

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



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

For the Years Ended June 30, 2020 and 2019

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, 2020 AND 2019

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	7-15

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lesbian and Gay Community Services Center, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2020 and 2019, 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
November 2, 2020

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2C and 12)	\$ 3,376,250	\$ 2,244,562
Investments (Notes 2M, 2N, 4 and 5)	4,518,105	4,198,504
Government grants receivable (Note 2H)	2,131,816	1,800,373
Contributions receivable, net (Notes 2F and 6)	1,361,320	1,980,038
Other receivables, net (Note 2F)	29,222	34,723
Prepaid expenses and other assets	528,361	472,956
Cash held for other agencies (Note 2D)	55,191	171,644
Property and equipment, net (Notes 2E and 7)	16,140,088	16,771,870
Beneficial interest in charitable remainder trust (Note 2I)	1,029,404	-
	\$ 29,169,757	\$ 27,674,670
 LIABILITIES		
Accounts payable and accrued expenses	\$ 886,628	\$ 1,406,978
Deferred revenue (Note 2J)	170,076	193,283
Amounts held for other agencies (Note 2D)	55,191	171,644
Mortgage payable (Note 8)	1,868,725	1,945,324
PPP Loan (Note 11E)	1,596,969	-
	4,577,589	3,717,229
 COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Operations	1,041,601	633,027
Board-designated (Note 2B)	3,998,440	3,685,807
Net investment in property and equipment	16,140,088	16,771,870
Total without donor restrictions	21,180,129	21,090,704
With donor restrictions (Note 9)	3,412,039	2,866,737
	24,592,168	23,957,441
TOTAL NET ASSETS	24,592,168	23,957,441
 TOTAL LIABILITIES AND NET ASSETS	\$ 29,169,757	\$ 27,674,670

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
PUBLIC SUPPORT AND REVENUE:						
Special events revenue (net of direct expenses of \$170,250 and \$806,626, respectively)	\$ 3,285,569	\$ -	\$ 3,285,569	\$ 3,557,662	\$ -	\$ 3,557,662
Government grants (Note 2H)	4,432,705	-	4,432,705	4,591,030	-	4,591,030
Contributions (Note 2F)	1,581,705	1,990,819	3,572,524	2,417,318	2,912,886	5,330,204
Donated services (Note 2K)	1,795,149	-	1,795,149	43,582	-	43,582
Legacies and bequests (Notes 2G and 9)	1,568,472	1,029,404	2,597,876	568,586	-	568,586
Program revenue	177,978	-	177,978	108,523	-	108,523
Medicaid revenue	844,493	-	844,493	735,611	-	735,611
Space usage fees	392,074	-	392,074	634,183	-	634,183
Other revenue (Note 4)	205,327	-	205,327	270,092	-	270,092
Net assets released from restrictions (Notes 2B and 9)	2,474,921	(2,474,921)	-	3,423,482	(3,423,482)	-
TOTAL PUBLIC SUPPORT AND REVENUE	16,758,393	545,302	17,303,695	16,350,069	(510,596)	15,839,473
EXPENSES (Note 2M):						
Program services:						
Youth programs	2,620,084	-	2,620,084	3,358,647	-	3,358,647
Adult programs	7,742,430	-	7,742,430	7,218,834	-	7,218,834
Arts and culture	1,748,263	-	1,748,263	2,395,201	-	2,395,201
Total program services	12,110,777	-	12,110,777	12,972,682	-	12,972,682
Supporting services:						
Management and general	2,160,023	-	2,160,023	1,577,824	-	1,577,824
Fundraising	2,398,168	-	2,398,168	1,683,630	-	1,683,630
Total supporting services	4,558,191	-	4,558,191	3,261,454	-	3,261,454
TOTAL EXPENSES	16,668,968	-	16,668,968	16,234,136	-	16,234,136
CHANGE IN NET ASSETS	89,425	545,302	634,727	115,933	(510,596)	(394,663)
Net assets - beginning of year	21,090,704	2,866,737	23,957,441	20,974,771	3,377,333	24,352,104
NET ASSETS - END OF YEAR	\$ 21,180,129	\$ 3,412,039	\$ 24,592,168	\$ 21,090,704	\$ 2,866,737	\$ 23,957,441

