

**Lesbian and Gay
Community Services Center, Inc.**

Financial Statements

June 30, 2015

Independent Auditors' Report

Board of Directors Lesbian and Gay Community Services Center, Inc.

We have audited the accompanying financial statements of Lesbian and Gay Community Services Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lesbian and Gay Community Services Center, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lesbian and Gay Community Services Center, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

December 15, 2015

Lesbian and Gay Community Services Center, Inc.

Statement of Financial Position
June 30, 2015
(with comparative amounts at June 30, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,545,499	\$ 2,843,291
Government grants receivable	678,044	849,943
Unconditional promises to give, net	814,562	814,021
Other receivables, net	51,277	34,764
Prepaid expenses and other assets	249,170	138,954
Cash held for other agencies	206,453	512,393
Property, plant and equipment, net	18,754,239	15,369,519
	\$ 23,299,244	\$ 20,562,885
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 384,276	\$ 668,039
Accrued salaries	22,039	18,942
Accrued vacation	150,366	132,519
Tenants' security deposits	4,250	1,200
Government refundable advances	91,460	143,324
Deferred revenue	27,553	5,099
Amounts held for other agencies	206,453	512,393
Loans payable	2,315,107	2,747,623
Total Liabilities	3,201,504	4,229,139
 Net Assets		
Unrestricted	18,494,656	14,419,122
Temporarily restricted	1,603,084	1,914,624
Total Net Assets	20,097,740	16,333,746
	\$ 23,299,244	\$ 20,562,885

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Statement of Activities
Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUE AND SUPPORT				
Special events revenue, net of direct costs of \$452,703	\$ 1,926,948	\$ -	\$ 1,926,948	\$ 1,653,626
Government grants	5,203,236	-	5,203,236	4,173,773
Contributions	531,703	2,778,932	3,310,635	2,585,715
In-kind contributions	75,473	-	75,473	96,316
Legacies and bequests	852,385	-	852,385	1,198,571
Program revenue	102,186	-	102,186	204,332
Medicaid revenue	319,447	-	319,447	249,577
Space usage fees	278,274	-	278,274	247,841
Other revenue	11,221	-	11,221	10,814
Net assets released from restrictions	<u>3,090,472</u>	<u>(3,090,472)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>12,391,345</u>	<u>(311,540)</u>	<u>12,079,805</u>	<u>10,420,565</u>
EXPENSES				
Program services	<u>5,823,498</u>	<u>-</u>	<u>5,823,498</u>	<u>4,928,682</u>
Supporting Services				
Management and general	769,451	-	769,451	734,894
Fundraising	<u>1,722,862</u>	<u>-</u>	<u>1,722,862</u>	<u>1,427,386</u>
Total Supporting Services	<u>2,492,313</u>	<u>-</u>	<u>2,492,313</u>	<u>2,162,280</u>
Total Expenses	<u>8,315,811</u>	<u>-</u>	<u>8,315,811</u>	<u>7,090,962</u>
Change in Net Assets	4,075,534	(311,540)	3,763,994	3,329,603
NET ASSETS				
Beginning of year	<u>14,419,122</u>	<u>1,914,624</u>	<u>16,333,746</u>	<u>13,004,143</u>
End of year	<u>\$ 18,494,656</u>	<u>\$ 1,603,084</u>	<u>\$ 20,097,740</u>	<u>\$ 16,333,746</u>

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Statement of Functional Expenses
 Year Ended June 30, 2015
 (with summarized totals for the year ended June 30, 2014)

	Supporting Services			2015 Total	2014 Total
	Program Services	Management and General	Fundraising Supporting Services		
PERSONNEL					
Salaries	\$ 3,176,787	\$ 349,985	\$ 615,062	\$ 4,141,834	\$ 3,732,394
Employee benefits and payroll taxes	689,898	76,006	133,572	899,476	735,591
Total Personnel	<u>3,866,685</u>	<u>425,991</u>	<u>748,634</u>	<u>5,041,310</u>	<u>4,467,985</u>
Professional fees (includes in-kind legal fees of \$75,473)	320,551	108,829	350,549	779,929	754,516
Occupancy	155,370	19,102	9,901	184,373	188,414
Building and office supplies	129,559	76,207	40,646	246,412	123,002
Printing, publication and postage	32,255	4,106	106,425	142,786	103,090
Advertising	21,299	1,090	911	23,300	3,113
Program	215,269	5,927	38,896	260,092	181,876
Training and conferences	23,844	5,974	44,202	74,020	65,323
Food and refreshments	81,785	14,575	95,297	191,657	87,256
Equipment and rental	75,733	8,805	32,624	117,162	115,769
Insurance	63,910	3,765	1,308	68,983	69,627
Repairs and maintenance	136,777	17,909	2,906	157,592	91,882
Interest	126,953	13,986	24,580	165,519	184,870
Depreciation	461,821	50,879	89,413	602,113	483,314
Bad debt	-	-	114,947	114,947	52,586
Bank fees and other	111,687	12,306	21,623	145,616	118,339
Total Other Expenses	<u>1,956,813</u>	<u>343,460</u>	<u>974,228</u>	<u>3,274,501</u>	<u>2,622,977</u>
	<u>\$ 5,823,498</u>	<u>\$ 769,451</u>	<u>\$ 1,722,862</u>	<u>\$ 8,315,811</u>	<u>\$ 7,090,962</u>

