

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



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

**For the Years Ended June 30, 2019 and 2018**

**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, 2019 AND 2018**

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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 statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the Center adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities." Our opinion is not modified with respect to this matter.

*Marks Paneth LLP*

New York, NY  
October 21, 2019

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 12)	\$ 2,244,562	\$ 2,507,573
Investments (Notes 2M, 2N, 4 and 5)	4,198,504	3,654,989
Government grants receivable (Note 2H)	1,800,373	1,384,300
Contributions receivable, net (Notes 2F and 6)	1,980,038	2,161,671
Other receivables, net (Note 2F)	34,723	23,122
Prepaid expenses and other assets	472,956	516,568
Cash held for other agencies (Note 2D)	171,644	133,738
Property and equipment, net (Notes 2E and 7)	16,771,870	17,031,974
<b>TOTAL ASSETS</b>	<b>\$ 27,674,670</b>	<b>\$ 27,413,935</b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,406,978	\$ 730,655
Deferred revenue (Note 2I)	193,283	179,147
Amounts held for other agencies (Note 2D)	171,644	133,738
Mortgage payable (Note 8)	1,945,324	2,018,291
<b>TOTAL LIABILITIES</b>	<b>3,717,229</b>	<b>3,061,831</b>
 <b>COMMITMENTS AND CONTINGENCIES</b> (Note 11)		
<b>NET ASSETS</b> (Note 2B)		
Without donor restrictions:		
Operations	633,027	802,661
Board-designated (Note 2B)	3,685,807	3,140,136
Net investment in property and equipment	16,771,870	17,031,974
Total without donor restrictions	21,090,704	20,974,771
With donor restrictions (Note 9)	2,866,737	3,377,333
<b>TOTAL NET ASSETS</b>	<b>23,957,441</b>	<b>24,352,104</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,674,670</b>	<b>\$ 27,413,935</b>

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
<b>PUBLIC SUPPORT AND REVENUE:</b>						
Special events revenue (net of direct expenses of \$806,626 and \$647,364, respectively)	\$ 3,557,662	\$ -	\$ 3,557,662	\$ 3,118,426	\$ -	\$ 3,118,426
Government grants (Note 2H)	4,591,030	-	4,591,030	4,489,271	-	4,489,271
Contributions (Note 2F)	2,417,318	2,912,886	5,330,204	842,794	4,731,288	5,574,082
Donated services (Note 2J)	43,582	-	43,582	697,019	-	697,019
Legacies and bequests (Notes 2F and 9)	568,586	-	568,586	602,983	-	602,983
Program revenue	108,523	-	108,523	101,573	-	101,573
Medicaid revenue	735,611	-	735,611	567,326	-	567,326
Space usage fees	634,183	-	634,183	517,163	-	517,163
Other revenue (Note 4)	270,092	-	270,092	34,483	-	34,483
Net assets released from restrictions (Notes 2B and 9)	3,423,482	(3,423,482)	-	3,245,759	(3,245,759)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>16,350,069</b>	<b>(510,596)</b>	<b>15,839,473</b>	<b>14,216,797</b>	<b>1,485,529</b>	<b>15,702,326</b>
<b>EXPENSES (Note 2L):</b>						
Program services:						
Youth programs	3,358,647	-	3,358,647	2,797,828	-	2,797,828
Adult programs	7,218,834	-	7,218,834	5,555,489	-	5,555,489
Arts and culture	2,395,201	-	2,395,201	2,049,274	-	2,049,274
Total program services	12,972,682	-	12,972,682	10,402,591	-	10,402,591
Supporting services:						
Management and general	1,577,824	-	1,577,824	1,386,729	-	1,386,729
Fundraising	1,683,630	-	1,683,630	1,519,927	-	1,519,927
Total supporting services	3,261,454	-	3,261,454	2,906,656	-	2,906,656
<b>TOTAL EXPENSES</b>	<b>16,234,136</b>	<b>-</b>	<b>16,234,136</b>	<b>13,309,247</b>	<b>-</b>	<b>13,309,247</b>
<b>CHANGE IN NET ASSETS</b>	<b>115,933</b>	<b>(510,596)</b>	<b>(394,663)</b>	<b>907,550</b>	<b>1,485,529</b>	<b>2,393,079</b>
Net assets - beginning of year	20,974,771	3,377,333	24,352,104	20,067,221	1,891,804	21,959,025
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 21,090,704</b>	<b>\$ 2,866,737</b>	<b>\$ 23,957,441</b>	<b>\$ 20,974,771</b>	<b>\$ 3,377,333</b>	<b>\$ 24,352,104</b>

