

**LESBIAN AND GAY
COMMUNITY SERVICES CENTER, INC.**



Financial Statements
(Together with Independent Auditors' Report)
For the Years Ended June 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.

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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lesbian and Gay Community Services Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2017, 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 of material misstatement, whether due to fraud or error.

Auditor's 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 principles 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center at June 30, 2017, 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.

Other Matter

The financial statements of the Center as of and for the year ended June 30, 2016 were audited by other auditors whose report dated November 17, 2016 expressed an unmodified opinion on those financial statements.

Marks Paneth LLP

New York, NY
October 31, 2017

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	\$ 4,482,511	\$ 2,194,055
Government grants receivable (Note 2H)	1,239,199	982,730
Contributions receivable, net (Notes 2F and 3)	871,923	871,409
Other receivables, net (Note 2F)	632,593	405,312
Prepaid expenses and other assets	337,902	345,244
Cash held for other agencies (Note 2D)	391,449	119,222
Property and equipment, net (Notes 2E and 4)	17,388,163	18,162,716
Collections (Note 2E)	-	-
TOTAL ASSETS	\$ 25,343,740	\$ 23,080,688
LIABILITIES		
Accounts payable and accrued expenses	\$ 724,413	\$ 570,180
Government refundable advances (Note 2H)	-	124,500
Deferred revenue (Note 2I)	180,263	130,195
Amounts held for other agencies (Note 2D)	391,449	119,222
Mortgage payable (Note 5)	2,088,590	2,147,042
TOTAL LIABILITIES	3,384,715	3,091,139
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted :		
Operations	75,208	(1,514,310)
Board-designated (Note 7)	2,603,850	2,313,418
Net investment in property and equipment	17,388,163	18,162,716
Total unrestricted	20,067,221	18,961,824
Temporarily restricted (Note 6)	1,891,804	1,027,725
TOTAL NET ASSETS	21,959,025	19,989,549
TOTAL LIABILITIES AND NET ASSETS	\$ 25,343,740	\$ 23,080,688

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>For the Year Ended June 30, 2017</u>			<u>For the Year Ended June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>
PUBLIC SUPPORT AND REVENUE:						
Special events revenue (net of direct expenses of \$690,709 and \$503,354, respectively)	\$ 3,117,125	\$ -	\$ 3,117,125	\$ 2,061,071	\$ -	\$ 2,061,071
Government grants (Note 2H)	3,453,018	-	3,453,018	2,188,252	-	2,188,252
Contributions (Note 2F)	1,562,953	2,724,395	4,287,348	878,638	1,956,222	2,834,860
Donated services (Note 2J)	103,433	-	103,433	62,170	-	62,170
Legacies and bequests (Notes 2F and 7)	1,243,849	-	1,243,849	1,301,578	-	1,301,578
Program revenue	201,151	-	201,151	119,740	-	119,740
Medicaid revenue	416,150	-	416,150	335,908	-	335,908
Space usage fees	492,944	-	492,944	503,185	-	503,185
Other revenue	30,714	-	30,714	9,659	-	9,659
Net assets released from restrictions (Notes 2B and 6)	1,860,316	(1,860,316)	-	2,531,581	(2,531,581)	-
TOTAL PUBLIC SUPPORT AND REVENUE	12,481,653	864,079	13,345,732	9,991,782	(575,359)	9,416,423
EXPENSES (Note 2L):						
Program services:						
Youth programs	2,950,220	-	2,950,220	2,912,485	-	2,912,485
Adult programs	4,066,514	-	4,066,514	2,658,050	-	2,658,050
Arts and culture	1,603,812	-	1,603,812	1,323,781	-	1,323,781
Total program services	8,620,546	-	8,620,546	6,894,316	-	6,894,316
Supporting services:						
Management and general	1,483,942	-	1,483,942	771,096	-	771,096
Fundraising	1,271,768	-	1,271,768	1,859,202	-	1,859,202
Total supporting services	2,755,710	-	2,755,710	2,630,298	-	2,630,298
TOTAL EXPENSES	11,376,256	-	11,376,256	9,524,614	-	9,524,614
CHANGE IN NET ASSETS	1,105,397	864,079	1,969,476	467,168	(575,359)	(108,191)
Net assets - beginning of year	18,961,824	1,027,725	19,989,549	18,494,656	1,603,084	20,097,740
NET ASSETS - END OF YEAR	\$ 20,067,221	\$ 1,891,804	\$ 21,959,025	\$ 18,961,824	\$ 1,027,725	\$ 19,989,549

