage and shipping	503,179	254,096	4,135	505,040	1,266,450	47,200	511,276	-	558,476	1,824,926	1,415,213
Taxes, bank and corporate fees	11,299	274,603	46,475	21,935	354,312	211,475	1,058,252	-	1,269,727	1,624,039	1,556,077
Printing, publications and photocopying	142,303	380,408	23,656	128,979	675,346	34,146	205,558	-	239,704	915,050	1,117,211
TOTAL EXPENSES	$ 18,296,212	$ 14,154,715	$ 5,729,762	$ 11,677,609	$ 49,858,298	$ 11,523,868	$ 11,599,273	$ 817,959	$ 23,941,100	$ 73,799,398	$ 64,290,736

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Human Rights Campaign, Inc. (HRC) was incorporated in the District of Columbia in 1982 and is organized and operated for the promotion of the social welfare of the lesbian, gay, bisexual, transgender and queer (LGBTQ) community. By inspiring and engaging individuals and companies, HRC strives to end discrimination against LGBTQ people and realize a world that achieves fundamental fairness and equality for all. HRC is a bi-partisan organization that effectively lobbies Congress, mobilizes grassroots action in diverse communities, invests strategically to elect fair-minded leaders and increases public understanding through innovative education and communication strategies.

HRC has established political action committees (PACs) for federal and state electoral purposes. HRC operates a federal PAC registered with the Federal Election Commission. HRC also administers state PACs registered with state election agencies and the Internal Revenue Service (the IRS) as well as a non-federal PAC, registered solely with the IRS. These PACs are separate entities established under Section 527 of the Internal Revenue Code (the IRC) with their own tax ID numbers and IRS filing obligations. All PAC activity is consolidated with that of HRC in the accompanying combined financial statements.

The Human Rights Campaign Foundation (the Foundation) was incorporated in the District of Columbia in 1985. The Foundation is organized for the charitable and educational purposes of promoting public education and welfare of the LGBTQ community. The Foundation provides educational materials and information about the LGBTQ community, analyzes public policy relating to the social, economic and legislative issues facing the LGBTQ community, produces ratings indices, and commissions studies and research relating to the social, economic, political and health status of the LGBTQ community.

Principles of Combination

The financial statements of HRC and the Foundation (collectively, the Organization) have been combined because they share common programmatic interest and management. All significant intercompany transactions have been eliminated in the combination.

Cash Equivalents

The Organization considers demand deposits and money market accounts, other than those held for investment purposes, to be cash equivalents.

Investments

Investments consist of money market accounts, certificates of deposit, mutual funds, U.S. Treasury securities, common stock and cash. Investments, excluding cash, are measured at fair value. 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. Purchases and sales are recorded on a trade-date basis. Unrealized gains or losses on

Continued

HUMAN RIGHTS CAMPAIGN, INC. AND
HUMAN RIGHTS CAMPAIGN FOUNDATION

COMBINED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2019
(With Summarized Financial Information for the Year Ended March 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (414,165)	$ 4,984,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,239,734	1,189,098
Unrealized and realized losses (gains) on investments	(21,019)	6,546
Allowance for uncollected receivables	(9,332)	90,023
Unrealized losses (gains) on interest swap	24,643	(32,863)
Changes in assets and liabilities:		
Pledges receivable	773,416	(785,241)
Contracts and other receivables	(1,818,587)	612,138
Prepaid expenses and other assets	57,122	53,678
Beneficial interests in trusts	168,534	(460,000)
Accounts payable and accrued expenses	13,232	1,917,342
Deferred revenue	110,902	(982,940)
Charitable gift annuity payable	97,886	(20,709)
NET CASH PROVIDED BY OPERATING ACTIVITIES	222,366	6,571,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,159,569	494,853
Purchases of investments	(1,780,920)	(1,744,959)
Purchases of property and equipment	(892,712)	(894,860)
NET CASH USED IN INVESTING ACTIVITIES	(514,063)	(2,144,966)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(438,718)	(429,824)
Principal payments on capital lease obligation	-	(16,726)
NET CASH USED IN FINANCING ACTIVITIES	(438,718)	(446,550)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(730,415)	3,980,342
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,765,758	5,785,416
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,035,343	$ 9,765,758
SUPPLEMENTAL DISCLOSURE		
Interest paid	$ 42,558	$ 63,662

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

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

investments are determined by the change in fair value at the beginning and end of the reporting period and included in investment income in the accompanying combined statement of activities. Realized gains and losses on sales of investments are computed on an average cost basis and are recorded on the trade date of the transaction and included in investment income in the accompanying combined statement of activities.

