

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



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

For the Years Ended June 30, 2018 and 2017

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, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-13

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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 from 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 as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
October 23, 2018

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	\$ 2,507,573	\$ 4,482,511
Investments (Notes 2M, 2N, 3 and 4)	3,654,989	-
Government grants receivable (Note 2H)	1,384,300	1,239,199
Contributions receivable, net (Notes 2F and 5)	2,161,671	871,923
Other receivables, net (Note 2F)	23,122	632,593
Prepaid expenses and other assets	516,568	337,902
Cash held for other agencies (Note 2D)	133,738	391,449
Property and equipment, net (Notes 2E and 6)	<u>17,031,974</u>	<u>17,388,163</u>
TOTAL ASSETS	<u>\$ 27,413,935</u>	<u>\$ 25,343,740</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 730,655	\$ 724,413
Deferred revenue (Note 2I)	179,147	180,263
Amounts held for other agencies (Note 2D)	133,738	391,449
Mortgage payable (Note 7)	<u>2,018,291</u>	<u>2,088,590</u>
TOTAL LIABILITIES	<u>3,061,831</u>	<u>3,384,715</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted :		
Operations	802,661	75,208
Board-designated (Note 2B)	3,140,136	2,603,850
Net investment in property and equipment	<u>17,031,974</u>	<u>17,388,163</u>
Total unrestricted	20,974,771	20,067,221
Temporarily restricted (Note 8)	<u>3,377,333</u>	<u>1,891,804</u>
TOTAL NET ASSETS	<u>24,352,104</u>	<u>21,959,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,413,935</u>	<u>\$ 25,343,740</u>

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total 2018	Unrestricted	Temporarily Restricted	Total 2017
PUBLIC SUPPORT AND REVENUE:						
Special events revenue (net of direct expenses of \$647,364 and \$690,709, respectively)	\$ 3,118,426	\$ -	\$ 3,118,426	\$ 3,117,125	\$ -	\$ 3,117,125
Government grants (Note 2H)	4,489,271	-	4,489,271	3,453,018	-	3,453,018
Contributions (Note 2F)	842,794	4,731,288	5,574,082	1,562,953	2,724,395	4,287,348
Donated services (Note 2J)	697,019	-	697,019	103,433	-	103,433
Legacies and bequests (Notes 2F and 8)	602,983	-	602,983	1,243,849	-	1,243,849
Program revenue	101,573	-	101,573	201,151	-	201,151
Medicaid revenue	567,326	-	567,326	416,150	-	416,150
Space usage fees	517,163	-	517,163	492,944	-	492,944
Other revenue (Note 3)	34,483	-	34,483	30,714	-	30,714
Net assets released from restrictions (Notes 2B and 8)	3,245,759	(3,245,759)	-	1,860,316	(1,860,316)	-
TOTAL PUBLIC SUPPORT AND REVENUE	14,216,797	1,485,529	15,702,326	12,481,653	864,079	13,345,732
EXPENSES (Note 2L):						
Program services:						
Youth programs	2,797,828	-	2,797,828	2,950,220	-	2,950,220
Adult programs	5,555,489	-	5,555,489	4,066,514	-	4,066,514
Arts and culture	2,049,274	-	2,049,274	1,603,812	-	1,603,812
Total program services	10,402,591	-	10,402,591	8,620,546	-	8,620,546
Supporting services:						
Management and general	1,386,729	-	1,386,729	1,483,942	-	1,483,942
Fundraising	1,519,927	-	1,519,927	1,271,768	-	1,271,768
Total supporting services	2,906,656	-	2,906,656	2,755,710	-	2,755,710
TOTAL EXPENSES	13,309,247	-	13,309,247	11,376,256	-	11,376,256
CHANGE IN NET ASSETS	907,550	1,485,529	2,393,079	1,105,397	864,079	1,969,476
Net assets - beginning of year	20,067,221	1,891,804	21,959,025	18,961,824	1,027,725	19,989,549
NET ASSETS - END OF YEAR	\$ 20,974,771	\$ 3,377,333	\$ 24,352,104	\$ 20,067,221	\$ 1,891,804	\$ 21,959,025