The accompanying notes are an integral part of the financial statements

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

For the Year Ended June 30, 2017

	Program Services			Total Program Services	Supporting Services			Total 2017	Total 2016
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,487,352	\$ 2,412,669	\$ 447,372	\$ 4,347,393	\$ 714,262	\$ 504,387	\$ 1,218,649	\$ 5,566,042	\$ 4,809,112
Payroll taxes and employee benefits (Note 8)	343,643	575,441	108,757	1,027,841	129,503	99,870	229,373	1,257,214	1,078,717
Total salaries and related costs	<u>1,830,995</u>	<u>2,988,110</u>	<u>556,129</u>	<u>5,375,234</u>	<u>843,765</u>	<u>604,257</u>	<u>1,448,022</u>	<u>6,823,256</u>	<u>5,887,829</u>
Professional Fees (Note 2J)	130,942	405,817	440,798	977,557	264,413	340,031	604,444	1,582,001	846,699
Occupancy	52,026	60,283	87,993	200,302	19,827	13,372	33,199	233,501	194,210
Building and office supplies	45,087	42,672	9,142	96,901	70,261	39,692	109,953	206,854	194,482
Printing, publication and postage	8,565	8,373	7,706	24,644	15,081	76,035	91,116	115,760	108,007
Advestising and marketing (Note 2K)	48,508	11,582	2,620	62,710	4,817	3,583	8,400	71,110	92,140
Training and conferences	74,710	67,907	89,720	232,337	15,681	11,824	27,505	259,842	78,015
Food and refreshments	127,793	22,079	46,584	196,456	11,168	22,632	33,800	230,256	183,447
Equipment and rental (Note 9B)	38,917	20,065	37,905	96,887	9,813	12,863	22,676	119,563	102,693
Insurance	16,160	29,648	23,399	69,207	5,386	3,469	8,855	78,062	76,656
Repairs and maintenance	45,876	52,331	59,155	157,362	15,357	9,670	25,027	182,389	190,231
Interest (Note 5)	48,030	34,083	22,940	105,053	15,983	12,865	28,848	133,901	145,534
Depreciation (Notes 2D and 4)	294,521	208,995	140,666	644,182	102,996	61,989	164,985	809,167	801,586
Bad debt	26,192	35,674	16,997	78,863	10,969	6,938	17,907	96,770	100,434
Other	161,898	78,895	62,058	302,851	78,425	52,548	130,973	433,824	430,227
TOTAL EXPENSES	<u>\$ 2,950,220</u>	<u>\$ 4,066,514</u>	<u>\$ 1,603,812</u>	<u>\$ 8,620,546</u>	<u>\$ 1,483,942</u>	<u>\$ 1,271,768</u>	<u>\$ 2,755,710</u>	<u>\$ 11,376,256</u>	<u>\$ 9,524,614</u>

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

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services			
	Youth Programs	Adult Programs	Arts and Culture	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,620,807	\$ 1,479,213	\$ 736,690	\$ 3,836,710	\$ 302,012	\$ 670,390	\$ 972,402	\$ 4,809,112
Payroll taxes and employee benefits (Note 8)	363,558	331,798	165,245	860,601	67,742	150,374	218,116	1,078,717
Total salaries and related costs	<u>1,984,365</u>	<u>1,811,011</u>	<u>901,935</u>	<u>4,697,311</u>	<u>369,754</u>	<u>820,764</u>	<u>1,190,518</u>	<u>5,887,829</u>
Professional fees (Note 2J)	89,603	81,775	40,727	212,105	177,243	457,351	634,594	846,699
Occupancy	67,846	61,919	30,837	160,602	20,290	13,318	33,608	194,210
Building and office supplies	31,643	28,879	14,382	74,904	76,955	42,623	119,578	194,482
Printing, publication and postage	12,437	11,350	5,653	29,440	5,950	72,617	78,567	108,007
Advestising and marketing (Note 2K)	34,936	31,884	15,878	82,698	3,480	5,962	9,442	92,140
Training and conferences	8,769	8,003	3,986	20,758	6,913	50,344	57,257	78,015
Food and refreshments	36,891	33,668	16,767	87,326	7,786	88,335	96,121	183,447
Equipment and rental	28,401	25,920	12,908	67,229	7,907	27,557	35,464	102,693
Insurance	29,279	26,721	13,307	69,307	4,848	2,501	7,349	76,656
Repairs and maintenance	71,065	64,857	32,300	168,222	17,018	4,991	22,009	190,231
Interest (Note 5)	49,049	44,764	22,294	116,107	9,140	20,287	29,427	145,534
Depreciation (Notes 2D and 4)	270,157	246,556	122,792	639,505	50,340	111,741	162,081	801,586
Bad debt	4,408	4,023	2,003	10,434	-	90,000	90,000	100,434
Bank fees	31,176	28,425	14,135	73,736	5,804	12,884	18,688	92,424
Other	162,460	148,295	73,877	384,632	7,668	37,927	45,595	430,227
TOTAL EXPENSES	<u>\$ 2,912,485</u>	<u>\$ 2,658,050</u>	<u>\$ 1,323,781</u>	<u>\$ 6,894,316</u>	<u>\$ 771,096</u>	<u>\$ 1,859,202</u>	<u>\$ 2,630,298</u>	<u>\$ 9,524,614</u>