Receivables

Receivables consist primarily of pledges, contracts and grants from foundations and corporate contributors. The Organization uses the allowance method to record potentially uncollectible accounts based upon an ongoing review of account balances, including the age of the balance and/or the historical experience with the donor/customer.

Derivatives

The Foundation has entered into an interest rate swap agreement in conjunction with its note payable agreement to minimize its exposure to interest rate fluctuations. Since the Foundation is a nonprofit organization, cash flow hedging is not permitted under Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 815, *Derivatives and Hedging*. Therefore, the fair value of this derivative is reflected in the combined statement of financial position, with the related gain or loss reflected in the combined statement of activities.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost and are depreciated with no salvage value using the straight-line method over the estimated useful lives as follows:

Building and building improvements	10-40 years
Computer equipment and software	3 years
Furniture and fixtures	5 years

Leasehold improvements are amortized using the straight-line method over the remaining life of the lease. The Organization capitalizes all property and equipment purchased with a cost in excess of $3,000 and a useful life of more than one year. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying combined statement of activities. Major additions are capitalized; conversely, expenditures for minor repairs and maintenance that do not improve or extend the lives of the respective assets are expensed when incurred.

Software in process is capitalized as costs are incurred during the development of the software and amortized over the estimated useful life of the software upon completion.

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended March 31, 2019.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, 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.

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of management and the Boards of Directors (the Boards).
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Revenue Recognition

The Organization reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

HRC has more than three million members and supporters nationwide. Amounts received from members have been classified as member contributions in the accompanying combined statement of activities and recognized when promised.

Planned giving includes gifts through wills and beneficial interests in trusts. Bequests through wills are recorded as revenue at the conclusion of probate proceedings and the proceeds are measurable. Trust interests are recognized when they become irrevocable and the Organization becomes aware of its beneficial interest.

Special events revenue consists primarily of event registrations. Registrations are recognized as revenue when the event occurs. Registrations received in advance of the event are recorded as deferred revenue.

Consumer marketing revenue consists of merchandise sales and commercial co-venture agreements with national retailers.

Donated Goods and Services

In-kind contributions are recognized as revenue and support and expenses at their estimated fair value as provided by the donor at the date of receipt, in the accompanying combined statement of activities. In-kind contributions consist of contributed services and goods.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying combined statement of functional expenses. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by timesheets and by management. Costs that are part of the direct mail and telemarketing campaigns are allocated based on the line counts of the direct mail and telemarketing pieces.

Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement (continued)

of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended March 31, 2018. There were no significant accounting changes as a result of this implementation.

2. Investments

Investments consisted of the following as of March 31, 2019:

Money market accounts	$ 8,664,653
Certificates of deposit	7,257,965
Mutual funds	559,600
U.S. Treasury securities	106,534
Common stock	22,624
Cash	4,437
Total Investments	$ 16,615,813

Investment income is summarized as follows for the year ended March 31, 2019:

Interest and dividends	$ 278,016
Net unrealized and realized gains	21,019
Investment expenses	(14,699)
Investment Income, Net	$ 284,336

3. Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at net realizable value if expected to be collected within one year and at the present value of the estimated future cash flows if expected to be collected in future years.

Pledges receivable consisted of the following as of March 31, 2019:

Pledges receivable due in one year or less	$ 1,707,179
Pledges receivable due in one to five years	4,881
Total Pledges Receivable	1,712,060
Less: Allowance for Uncollectible Accounts	(320,653)
Pledges Receivable, Net	$ 1,391,407

Continued

4. Contracts and Other Receivables

Contacts and other receivables are recorded at net realizable value if expected to be collected within one year and at the present value of the estimated future cash flows if expected to be collected in future years.