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

For the Year Ended June 30, 2018

	Program Services			Total Program Services	Supporting Services			Total 2018	Total 2017
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,304,441	\$ 2,794,657	\$ 670,975	\$ 4,770,073	\$ 630,702	\$ 625,931	\$ 1,256,633	\$ 6,026,706	\$ 5,566,042
Payroll taxes and employee benefits (Note 9)	303,141	641,011	149,861	1,094,013	167,136	105,166	272,302	1,366,315	1,257,214
Total salaries and related costs	1,607,582	3,435,668	820,836	5,864,086	797,838	731,097	1,528,935	7,393,021	6,823,256
Professional fees (Note 2J)	118,520	1,191,162	664,757	1,974,439	308,948	363,822	672,770	2,647,209	1,582,001
Occupancy	54,714	79,884	49,646	184,244	21,004	13,751	34,755	218,999	233,501
Building and office supplies	36,754	87,662	13,162	137,578	87,779	107,871	195,650	333,228	206,854
Printing, publication and postage	21,557	6,708	18,959	47,224	9,531	70,141	79,672	126,896	115,760
Advertising and marketing (Note 2K)	58,231	62,476	224	120,931	6,070	335	6,405	127,336	71,110
Training and conferences	172,512	164,913	55,261	392,686	10,052	1,177	11,229	403,915	259,842
Food and refreshments	96,978	13,746	13,306	124,030	11,353	24,026	35,379	159,409	230,256
Equipment and rental (Note 10B)	39,795	10,817	97,221	147,833	8,690	9,128	17,818	165,651	119,563
Insurance	34,704	32,140	13,826	80,670	6,026	3,318	9,344	90,014	78,062
Repairs and maintenance	78,163	68,071	26,847	173,081	41,768	32,740	74,508	247,589	182,389
Interest (Note 7)	32,422	23,007	15,485	70,914	4,109	7,756	11,865	82,779	133,901
Depreciation (Notes 2E and 6)	298,630	211,909	142,628	653,167	38,774	71,492	110,266	763,433	809,167
Bad debt	31,001	57,342	17,054	105,397	6,690	11,513	18,203	123,600	96,770
Other	116,265	109,984	100,062	326,311	28,097	71,760	99,857	426,168	433,824
TOTAL EXPENSES	\$ 2,797,828	\$ 5,555,489	\$ 2,049,274	\$ 10,402,591	\$ 1,386,729	\$ 1,519,927	\$ 2,906,656	\$ 13,309,247	\$ 11,376,256

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

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

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,393,079	\$ 1,969,476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	763,433	809,167
Bad debt expense	123,600	96,770
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(145,101)	(256,469)
Contributions receivable	(1,413,348)	(97,284)
Other receivables	609,471	(227,281)
Prepaid expenses and other assets	(178,666)	7,342
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,242	154,233
Government refundable advances	-	(124,500)
Deferred revenue	(1,116)	50,068
Net Cash Provided by Operating Activities	2,157,594	2,381,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,654,989)	-
Purchases of property and equipment	(407,244)	(34,614)
Net Cash Used in Investing Activities	(4,062,233)	(34,614)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	-	2,100,000
Repayment of mortgage payable	(70,299)	(2,158,452)
Net Cash Used in Financing Activities	(70,299)	(58,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,974,938)	2,288,456
Cash and Cash Equivalents - beginning of year	4,482,511	2,194,055
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,507,573	\$ 4,482,511
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 82,779	\$ 133,901

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 Center Youth 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 provides 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, 2018 AND 2017

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. Currently, the Center does not have permanently restricted 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, 2018 and 2017, Board designated net assets amounted to \$3,140,136 and \$2,603,850, respectively.

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, 2018 and 2017, amounted to \$133,738 and \$391,449, respectively, and is reflected on the accompanying statements of financial position as an asset and a liability.

E. *Property and Equipment*

Property and equipment purchases above \$5,000 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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Contributions and Contributions Receivable and Other Receivables*

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.

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, 2018 and 2017, the Center determined that an allowance of \$219,757 and \$151,344, respectively, was necessary for its contributions receivable. As of June 30, 2018 and 2017, the Center also determined that an allowance of \$5,133 and \$3,309, respectively, was necessary for other receivables, which consists of amounts receivable for program revenue and space usage fees.