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

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,969,476	\$ (108,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	809,167	801,586
Bad debt expense	96,770	100,434
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(256,469)	(304,686)
Contributions receivable	(97,284)	(157,281)
Other receivables	(227,281)	(354,035)
Prepaid expenses and other assets	7,342	(96,074)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	154,233	9,249
Government refundable advances	(124,500)	33,040
Deferred revenue	50,068	102,642
Net Cash Provided by Operating Activities	2,381,522	26,684
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(34,614)	(210,063)
Net Cash Used in Investing Activities	(34,614)	(210,063)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	2,100,000	-
Repayment of mortgage payable	(2,158,452)	(168,065)
Net Cash Used in Financing Activities	(58,452)	(168,065)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,288,456	(351,444)
Cash and Cash Equivalents - beginning of year	2,194,055	2,545,499
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,482,511	\$ 2,194,055
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 133,901	\$ 145,534

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

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 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'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:

Youth Programs

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.

Adult Programs

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

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.

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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The Center's financial statements have been prepared on the accrual basis of accounting. The Center adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. *Net Assets*

The Center maintains its net assets under the following classes:

- Unrestricted – represents the portion of net assets of the Center that are not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.
- Temporarily restricted – net assets resulting from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. When such stipulations end or are fulfilled, temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions.
- Permanently restricted – net assets with donor-imposed restrictions on the purpose of the gifts specifying they be maintained in perpetuity.

C. *Cash and Cash Equivalents*

The Center considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

D. *Cash Held for Other Agencies*

The Center maintains cash for a few small agencies in connection with transactions in which the Center acts as a fiscal sponsor. The amount held for other agencies as of June 30, 2017 and 2016 amounted to \$391,449 and \$119,222, respectively.

E. *Property and Equipment*

Property and equipment purchases above \$2,000 that the Center retains title to and with useful life of at least one year are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Property 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. Property and equipment is depreciated on a straight-line basis over the estimated useful life of the asset.

The value of the Center's artwork collection is not reflected as an asset in the statements of financial position, and gifts or collection items are excluded from revenue and support in the statements of activities. Purchases of collection items are recorded in the year in which the items were acquired as decreases to unrestricted net assets in the statements of activities.

F. *Contributions and Contributions Receivable*

Contributions are recognized when the donor makes a promise to give that is unconditional or when substantially all conditions have been met. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If material to the financial statements, the discounts on those amounts are computed using risk-based interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center's management evaluates the need for an allowance for doubtful accounts applicable to its contributions receivable. Management's estimate is based on a combination of factors such as creditworthiness of donors, a review of individual accounts outstanding, the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2017 and 2016, the Center determined that an allowance of approximately \$151,344 and \$94,217, respectively, was necessary for its contributions receivable. As of June 30, 2017 and 2016, the Center also determined that an allowance of approximately \$3,309 and \$0, respectively, was necessary for other receivables.

G. *Legacies and Bequests*

Legacies and bequests are recognized as revenue when the Center is notified that actual or potential disputes are resolved and funds are forthcoming. Accordingly, bequests are accrued when will have passed through probate and legal counsel has confirmed amounts held on behalf of the Center.

H. *Government Grants*

The Center records receivable and revenue when earned based on established rates or contracts for services provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Center records advances from government funders as a liability.

I. *Deferred Revenue*

Fees collected that relate to programs and/or events that will occur in future periods have been recorded as deferred revenue and will be recognized in the period earned. Deferred revenue collected as of June 30, 2017 and 2016, amounted to \$180,263 and \$130,195, respectively.