Contracts and other receivables consisted of the following as of March 31, 2019:

Contracts and other receivables due in one year or less	$ 2,657,411
Contracts and other receivables due in one to five years	666,000
Total Contracts and Other Receivables	3,323,411
Less: Discount on Multiyear Receivables	(65,958)
Allowance for Uncollectible Accounts	(58,218)
Contracts and Other Receivables, Net	$ 3,199,235

5. Interest Rate Swap

The Foundation has entered into an interest rate swap agreement with a financial institution to synthetically fix the interest rate on 100% of the $4,350,000 initial notional amount of a note payable agreement (see Note 7). The swap agreement was entered into as a means to reduce the Foundation's exposure to volatility in rate indexes. Per the swap agreement, the Foundation pays a fixed rate of 2.05% on the note payable agreement. The maturity date of the swap agreement is March 31, 2023. As of March 31, 2019, the swap agreement had a positive fair value of $26,092, which is included in the accompanying combined statement of financial position.

6. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of March 31, 2019:

Land	$ 3,245,760
Building and building improvements	23,319,279
Computer equipment and software	5,143,936
Furniture and fixtures	1,771,980
Leasehold improvements	830,319
Software in process (non-depreciable)	687,587
Total Property and Equipment	34,998,861
Less: Accumulated Depreciation and Amortization	(15,363,194)
Property and Equipment, Net	$ 19,635,667

Depreciation and amortization expense totaled $1,239,734 for the year ended March 31, 2019.

Continued

7. Note Payable

In April 2002, the Foundation purchased an existing building at 1640 Rhode Island Avenue, N.W., Washington, D.C. The Foundation renovated the building and currently leases a portion of the building to HRC, which, in turn, subleases a portion to other organizations.

The acquisition and renovation of the building were financed through a loan with a local financial institution. In April 2013, this loan was refinanced and the Foundation entered into a $4,350,000 note payable agreement with a new financial institution which matures in March 2023. This note accrues interest at a variable rate which equals 50 basis points over the one-month London Interbank Offered Rate (LIBOR), which totaled 3% at March 31, 2019. The Foundation pays a fixed rate of 2.05% on the note payable pursuant to an interest rate swap agreement (see Note 5). The note is guaranteed by HRC and is secured by a deed of trust, an assignment of rents, a security agreement and a fixture filing totaling $4,350,000, which creates a first lien against the building and a security instrument which creates an absolute assignment of rents and interests in any leases. The note agreement contains various covenants which, among other things, place restrictions on the Organization's ability to incur additional indebtedness, and require the Organization to maintain certain balances of cash and investments and net assets without donor restrictions. All financial tests were met as of March 31, 2019.

As of March 31, 2019, the future minimum principal payments were due as follows:

For the Year Ending March 31,	
2020	$ 447,797
2021	457,063
2022	466,522
2023	476,176
	$ 1,847,558

8. Charitable Gift Annuity Payable

The Foundation has charitable gift annuity agreements with individuals. Under the terms of the agreements, the Foundation receives cash in exchange for a survivor annuity agreement. The Foundation is obligated to make quarterly or annual payments for each individual's lifetime. The Foundation records the liability at the present value of the expected future cash flows based on the donor's life expectancy. As of March 31, 2019, the present value of the annuity payable totaled $193,196 and is funded by the Foundation's investments.

Continued

9. Fair Value Measurement

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of March 31, 2019:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market accounts	$ 8,664,653	$ 8,664,653	$ -	$ -
Certificates of deposit	7,257,965	-	7,257,965	-
Mutual funds	559,600	559,600	-	-
U.S. Treasury securities	106,534	-	106,534	-
Common stock	22,624	22,624	-	-
Beneficial interest in trusts	291,466	-	-	291,466
Interest rate swap	26,092	-	26,092	-
Total Assets	$ 16,928,934	$ 9,246,877	$ 7,390,591	$ 291,466
Liabilities:				
Charitable gift annuity payable	$ 193,196	$ -	$ 193,196	$ -
Total Liabilities	$ 193,196	$ -	$ 193,196	$ -

Money market accounts, mutual funds and common stock – Fair value is based on the closing price reported on the active market in which the individual securities are traded.