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, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	Program Services			Total Program Services	Supporting Services			Total 2019	Total 2018
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,033,799	\$ 4,020,504	\$ 983,183	\$ 6,037,486	\$ 674,313	\$ 703,722	\$ 1,378,035	\$ 7,415,521	\$ 6,026,706
Payroll taxes and employee benefits (Note 10)	232,186	889,167	236,036	1,357,389	182,761	159,247	342,008	1,699,397	1,366,315
Total salaries and related costs	1,265,985	4,909,671	1,219,219	7,394,875	857,074	862,969	1,720,043	9,114,918	7,393,021
Professional fees (Note 2J)	1,145,233	1,244,659	411,015	2,800,907	348,100	1,179,728	1,527,828	4,328,735	3,294,573
Occupancy	66,410	52,607	56,662	175,679	15,278	10,399	25,677	201,356	218,999
Building and office supplies	23,303	59,744	20,573	103,620	104,499	83,642	188,141	291,761	333,228
Printing, publication and postage	16,808	20,224	11,212	48,244	18,873	76,916	95,789	144,033	126,896
Advertising and marketing (Note 2K)	2,710	80,438	3,157	86,305	13,589	744	14,333	100,638	127,336
Training and conferences	126,305	247,825	104,514	478,644	58,864	11,575	70,439	549,083	403,915
Food and refreshments	82,494	50,799	14,002	147,295	6,284	10,859	17,143	164,438	159,409
Equipment and rental (Note 11B)	38,535	9,573	106,844	154,952	5,975	4,405	10,380	165,332	165,651
Insurance	17,972	58,506	10,448	86,926	7,123	2,955	10,078	97,004	90,014
Repairs and maintenance	90,499	57,586	68,018	216,103	26,026	18,256	44,282	260,385	247,589
Interest (Note 8)	32,089	22,656	15,294	70,039	2,643	7,433	10,076	80,115	82,779
Depreciation (Notes 2E and 7)	337,188	238,067	160,708	735,963	27,772	78,109	105,881	841,844	763,433
Bad debt	3,822	11,421	3,990	19,233	726	42,041	42,767	62,000	123,600
Other	109,294	155,058	189,545	453,897	84,998	100,225	185,223	639,120	426,168
	3,358,647	7,218,834	2,395,201	12,972,682	1,577,824	2,490,256	4,068,080	17,040,762	13,956,611
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(806,626)	(806,626)	(806,626)	(647,364)
<b>TOTAL EXPENSES</b>	<b>\$ 3,358,647</b>	<b>\$ 7,218,834</b>	<b>\$ 2,395,201</b>	<b>\$ 12,972,682</b>	<b>\$ 1,577,824</b>	<b>\$ 1,683,630</b>	<b>\$ 3,261,454</b>	<b>\$ 16,234,136</b>	<b>\$ 13,309,247</b>
<b>TOTAL EXPENSES - 2018</b>	<b>\$ 2,797,828</b>	<b>\$ 5,555,489</b>	<b>\$ 2,049,274</b>	<b>\$ 10,402,591</b>	<b>\$ 1,386,729</b>	<b>\$ 1,519,927</b>	<b>\$ 2,906,656</b>	<b>\$ 13,309,247</b>	