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program Services			Total Program Services	Supporting Services			Total 2020	Total 2019
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,143,893	\$ 4,072,176	\$ 913,312	\$ 6,129,381	\$ 846,186	\$ 927,291	\$ 1,773,477	\$ 7,902,858	\$ 7,415,521
Payroll taxes and employee benefits (Note 10)	262,703	975,932	230,038	1,468,673	170,786	222,217	393,003	1,861,676	1,699,397
Total salaries and related costs	1,406,596	5,048,108	1,143,350	7,598,054	1,016,972	1,149,508	2,166,480	9,764,534	9,114,918
Professional fees (Note 2K)	298,488	1,654,359	132,668	2,085,515	769,341	952,809	1,722,150	3,807,665	4,328,735
Occupancy	17,944	91,761	69,263	178,968	16,256	14,019	30,275	209,243	201,356
Building and office supplies	4,268	87,534	32,761	124,563	108,348	193,120	301,468	426,031	291,761
Printing, publication and postage	19,333	11,547	13,122	44,002	13,699	48,872	62,571	106,573	144,033
Advertising and marketing (Note 2L)	1,221	44,700	4,170	50,091	5,142	2,187	7,329	57,420	100,638
Training and conferences	107,512	230,665	42,969	381,146	16,061	3,993	20,054	401,200	549,083
Food and refreshments	40,858	41,882	9,341	92,081	22,884	12,903	35,787	127,868	164,438
Equipment and rental (Note 11B)	23,135	4,978	84,696	112,809	5,654	2,766	8,420	121,229	165,332
Insurance	7,291	56,046	5,634	68,971	4,510	2,463	6,973	75,944	97,004
Repairs and maintenance	39,278	133,201	4,563	177,042	24,127	16,733	40,860	217,902	260,385
Interest (Note 8)	37,663	20,233	2,988	60,884	11,289	6,716	18,005	78,889	80,115
Depreciation (Notes 2E and 7)	487,608	261,947	38,690	788,245	31,758	86,946	118,704	906,949	841,844
Bad debt	-	-	-	-	63,840	25,702	89,542	89,542	62,000
Other	128,889	55,469	164,048	348,406	50,142	49,681	99,823	448,229	639,120
	2,620,084	7,742,430	1,748,263	12,110,777	2,160,023	2,568,418	4,728,441	16,839,218	17,040,762
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(170,250)	(170,250)	(170,250)	(806,626)
TOTAL EXPENSES	\$ 2,620,084	\$ 7,742,430	\$ 1,748,263	\$ 12,110,777	\$ 2,160,023	\$ 2,398,168	\$ 4,558,191	\$ 16,668,968	\$ 16,234,136
TOTAL EXPENSES - 2019	\$ 3,358,647	\$ 7,218,834	\$ 2,395,201	\$ 12,972,682	\$ 1,577,824	\$ 1,683,630	\$ 3,261,454	\$ 16,234,136	

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

	Program Services				Supporting Services			Total 2019
	Youth Programs	Adult Programs	Arts and Culture	Total Program Services	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
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
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
Professional fees (Note 2K)	1,145,233	1,244,659	411,015	2,800,907	348,100	1,179,728	1,527,828	4,328,735
Occupancy	66,410	52,607	56,662	175,679	15,278	10,399	25,677	201,356
Building and office supplies	23,303	59,744	20,573	103,620	104,499	83,642	188,141	291,761
Printing, publication and postage	16,808	20,224	11,212	48,244	18,873	76,916	95,789	144,033
Advertising and marketing (Note 2L)	2,710	80,438	3,157	86,305	13,589	744	14,333	100,638
Training and conferences	126,305	247,825	104,514	478,644	58,864	11,575	70,439	549,083
Food and refreshments	82,494	50,799	14,002	147,295	6,284	10,859	17,143	164,438
Equipment and rental (Note 11B)	38,535	9,573	106,844	154,952	5,975	4,405	10,380	165,332
Insurance	17,972	58,506	10,448	86,926	7,123	2,955	10,078	97,004
Repairs and maintenance	90,499	57,586	68,018	216,103	26,026	18,256	44,282	260,385
Interest (Note 8)	32,089	22,656	15,294	70,039	2,643	7,433	10,076	80,115
Depreciation (Notes 2E and 7)	337,188	238,067	160,708	735,963	27,772	78,109	105,881	841,844
Bad debt	3,822	11,421	3,990	19,233	726	42,041	42,767	62,000
Other	109,294	155,058	189,545	453,897	84,998	100,225	185,223	639,120
	3,358,647	7,218,834	2,395,201	12,972,682	1,577,824	2,490,256	4,068,080	17,040,762
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(806,626)	(806,626)	(806,626)
TOTAL EXPENSES	\$ 3,358,647	\$ 7,218,834	\$ 2,395,201	\$ 12,972,682	\$ 1,577,824	\$ 1,683,630	\$ 3,261,454	\$ 16,234,136