Certificates of deposit – Fair value is based on original cost plus accrued interest, which approximates fair value.

U.S. Treasury securities – Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

Beneficial interest in trusts – Fair value is derived from the expected future cash flows from the trust, which are based on the fair value of the underlying assets and future expected returns, as well as a discount reflecting risk inherent in those cash flows.

Interest rate swap – Fair value is derived from quotes from a dealer or broker, where available. Models used in valuing such agreements consider the contractual terms of and specific risks inherent in the instrument, and inputs used typically include yield curve, instrument volatility, prepayment rates and assumptions concerning nonperformance risk.

Charitable gift annuity payable – These liabilities are carried at actuarially determined present values which approximate fair value.

9. Fair Value Measurement (continued)

During the year ended March 31, 2019, there were trust interests of $291,466 contributed by donors to financial assets whose fair value is measured using unobservable inputs (Level 3).

10. Commitments and Risks

Concentration of Credit Risk

The Organization maintains cash and cash equivalents with certain commercial financial institution; at times, the aggregate balance may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of March 31, 2019, the Organization had approximately $18,365,000 of cash, which exceeded the maximum insured by the FDIC by approximately $16,365,000. The Organization monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Line of Credit

The Organization holds an unsecured line of credit with a financial institution in the amount of $5,000,000 which expires on July 31, 2019. Management intends to renew and extend the line of credit subsequent to year end. Amounts drawn on the line accrue interest at 50 basis points over LIBOR (which was 3.00% at March 31, 2019). As of and for the year ended March 31, 2019, no amounts were drawn or outstanding on the line of credit.

11. Net Assets

Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are composed of undesignated amounts. As of March 31, 2019, the Organization's net assets without donor restrictions totaled $38,540,350.

Net Assets With Donor Restrictions

As of March 31, 2019, net assets with donor restrictions were restricted as follows:

Subject to passage of time:	
HRC programs	$ 2,117,711
Foundation programs	945,295
Total Subject to Passage of Time	3,063,006
Subject to expenditure for specified purpose:	
Foundation programs	858,195
HRC programs	137,528
Total Subject to Expenditure for Specified Purpose	995,723
Original value of gift to be held in perpetuity as an endowment	23,485
Total Net Assets With Donor Restrictions	$ 4,082,214

Continued

12. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the combined statement of financial position date for general expenditures at March 31, 2019, were as follows:

Cash and cash equivalents	$ 9,035,343
Investments	16,615,813
Pledges receivable, net	1,391,407
Contracts and other receivables, net	3,199,235
Beneficial interests in trusts	291,466
Interest rate swap	26,092
Total Financial Assets	30,559,356
Less:	
Amounts unavailable for general expenditures within one year due to donors' purpose restrictions	(995,723)
Amounts unavailable for general expenditures within one year due to donors' time restrictions (greater than one year including beneficial interests)	(962,347)
Interest rate swap	(26,092)
Financial Assets Available to Meet General Expenditures Within One Year	$ 28,575,194

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested. The Organization can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of $5,000,000 which was unused and available to draw upon as of March 31, 2019. The Organization's line of credit is secured by its investments.

While not designated by resolutions of the Boards, a portion of the available financial assets above are segregated into three reserve accounts per policies of the respective finance committees and include the HRC operating reserve, the Foundation operating reserve, and the Foundation building reserve. These reserve accounts are designed to provide funds in response to significant, unpredictable, exogenous events. Policies of the finance committees govern target levels for the accounts and annual funding formulas. These policies require approval of the respective finance committees before reserve funds can be accessed. The total of the available financial assets designated as reserve funds was $10,826,796 as of March 31, 2019.

Continued

13. Rental Agreements

HRC has entered into lease agreements with several organizations to lease office space within HRC's headquarters through December 31, 2023. Rental income for the year ended March 31, 2019, totaled $836,387 and is included in rental and other income in the accompanying combined statement of activities.

