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**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.  
D/B/A THE LESBIAN, GAY, BISEXUAL &  
TRANSGENDER COMMUNITY CENTER**

Audited Financial Statements

June 30, 2007

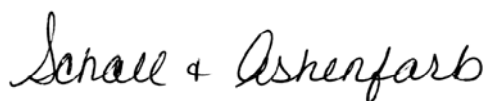
## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Lesbian and Gay Community Services Center, Inc.  
d/b/a The Lesbian, Gay, Bisexual & Transgender Community Center

We have audited the accompanying statement of financial position of the Lesbian and Gay Community Services Center, Inc., d/b/a The Lesbian, Gay, Bisexual & Transgender Community Center (the "Center") as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Center's June 30, 2006 financial statements, and in our report dated January 10, 2007 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lesbian and Gay Community Services Center, Inc., d/b/a The Lesbian, Gay, Bisexual & Transgender Community Center as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb  
Certified Public Accountants, LLC

November 29, 2007

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**D/B/A THE LESBIAN, GAY, BISEXUAL & TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2007**

(With comparative totals as of June 30, 2006)

	<b>Assets</b>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents (Notes 2f and 2i)		\$654,111	\$414,263
Government grants receivable		1,263,850	1,172,141
Unconditional promises to give (Notes 2d and 4)		368,079	745,281
Prepaid expenses and other assets		275,499	401,299
Property, plant and equipment, net (Notes 2g and 6)		11,016,300	11,346,513
		<u>                    </u>	<u>                    </u>
Total assets		<u><u>\$13,577,839</u></u>	<u><u>\$14,079,497</u></u>
 <b>Liabilities and Net Assets</b>  			
Liabilities:			
Accounts payable and accrued expenses		\$352,853	\$259,144
Accrued salaries		137,615	124,065
Accrued vacation		143,849	145,605
Tenants' security deposits		4,461	4,461
Government refundable advances (Note 2e)		65,133	71,536
Deferred revenue (Note 2h)		216,357	402,995
Loans payable (Note 8)		504,000	500,000
Mortgages payable (Note 7)		1,456,587	1,513,688
		<u>                    </u>	<u>                    </u>
Total liabilities		<u>2,880,855</u>	<u>3,021,494</u>
 Commitments and contingencies (Note 9)			
 Net assets (Notes 2b):			
Unrestricted		9,971,776	10,391,810
Temporarily restricted		725,208	666,193
		<u>                    </u>	<u>                    </u>
Total net assets		<u>10,696,984</u>	<u>11,058,003</u>
		<u>                    </u>	<u>                    </u>
Total liabilities and net assets		<u><u>\$13,577,839</u></u>	<u><u>\$14,079,497</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**D/B/A THE LESBIAN, GAY, BISEXUAL & TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(With comparative totals for the year ended June 30, 2006)

	Unrestricted			Temporarily Restricted	Total June 30, 2007	Total June 30, 2006
	Operations	Board Endowment	Total			
Public support and revenue:						
Special events revenue (Note 2j)	\$1,718,652		\$1,718,652		\$1,718,652	\$1,225,836
Less: costs of direct benefits to donors	348,938		348,938		348,938	256,742
Net revenue from special events	1,369,714	0	1,369,714	0	1,369,714	969,094
Government grants	2,433,464		2,433,464		2,433,464	2,294,966
Contributions	1,961,755		1,961,755	339,510	2,301,265	2,406,610
Legacies and bequests	176,706		176,706		176,706	353,126
Program revenues	437,067		437,067		437,067	358,032
Space usage fees	386,616		386,616		386,616	385,166
Other revenue	64,156	8,515	72,671		72,671	24,905
Net assets released from restrictions	280,495		280,495	(280,495)	0	0
Total public support and revenue	<u>7,109,973</u>	<u>8,515</u>	<u>7,118,488</u>	<u>59,015</u>	<u>7,177,503</u>	<u>6,791,899</u>
Expenses:						
Program services:						
HIV/AIDS programs, social services and other programs	5,525,170		5,525,170		5,525,170	4,839,110
Supporting services:						
Management and general	760,135		760,135		760,135	518,722
Fundraising	1,253,217		1,253,217		1,253,217	1,225,650
Total supporting services	<u>2,013,352</u>	<u>0</u>	<u>2,013,352</u>	<u>0</u>	<u>2,013,352</u>	<u>1,744,372</u>
Total expenses	<u>7,538,522</u>	<u>0</u>	<u>7,538,522</u>	<u>0</u>	<u>7,538,522</u>	<u>6,583,482</u>
Change in net assets (Note 11)	(428,549)	8,515	(420,034)	59,015	(361,019)	208,417
Net assets - beginning of year	10,041,810	350,000	10,391,810	666,193	11,058,003	10,849,586
Board appropriation	15,000	(15,000)	0		0	0
Net assets - end of year	<u>\$9,628,261</u>	<u>\$343,515</u>	<u>\$9,971,776</u>	<u>\$725,208</u>	<u>\$10,696,984</u>	<u>11,058,003</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**D/B/A THE LESBIAN, GAY, BISEXUAL & TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