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 634,727	\$ (394,663)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	906,949	841,844
Bad debt expense	89,542	62,000
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(393,462)	(416,073)
Contributions receivable	591,516	119,633
Other receivables	5,180	(11,601)
Prepaid expenses and other assets	(55,405)	43,612
Beneficial interest in charitable remainder trust	(1,029,404)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(520,350)	676,323
Deferred revenue	(23,207)	14,136
Net Cash Provided by Operating Activities	206,086	935,211
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(319,601)	(543,515)
Purchases of property and equipment	(275,167)	(581,740)
Net Cash Used in Investing Activities	(594,768)	(1,125,255)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(76,599)	(72,967)
PPP Loan	1,596,969	-
Net Cash Provided by (Used in) Financing Activities	1,520,370	(72,967)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,131,688	(263,011)
Cash and Cash Equivalents - beginning of year	2,244,562	2,507,573
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,376,250	\$ 2,244,562
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 78,889	\$ 80,115

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

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 AND 2019

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, 2020 **and 2019**, Board designated net assets amounted to \$3,998,440 and \$3,685,807, 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, 2020 and 2019, amounted to \$55,191 and \$171,644, 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, 2020 AND 2019

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 and government grant accounts outstanding, the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2020 and 2019, the Center determined that an allowance of \$25,256 and \$37,442, respectively, was necessary for its contributions receivable. As of June 30, 2020 and 2019, the Center also determined that an allowance of \$3,070 and \$1,814, 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 wills have passed through probate and legal counsel has confirmed amounts held on behalf of the Center.

H. *Government Grants*

Government grants and contracts are nonexchange transactions and accounted for under ASU 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts amounted to \$4,432,705 and \$4,591,030 as of June 30, 2020 and 2019, respectively, and are included in the statements of activities. There are instances when the Agency receives advances from the governmental funding sources. Such advances are recorded as refundable advances from governmental agencies in the accompanying statements of financial position.

As of June 30, 2020 and 2019, the Agency received conditional grants and contracts from government agencies in the aggregate amount of approximately \$9.3 million and \$10.4 million, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Agency may be required to return the funds already remitted. As of June 30, 2020 and 2019, the Center determined that an allowance of \$62,019 and \$-0-, respectively, was necessary for its government grants.

I. *Beneficial Interest in Charitable Remainder Trust*

During the year ended June 30, 2020, the Center received a beneficial interest in a charitable remainder trust. The Center determined the value of the beneficial interest using a growth rate of 2.94% and a withdrawal rate of 5%. The Center will receive the fair value of the charitable remainder trust upon the death of the beneficiary. The fair market value as of June 30, 2020 is \$1,029,404.

J. *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, 2020 and 2019, amounted to \$170,076 and \$193,283, respectively.

K. *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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the years ended June 30, 2020 and 2019, the Center received donated services amounting to \$1,795,149 and \$43,582, respectively, which are recorded as both revenue and expense in the accompanying financial statements.

L. *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, 2020 and 2019, amounted to \$57,420 and \$100,638, respectively.

M. *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.

N. *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.

O. *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.

P. *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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, reduced by amounts not available for general use within one year as of June 30, 2020 and 2019, because of contractual or donor-imposed restrictions, as well the Board-designated strategic operating reserve fund:

	2020	2019
Cash and cash equivalents	\$ 3,376,250	\$ 2,244,562
Investments	4,518,105	4,198,504
Government grants receivable	2,131,816	1,800,373
Contributions receivable	1,361,320	1,980,038
Other receivables	29,222	34,723
Total	11,416,713	10,258,200
Less those unavailable for general expenditure within one year		
Contributions receivable – due in excess of one year	(533,287)	(546,325)
Board-designated strategic fund	(3,998,440)	(3,685,807)
Net assets with donor restrictions	(3,412,039)	(2,866,737)
Total	\$ 3,472,947	\$ 3,159,421

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 2021.