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Statement of Cash Flows
Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,763,994	\$ 3,329,603
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	602,113	483,314
Bad debt	114,947	52,586
Changes in operating assets and liabilities		
Government grants receivable	56,952	(207,536)
Unconditional promises to give	(541)	978,639
Other receivables	(16,513)	14,224
Prepaid expenses and other assets	(110,216)	123,131
Accounts payable and accrued expenses	(262,819)	510,553
Tenants' security deposits	3,050	-
Government refundable advances and deferred revenue	(29,410)	(30,705)
Net Cash from Operating Activities	4,121,557	5,253,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,986,833)	(3,901,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loans	(432,516)	(147,629)
Net Change in Cash and Cash Equivalents	(297,792)	1,204,516
CASH AND CASH EQUIVALENTS		
Beginning of year	2,843,291	1,638,775
End of year	\$ 2,545,499	\$ 2,843,291
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 165,519	\$ 184,870

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

1. Organization and Tax Status

Lesbian and Gay Community Services Center, Inc. doing business as The Lesbian, Gay, Bisexual & Transgender Community Center (The "Center") is a unique organization located in New York City. The Center is operated as a not-for-profit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center has not been designated as a private foundation.

The Center's mission is to empower community members to lead healthy and successful lives. The Center proudly celebrates the Lesbian, Gay, Bisexual & Transgender ("LGBT") community's diversity, and advocates for justice and opportunity.

The Center accomplishes its mission by providing various programs and services including:

Center Youth – The Center helps LGBT young people to live independently, establish support networks and effect positive, social change. Open to youth between the ages of 13 and 21, the program builds self-esteem and helps participants succeed in achieving their life goals.

Center Families – For more than two decades, the Center has been helping the LGBT community build, nurture, protect and grow our families. Whether someone is ready to start a family, looking to make a play date with other LGBT families or just seeking an LGBT-family-friendly environment, the Center is here to help. The Center has supported thousands of LGBT families over the years with relationship and family counseling, parenthood programming, the LGBT Foster Care Project and family resource coaching.

Center Recovery - The Center offers the only New York State Office of Alcohol and Substance Abuse Services ("OASAS") licensed, outpatient substance use treatment program specifically designed for the LGBT community. Center Recovery is a medically supervised, intensive program for substance use and dependence. It uses an abstinence-based model and incorporates a range of holistic services for individuals and their families in the LGBT community, age 18 and older. The Center provides the tools clients need to lead sober, healthier lives.

Center Wellness – Through a range of programs, services and events, Center Wellness provides the mental and physical health resources to help people take charge and live the happy, healthy lives they deserve. Center Wellness offers smoking cessation assistance; short-term counseling; HIV and AIDS prevention and education; support for people living with HIV and AIDS; programs for the transgender and gender nonconforming community and support for LGBT immigrants.

Arts and Culture – The Center produces the renowned Second Tuesday monthly arts and culture series, and hosts a queer bookstore and cultural event space. The Center is also a permanent home for The Pat Parker/Vito Russo Center Library and The LGBT Community Center National History Archive. The Center provides a forum for artists, authors and performers to create, celebrate and connect.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

1. Organization and Tax Status (continued)

Information and Referral Services – The Center provides a place in which LGBT people can meet, seek services and find support. What truly differentiates the Center is the sense of home it provides for the more than 6,000 people who visit each week.

Meeting rooms and event spaces for rent –The Center hosts a variety of parties, fundraisers, dinners, cultural events and educational opportunities – all celebrating the LGBT community.

2. Summary of Significant Accounting Policies

Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the Center to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments with a maturity of three months or less at time of purchase.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on factors such as the age of the receivables and the history of the payee. Receivables are written off against the allowance at the point in time where management deems that all reasonable collection efforts have been exhausted.

Cash Held for Other Agencies

The Center maintains cash for others in connection with transactions in which the Center acts as an agent. This cash is reported in the statement of financial position with a related liability account categorized under amounts held for other agencies.

Property, Plant and Equipment

Property, plant and equipment purchases that cost above \$1,000 that the Center retains title to and which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Property, plant and equipment purchased with funds from government contracts where title remains with the grantor and it is not probable that the Center will keep the asset at the completion of the contract are expensed in the year of purchase.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Depreciation and amortization are computed over the estimated useful lives of the assets using the straight line method as follows:

Buildings and improvements	10-35 years
Furniture and equipment	5-10 years
Equipment	5 years
Computer software and hardware	3 years

The Center evaluates its long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of assets may not be recoverable. Long-lived assets would be deemed to be impaired if projected undiscounted future net cash flows are less than the carrying value of the assets. There was no impairment loss recognized in 2015.

Deferred Revenue

Fees collected that relate to programs that will occur in future periods have been recorded as deferred revenue and will be recognized in the period earned.