J. *Donated Services*

Donated services are reported as contributions when the services create or enhance nonfinancial assets, require specialized skills and 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 as of June 30, 2017 and 2016.

For the years ended June 30, 2017 and 2016, the Center received donated services amounting to \$103,433 and \$62,170, respectively, which are recorded as both revenue and expense in the accompanying financial statements.

K. *Advertising and Marketing*

Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2017 and 2016, amounted to \$71,110 and \$92,140, respectively.

L. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on usage or other equitable bases established by management.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires the Center's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. *Reclassifications*

Certain items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2016.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 869,087	\$ 865,626
One to five years	<u>154,180</u>	<u>100,000</u>
	1,023,267	965,626
Allowance for doubtful accounts	<u>(151,344)</u>	<u>(94,217)</u>
	<u>\$ 871,923</u>	<u>\$ 871,409</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 227,150	\$ 227,150	
Building and building improvements	24,611,097	24,598,197	5 – 35 Years
Furniture and equipment	<u>494,822</u>	<u>473,108</u>	3 – 10 Years
	25,333,069	25,298,455	
Less: Accumulated depreciation	<u>(7,944,906)</u>	<u>(7,135,739)</u>	
	<u>\$ 17,388,163</u>	<u>\$ 18,162,723</u>	

For the years ended June 30, 2017 and 2016, depreciation expense amounted to \$809,167 and \$801,586, respectively.

NOTE 5 – MORTGAGE PAYABLE

As of June 30, 2016, the Center had a mortgage with the Nonprofit Finance Fund. The mortgage accrued interest at 6.5% per year and matured on July 1, 2020.

During 2017, the Center refinanced their existing debt with a mortgage payable totaling \$2,100,000 to a bank. The mortgage bears interest at 3.97% and matures with a balloon payment on April 12, 2027. The loan is collateralized by the property located at 208 West 13th Street, New York, New York. The mortgage includes a financial covenant that the Center maintain a debt service coverage ratio of at least 1.25. The Center was in compliance with the covenant as of June 30, 2017.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 – MORTGAGE PAYABLE (Continued)

Future annual principal payments for the years ending after June 30, 2017 are as follows:

2018	\$	70,298
2019		73,178
2020		75,967
2021		79,293
2022		82,545
Thereafter		<u>1,707,309</u>
	\$	<u>2,088,590</u>

Interest expense amounted to \$133,901 and \$145,534 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Adult programs	\$ 1,658,699	\$ 341,794
Youth programs	139,977	448,236
Youth programs – foster care	17,613	26,169
Youth programs – LGBT Saint	30,000	30,000
Arts and culture	45,515	179,944
Other	-	<u>1,582</u>
	<u>\$ 1,891,804</u>	<u>\$ 1,027,725</u>

Net assets released from restrictions amounted to \$1,860,316 and \$2,531,581 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 – BOARD DESIGNATED NET ASSETS

Board designated net assets consist of a strategic reserve fund (the “Fund”) funded by bequests and legacies. The Fund may be used for working capital at the discretion of the Board on ratification of the annual budget. As of June 30, 2017 and 2016, Board designated net assets amounted to \$2,603,850 and \$2,313,418, respectively.

NOTE 8 – 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 years ended June 30, 2017 and 2016, the Center made contributions of \$164,634 and \$144,556 to the plan.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. *Funding Source Audits*

Pursuant to the Center’s contractual relationships with funding sources, outside governmental agencies have the right to examine its book and records relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Equipment Rental*

The Center has entered into various equipment leases. Approximate future minimum lease payments required under these leases are as follows:

	<u>Phone System</u>	<u>Copiers And Printers</u>	<u>Total</u>
2018	\$ 32,000	\$ 26,000	\$ 58,000
2019	34,000	2,000	36,000
2020	34,000	-	34,000
2021	8,000	-	8,000
	<u>\$ 108,000</u>	<u>\$ 28,000</u>	<u>\$ 136,000</u>

C. *Line of Credit*

The Center has a bank revolving line of credit with a \$1 million limit with a maturity date of April 7, 2018. The line is secured by the assets of the Center. Under the terms of the agreement, borrowings will bear an interest rate equal to the London InterBank Offered Rate (“LIBOR”) plus 3.55%. As of June 30, 2017 and October 31, 2017, there were no borrowings.

D. *Income Tax*

The Center believes it has no uncertain income tax positions as of June 30, 2017 and 2016, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Center to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$4,758,000 and \$2,249,000 as of June 30, 2017 and 2016, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 31, 2017, the date the financial statements were available to be issued.