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**

	Program Services				Supporting Services			
	Youth Programs	Adult Programs	Arts and Culture	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,304,441	\$ 2,794,657	\$ 670,975	\$ 4,770,073	\$ 630,702	\$ 625,931	\$ 1,256,633	\$ 6,026,706
Payroll taxes and employee benefits (Note 10)	303,141	641,011	149,861	1,094,013	167,136	105,166	272,302	1,366,315
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
Professional fees (Note 2J)	118,520	1,191,162	664,757	1,974,439	308,948	1,011,186	1,320,134	3,294,573
Occupancy	54,714	79,884	49,646	184,244	21,004	13,751	34,755	218,999
Building and office supplies	36,754	87,662	13,162	137,578	87,779	107,871	195,650	333,228
Printing, publication and postage	21,557	6,708	18,959	47,224	9,531	70,141	79,672	126,896
Advertising and marketing (Note 2K)	58,231	62,476	224	120,931	6,070	335	6,405	127,336
Training and conferences	172,512	164,913	55,261	392,686	10,052	1,177	11,229	403,915
Food and refreshments	96,978	13,746	13,306	124,030	11,353	24,026	35,379	159,409
Equipment and rental (Note 11B)	39,795	10,817	97,221	147,833	8,690	9,128	17,818	165,651
Insurance	34,704	32,140	13,826	80,670	6,026	3,318	9,344	90,014
Repairs and maintenance	78,163	68,071	26,847	173,081	41,768	32,740	74,508	247,589
Interest (Note 8)	32,422	23,007	15,485	70,914	4,109	7,756	11,865	82,779
Depreciation (Notes 2E and 7)	298,630	211,909	142,628	653,167	38,774	71,492	110,266	763,433
Bad debt	31,001	57,342	17,054	105,397	6,690	11,513	18,203	123,600
Other	116,265	109,984	100,062	326,311	28,097	71,760	99,857	426,168
	2,797,828	5,555,489	2,049,274	10,402,591	1,386,729	2,167,291	3,554,020	13,956,611
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(647,364)	(647,364)	(647,364)
<b>TOTAL EXPENSES</b>	<b>\$ 2,797,828</b>	<b>\$ 5,555,489</b>	<b>\$ 2,049,274</b>	<b>\$ 10,402,591</b>	<b>\$ 1,386,729</b>	<b>\$ 1,519,927</b>	<b>\$ 2,906,656</b>	<b>\$ 13,309,247</b>

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, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (394,663)	\$ 2,393,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	841,844	763,433
Bad debt expense	62,000	123,600
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(416,073)	(145,101)
Contributions receivable	119,633	(1,413,348)
Other receivables	(11,601)	609,471
Prepaid expenses and other assets	43,612	(178,666)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	676,323	6,242
Deferred revenue	14,136	(1,116)
<b>Net Cash Provided by Operating Activities</b>	<b>935,211</b>	<b>2,157,594</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(543,515)	(3,654,989)
Purchases of property and equipment	(581,740)	(407,244)
<b>Net Cash Used in Investing Activities</b>	<b>(1,125,255)</b>	<b>(4,062,233)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of mortgage payable	(72,967)	(70,299)
<b>Net Cash Used in Financing Activities</b>	<b>(72,967)</b>	<b>(70,299)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(263,011)</b>	<b>(1,974,938)</b>
Cash and Cash Equivalents - beginning of year	2,507,573	4,482,511
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,244,562</b>	<b>\$ 2,507,573</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 80,115	\$ 82,779

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



**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019 AND 2018**

**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:

- Without Donor Restrictions – represents the portion of net assets of the Center that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor.
- With Donor Restrictions – 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 and donor-imposed endowment funds. When such stipulations end or are fulfilled, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions.

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, 2019 and 2018, Board designated net assets amounted to \$3,685,807 and \$3,140,136, 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, 2019 and 2018, amounted to \$171,644 and \$133,738, 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 a 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.

**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.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, the Center determined that an allowance of \$37,442 and \$219,757, respectively, was necessary for its contributions receivable. As of June 30, 2019 and 2018, the Center also determined that an allowance of \$1,814 and \$5,133, 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, 2019 and 2018, amounted to \$193,283 and \$179,147, 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, 2019 and 2018, the Center received donated services amounting to \$43,582 and \$697,019, 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, 2019 and 2018, amounted to \$100,638 and \$127,336, 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. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated on the basis of time and effort, and occupancy, depreciation, insurance, and interest expense, which are allocated on a square footage basis.

**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.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

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 5.

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.

P. **Recent Accounting Pronouncements**

Effective for the year ended June 30, 2019, the Center adopted Financial Accounting Standards Board ("FASB") Accounting Standards update ("ASU") 2016-14, "Not-for-Profit Entities." ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. These changes had no impact on the change in net assets for the year ended June 30, 2018. Net assets as of June 30, 2018 were reclassified to conform to the new presentation.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets consist of the Center's cash and cash equivalents, investments, government grants receivable, unconditional promises to give, and other receivables. The following represents the Center's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of June 30, 2019 because of contractual or donor-imposed restrictions, as well the Board-designated strategic operating reserve fund:

Cash and cash equivalents	\$	2,244,562
Investments		4,198,504
Government grants receivable		1,800,373
Unconditional promises to give		1,980,038
Other receivable		34,723
Total		10,258,200
Less those unavailable for general expenditure within one year		
Board-designated strategic fund		(3,685,807)
Net assets with donor restrictions		(2,866,737)
Total	\$	3,705,656

The Center's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements and planned increase in program expenditures in fiscal year 2020.