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.

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:

	2020	2019
Money market funds	\$ 4,518,105	\$ 4,198,504
	\$ 4,518,105	\$ 4,198,504

Interest and dividends amounted to approximately \$68,000 and \$77,000 for the years ended June 30, 2020 and 2019, 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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2020 are classified as Level 1 in the table as follows:

	<u>Level 1</u>	<u>Total 2020</u>
ASSETS CARRIED AT FAIR VALUE:		
Investments:		
Money market funds	\$ 4,518,105	\$ 4,518,105
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 4,518,105</u>	<u>\$ 4,518,105</u>

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>

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 828,033	\$ 1,433,713
One to five years	<u>558,543</u>	<u>583,767</u>
	1,386,576	2,017,480
Allowance for doubtful accounts	<u>(25,256)</u>	<u>(37,442)</u>
	<u>\$ 1,361,320</u>	<u>\$ 1,980,038</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Land	\$ 227,150	\$ 227,150	
Building and building improvements	25,377,444	25,059,212	5 – 35 Years
Furniture and equipment	777,630	627,479	3 – 10 Years
Construction in Progress	<u>56,051</u>	<u>249,266</u>	
	26,438,275	26,163,107	
Less: Accumulated depreciation	<u>(10,298,187)</u>	<u>(9,391,237)</u>	
	<u>\$ 16,140,088</u>	<u>\$ 16,771,870</u>	

For the years ended June 30, 2020 and 2019, depreciation expense amounted to \$906,949 and \$841,844, respectively.

Construction in progress primarily consists of amounts paid for software implementation and facility improvements. The projects are expected to be completed in 2021 at a remaining cost to complete of approximately \$1.6 million.

NOTE 8 – MORTGAGE PAYABLE

During 2017, the Center refinanced its 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, 2020 and 2019.

Future annual principal payments for the years ending after June 30, 2020 are as follows:

2021	\$ 79,293
2022	82,545
2023	85,929
2024	89,278
2025	93,113
Thereafter	<u>1,438,567</u>
	<u>\$ 1,868,725</u>

Interest expense amounted to \$76,483 and \$80,115 for the years ended June 30, 2020 and 2019, respectively.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Adult programs	\$ 1,522,796	\$ 2,003,036
Youth programs	395,456	397,746
Arts and culture	464,383	465,955
Charitable remainder trust	<u>1,029,404</u>	<u>-</u>
	<u>\$ 3,412,039</u>	<u>\$ 2,866,737</u>

Net assets released from restrictions amounted to \$2,474,921 and \$3,423,482 for the years ended June 30, 2020 and 2019, respectively.

NOTE 10 – PENSION PLAN

The Center maintains a defined contribution profit sharing plan. All employees who have been employed for at least one year and work at least 1,000 hours per year are eligible. The Center makes discretionary contributions of up to 5% of employee compensation based upon board approval. For the years ended June 30, 2020 and 2019, the Center made contributions of \$285,462 and \$227,523, 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.

B. *Equipment Rental*

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

	<u>Phone System</u>	<u>Copiers And Printers</u>	<u>Total</u>
2021	\$ 7,004	\$ 6,740	\$ 13,744

C. *Line of Credit*

The Center has a bank revolving line of credit with a \$1 million limit with a maturity date of July 25, 2021. 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 3.15%. As of June 30, 2020 and November 2, 2020, there were no borrowings.

D. *Income Tax*

The Center believes it has no uncertain income tax positions as of June 30, 2020 and 2019, 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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

E. *PPP Loan*

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the twenty-four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Organization’s employees. The Center applied for this loan through Spring National Bank and received approximately \$1,600,000 in May 2020. Management has opted to account for the proceeds as a loan under FASB ASC 470 until the loan is, in part or wholly, forgiven and The Center has been “legally released”.

F. *Coronavirus*

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Center’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Center is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. The Center’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The center continues to monitor evolving economic and general business conditions and the actual and potential impacts on our financial position and results of operations.

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 \$2,713,000 and \$2,709,000 as of June 30, 2020 and 2019, 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 November 2, 2020, the date the financial statements were available to be issued.