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, 2018 and 2017, amounted to \$179,147 and \$180,263, 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.

For the years ended June 30, 2018 and 2017, the Center received donated services amounting to \$697,019 and \$103,433, 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, 2018 and 2017, amounted to \$127,336 and \$71,110, respectively.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. ***Investments*** - Investments are stated at fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned.

N. ***Fair Value Measurements*** - Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

O. *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.

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30, 2018 and 2017:

	2018	2017
Money market funds	\$ 3,654,989	\$ -
	\$ 3,654,989	\$ -

Interest and dividends amounted to approximately \$8,000 for the year ended June 30, 2018, and is included with other revenue on the accompanying statements of activities.

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

NOTE 4 – FAIR VALUE MEASUREMENTS

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

The fair value hierarchy defines three levels as follows:

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

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

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

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

Investments in money market funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2018 and 2017, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2018 are classified as Level 1 in the table as follows:

	<u>Level 1</u>	<u>Total 2018</u>
ASSETS CARRIED AT FAIR VALUE:		
Investments:		
Money market funds	\$ 3,654,989	\$ 3,654,989
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 3,654,989</u>	<u>\$ 3,654,989</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 2,287,428	\$ 869,087
One to five years	<u>94,000</u>	<u>154,180</u>
	2,381,248	1,023,267
Allowance for doubtful accounts	<u>(219,757)</u>	<u>(151,344)</u>
	<u>\$ 2,161,671</u>	<u>\$ 871,923</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Land	\$ 227,150	\$ 227,150	
Building and building improvements	24,648,272	24,611,097	5 – 35 Years
Furniture and equipment	348,920	494,822	3 – 10 Years
Construction in Progress	<u>357,024</u>	<u>-</u>	
	25,581,366	25,333,069	
Less: Accumulated depreciation	<u>(8,549,392)</u>	<u>(7,944,906)</u>	
	<u>\$ 17,031,974</u>	<u>\$ 17,388,163</u>	

For the years ended June 30, 2018 and 2017, depreciation expense amounted to \$763,433 and \$809,167, respectively. During the year ended June 30, 2018, fully depreciated property and equipment with an original cost of \$158,947 was disposed of.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

Construction in progress primarily consists of amounts paid for software implementation and to install a monument. The projects are expected to be completed in 2019 at a remaining cost to complete of approximately \$825,000.

NOTE 7 – MORTGAGE PAYABLE

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, 2018 and 2017.

Future annual principal payments for the years ending after June 30, 2018 are as follows:

2019	\$	73,178
2020		75,967
2021		79,293
2022		82,545
2023		85,930
Thereafter		<u>1,621,378</u>
		<u>\$ 2,018,291</u>

Interest expense amounted to \$82,779 and \$133,901 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Adult programs	\$ 2,433,724	\$ 1,658,699
Youth programs	309,287	169,977
Youth programs – Foster care	21,635	17,613
Arts and culture	<u>612,687</u>	<u>45,515</u>
	<u>\$ 3,377,333</u>	<u>\$ 1,891,804</u>

Net assets released from restrictions amounted to \$3,245,759 and \$1,860,316 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 – 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, 2018 and 2017, the Center made contributions of \$158,606 and \$164,634, respectively, to the plan.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 – 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.

B. *Equipment Rental*

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

	Phone System	Copiers And Printers	Total
2019	\$ 42,022	\$ 17,517	\$ 59,539
2020	42,000	16,176	58,176
2021	7,004	6,740	13,744
	\$ 91,026	\$ 40,433	\$ 131,459

C. *Line of Credit*

The Center has a bank revolving line of credit with a \$1 million limit with a maturity date of May 19, 2019. 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, 2018 and October 23, 2018, there were no borrowings.

D. *Income Tax*

The Center believes it has no uncertain income tax positions as of June 30, 2018 and 2017, 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 11 – 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 \$2,807,081 and \$4,758,000 as of June 30, 2018 and 2017, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 23, 2018, the date the financial statements were available to be issued.