Future minimum lease rental receipts under the lease agreements are as follows:

For the Year Ending March 31,	
2020	$ 843,148
2021	635,559
2022	373,767
2023	218,750
2024	168,041
Total	$ 2,239,265

14. In-Kind Support

The Organization receives in-kind support, including contributed professional services. These services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. The fair value of the professional services, consisting primarily of legal services and advertising, totaled $1,998,247 for the year ended March 31, 2019, and is included in in-kind contributions in the accompanying combined statement of activities.

15. Pension Plan

HRC sponsors a 401(k) retirement plan (the Plan) covering full-time employees after a 90-day waiting period and non-full-time employees after the completion of one year of service and working 1,000 hours. Once eligible to participate, HRC employees are automatically enrolled in the Plan and 2% of their compensation is contributed to the Plan, unless the employee elects a different deferral. HRC makes contributions to the plan totaling 4% of each participant's compensation up to $40,000, plus an additional 3% for compensation in excess of $40,000. HRC also makes matching contributions to the Plan at the rate of $0.50 for every $1.00 contributed by the participant, up to the first 4% of compensation. Effective January 2019, the Plan was amended whereby HRC makes a contribution to the Plan up to 3% of the employee's salary and will also match 50% of the first 5% of an employee's contribution (to a maximum benefit of 2.5% of an employee's salary). Employees become 100% vested when they enter the Plan. Pension expense for the year ended March 31, 2019, totaled $1,148,861.

Continued

16. Allocation of Joint Costs

HRC conducts direct mail programs and certain gala events that include fundraising appeals and educational materials. HRC has established cost pools related to direct marketing, telemarketing and door-to-door expenses, as well as event administration and gala dinners. Based on its review of all direct mail, telemarketing, door-to-door scripts, and dinner programs, HRC allocates these costs as program, management and general, and fundraising. For the year ended March 31, 2019, HRC incurred joint costs of $8,388,723, allocated to federal, field, electoral and legal advocacy ($2,070,854), public policy, education and training ($1,617,547), membership education and mobilization ($841,443), management and general ($107,597), fundraising ($2,933,323), and direct benefit to donors ($817,959).

17. Income Taxes

HRC and the Foundation are exempt from the payment of taxes on income other than net unrelated business income under Sections 501(c)(4) and 501(c)(3), respectively, of the IRC. Accordingly, no provision for income taxes is required for the year ended March 31, 2019. HRC and the Foundation had no significant net taxable unrelated business income. The PACs are subject to federal and state income taxes on income other than exempt purpose income. For the year ended March 31, 2019, the PACs had no provision for income tax, as they did not have any net unrelated business income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as revenue or expense in the period that includes the enactment date. The Foundation had a deferred tax asset of approximately $237,000 resulting from a federal net operating loss carryforward of approximately $1,120,000 as of March 31, 2019. HRC had a deferred tax asset of approximately $36,000 resulting from a federal charitable contribution deduction carryforward of approximately $171,000 as of March 31, 2019. Both HRC's and the Foundation's deferred tax assets had been reserved by management as of March 31, 2019, due to uncertainty over the ability to recognize any future tax benefit from the carryforwards based upon projections for operating and taxable losses. There is no expiration date for the federal net operating loss carryforward, while the charitable deduction carryforward begins to expire after fiscal year 2022.

The combined net deferred tax asset consisted of the following as of March 31, 2019:

Deferred tax asset	$ 273,000
Deferred tax valuation allowance	(273,000)
Combined Net Deferred Tax Asset	$ -

Continued

17. Income Taxes (continued)

The Organization performed an evaluation of uncertainty in income taxes for the year ended March 31, 2019, and determined that there were no matters that would require recognition or disclosure in the combined financial statements or that may have any effect on its tax-exempt status. As of March 31, 2019, the statute of limitations for tax years 2016 through 2018 remained open for the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which the Organization files tax returns; however, there are currently no audits for any tax periods in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of March 31, 2019, the Organization had no accruals for interest and/or penalties.

18. Prior Year Financial Information

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended March 31, 2018, from which the summarized information was derived.

19. Subsequent Events

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 25, 2019, the date the combined financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these combined financial statements.