The Center has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Center maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Center, the time horizon of those needs and the Board of Directors' investment philosophy.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)**

The Board of Directors of the Center has designated a strategic operating reserve fund (“Strategic Reserves”) to ensure the long-term stability of the mission, programs, and ongoing operations of the Organization. The Strategic Reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Strategic Reserves may also be used for one-time, non-recurring expenses that will build long-term capacity, such as staff development, research and development or investment in technology and infrastructure. The Board of Directors is required to approve any request for use of the fund and authorize any transfer from the fund. The Strategic Reserves target minimum is equal to six months of average annual operating costs and the target maximum is equal to twelve months of average annual operating costs. Average monthly operating costs do not include depreciation, in-kind and other non-cash expenses, one-time or unusual expenditures or capital purchases.

**NOTE 4 – INVESTMENTS**

Investments consist of the following as of June 30:

	2019	2018
Money market funds	\$ 4,198,504	\$ 3,654,989
	\$ 4,198,504	\$ 3,654,989

Interest and dividends amounted to approximately \$77,000 and \$8,000 for the years ended June 30, 2019 and 2018, respectively, 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 5 – 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.

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, 2019 and 2018, there were no transfers in or out of levels 1, 2 or 3.

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**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value as of June 30, 2019 are classified as Level 1 in the table as follows:

	<u>Level 1</u>	<u>Total 2019</u>
ASSETS CARRIED AT FAIR VALUE:		
Investments:		
Money market funds	\$ 4,198,504	\$ 4,198,504
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 4,198,504</u>	<u>\$ 4,198,504</u>

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 6 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,433,713	\$ 2,287,428
One to five years	<u>583,767</u>	<u>94,000</u>
	2,017,480	2,381,248
Allowance for doubtful accounts	<u>(37,442)</u>	<u>(219,757)</u>
	<u>\$ 1,980,038</u>	<u>\$ 2,161,671</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Land	\$ 227,150	\$ 227,150	
Building and building improvements	25,059,212	24,648,272	5 – 35 Years
Furniture and equipment	627,479	348,920	3 – 10 Years
Construction in Progress	<u>249,266</u>	<u>357,024</u>	
	26,163,107	25,581,366	
Less: Accumulated depreciation	<u>(9,391,237)</u>	<u>(8,549,392)</u>	
	<u>\$ 16,771,870</u>	<u>\$ 17,031,974</u>	

For the years ended June 30, 2019 and 2018, depreciation expense amounted to \$841,844 and \$763,433, respectively.

Construction in progress primarily consists of amounts paid for software implementation and facility improvements. The projects are expected to be completed in 2020 at a remaining cost to complete of approximately \$1.9 million.

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**NOTE 8 – 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 13<sup>th</sup> 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, 2019 and 2018.

Future annual principal payments for the years ending after June 30, 2019 are as follows:

2020	\$	75,967
2021		79,293
2022		82,545
2023		85,929
2024		89,278
Thereafter		<u>1,532,312</u>
		<u>\$ 1,945,324</u>

Interest expense amounted to \$80,115 and \$82,779 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Adult programs	\$ 2,003,036	\$ 2,433,724
Youth programs	397,746	330,922
Arts and culture	<u>465,955</u>	<u>612,687</u>
	<u>\$ 2,866,737</u>	<u>\$ 3,377,333</u>

Net assets released from restrictions amounted to \$3,423,482 and \$3,245,759 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 10 – 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, 2019 and 2018, the Center made contributions of \$227,523 and \$158,606, respectively, to the plan.

**NOTE 11 – 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 books 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.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
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**NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)**

**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
2020	\$ 42,000	\$ 16,176	\$ 58,176
2021	7,004	6,740	13,744
	\$ 49,004	\$ 22,916	\$ 71,920

**C. *Line of Credit***

The Center has a bank revolving line of credit with a \$1 million limit with a maturity date of June 5, 2020. 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, 2019 and October 21, 2019, there were no borrowings.

**D. *Income Tax***

The Center believes it has no uncertain income tax positions as of June 30, 2019 and 2018, 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 12 – 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 \$2,709,000 and \$2,807,000 as of June 30, 2019 and 2018, respectively.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 21, 2019, the date the financial statements were available to be issued.