Net Assets Presentation

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors for investment in perpetuity.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give that is unconditional or when substantially all conditions have been met. All contributions, including unconditional promises to give, are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. 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 are reported in the statement of activities as net assets released from restrictions.

Third-Party Reimbursement and Revenue Recognition

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because of their conditional and reciprocal nature. As such, government grant receipts are recorded as refundable advances (liabilities) until they have been earned. Once the conditions have been satisfied, the advances are recorded as income. Grant receivables have been established to reflect amounts due relating to services performed that are earned under terms of the government contract.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Special Events

Direct costs of special events where donors receive a benefit, such as meals and facility use are shown as a reduction of special event revenue on the statement of activities.

In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Center. These services have not been recorded in the financial statements as they do not meet the criteria outlined above.

Advertising

Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising expense for the year ended June 30, 2015 was \$23,300.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative, fundraising and maintenance costs have been allocated among the programs and supporting services.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only of those positions are more likely than not to be sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for tax periods prior to fiscal 2012.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2014, from which the summarized information was derived.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 15, 2015.

3. Unconditional Promises to Give

At June 30, 2015 contributors have unconditionally promised to give the Center \$924,562. An allowance of \$110,000 has been recorded at June 30, 2015.

Management believes these contributions will be received as follows:

Amounts due:	
Within one year	\$ 824,562
One to five years	<u>100,000</u>
	924,562
Allowance for uncollectible pledges	<u>(110,000)</u>
	<u>\$ 814,562</u>

4. Property, Plant and Equipment

Property, plant and equipment consist of the following as of June 30, 2015:

Land	\$ 227,150
Buildings and building improvements	24,408,359
Furniture and equipment	<u>452,883</u>
	25,088,392
Accumulated depreciation	<u>(6,334,153)</u>
	<u>\$ 18,754,239</u>

In July 2013, The Center began a \$9.2 million renovation project of its facility and courtyard. The renovation reached substantial completion in February 2015. This project was made possible largely through a combination of New York City (\$4.6 million) and New York State (\$2 million) grants, complemented with private contributions (\$2.6 million).

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

5. Loans Payable

The Center has two loans with the Nonprofit Finance Fund. The first loan of \$3,000,000 has a principal balance of \$2,315,107 outstanding at June 30, 2015. This loan bears interest at 6.5% per annum and matures on July 1, 2020, with a final payment of \$1,335,635. In accordance with the terms of this loan, principal and interest is paid monthly until the loan matures. The loan is collateralized by the property located at 208 West 13th Street, New York, New York.

The second loan of \$275,000 was paid in full on December 1, 2014. This loan had an interest rate of 6.75% per annum. In accordance with the terms of the loan, interest only was paid monthly until the loan matured on December 1, 2014. The loan was collateralized by the Center's assets.

Future annual principal payments at June 30, 2015 are as follows:

Year Ending June 30,	
2016	\$ 168,065
2017	179,321
2018	191,330
2019	204,144
2020	236,612
Thereafter	<u>1,335,635</u>
	<u>\$ 2,315,107</u>

6. Temporarily Restricted Net Assets

Changes in the temporarily restricted net assets consist of the following:

Purpose / Restriction	Beginning of Year	Additions	Assets Released	End of Year
Adult services	\$ 37,832	\$ 1,035,143	\$ (885,713)	\$ 187,262
Youth services	486,766	669,935	(558,701)	598,000
Youth services - LGBT SAINT	58,216	-	(58,216)	-
Capital campaign	933,081	467,360	(1,050,708)	349,733
IT and communications	54,695	-	(54,695)	-
Finance	3,500	-	(1,918)	1,582
Foster care	251,074	11,310	(240,767)	21,617
Cultural	89,460	595,184	(239,754)	444,890
	<u>\$ 1,914,624</u>	<u>\$ 2,778,932</u>	<u>\$ (3,090,472)</u>	<u>\$ 1,603,084</u>

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements
June 30, 2015

7. Pension Plan

The Center maintains a defined contribution profit sharing plan. All employees who have been employed for at least two years and work at least 1,000 hours per year are eligible. The Center makes discretionary contributions of up to 15% of employee compensation based upon board approval. For the year ended June 30, 2015, the Center made contributions of \$57,234 to the plan.

8. Contingencies

Pursuant to the Center's government contracts, most funding sources have the right to examine the books and records of the Center. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

9. Concentration of Credit Risk

The Center's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, temporary cash investments government grants receivable, unconditional promises to give and other receivables. The Center places its cash and cash equivalents and temporary cash investments in what it believes to be quality financial institutions. During the year a portion of the funds were not insured. The Center has not experienced any losses from these accounts. Concentrations of credit risk with respect to government grants receivable, unconditional promises to give and other receivables are generally diversified due to the large number and diversity of these sources of revenue and support. The Center performs ongoing collectability evaluations and writes off uncollectible amounts as they become known.

10. In-Kind Contributions

For the year ended June 30, 2015, the Center received donated legal services valued at \$75,473. The Center records in-kind contributions that meet the criteria for recognition as revenue and expense in the accompanying financial statements.

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