(With comparative totals for the year ended June 30, 2006)

	Supporting Services			Total Supporting Services	Total Expenses June 30, 2007	Total Expenses June 30, 2006
	Program Services	Management and General	Fundraising			
Salaries	\$2,751,479	\$405,934	\$454,746	\$860,680	\$3,612,159	\$3,291,069
Payroll taxes and employee benefits	523,631	113,323	55,189	168,512	692,143	643,024
Total salaries and related costs	<u>3,275,110</u>	<u>519,257</u>	<u>509,935</u>	<u>1,029,192</u>	<u>4,304,302</u>	<u>3,934,093</u>
Professional fees	463,911	23,362	364,616	387,978	851,889	562,986
Occupancy	180,987	6,612	7,971	14,583	195,570	179,755
Building and office supplies	87,031	4,499	5,447	9,946	96,977	109,985
Printing, publications and postage	298,250	2,355	149,605	151,960	450,210	411,651
Advertising (Note 2k)	40,533	1,369	1,850	3,219	43,752	37,891
Program expenses	154,164	4,704	80,910	85,614	239,778	118,497
Training and conferences	14,409	2,004	4,356	6,360	20,769	91,644
Food and refreshments	61,721	2,983	21,010	23,993	85,714	66,079
Equipment and rental (Note 2g)	139,614	8,870	23,158	32,028	171,642	175,283
Insurance	74,188	2,048	10,957	13,005	87,193	111,721
Repairs and maintenance	170,774	21,359	8,555	29,914	200,688	112,331
Interest	124,273	20,186	2,718	22,904	147,177	133,759
Depreciation	343,988	23,455	23,455	46,910	390,898	370,822
Other	96,217	117,072	38,674	155,746	251,963	166,985
Total expenses	<u>\$5,525,170</u>	<u>\$760,135</u>	<u>\$1,253,217</u>	<u>\$2,013,352</u>	<u>\$7,538,522</u>	<u>\$6,583,482</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**D/B/A THE LESBIAN, GAY, BISEXUAL & TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2007**

(With comparative totals for the year ended June 30, 2006)

	June 30, 2007	June 30, 2006
Cash flows from operating activities:		
Change in net assets	(\$361,019)	\$208,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	390,898	370,822
(Increase)/decrease in assets:		
Government grants receivable	(91,709)	(63,526)
Unconditional promises to give	377,202	(235,606)
Prepaid expenses and other assets	125,800	(63,318)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	105,503	(165,192)
Government refundable advances and deferred revenue	(193,041)	(83,736)
Total adjustments	714,653	(240,556)
Net cash provided by/(used for) operating activities	353,634	(32,139)
Cash flows from investing activities:		
Purchases of property and equipment	(60,685)	(182,826)
Net cash used for investing activities	(60,685)	(182,826)
Cash flows from financing activities:		
Proceeds from bank line of credit	104,000	500,000
Principal payments on bank line of credit	(100,000)	(316,000)
Principal payments on mortgages	(57,101)	(53,255)
Net cash (used for)/provided by financing activities	(53,101)	130,745
Net increase/(decrease) in cash and cash equivalents	239,848	(84,220)
Cash and cash equivalents - beginning	414,263	498,483
Cash and cash equivalents - ending	\$654,111	\$414,263
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$147,177	\$133,759

*The attached notes and auditors' report are an integral part of these financial statements.*

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.**  
**D/B/A THE LESBIAN, GAY, BISEXUAL & TRANSGENDER COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 - Organization**

Lesbian and Gay Community Services Center, Inc. d/b/a The Lesbian, Gay, Bisexual & Transgender Community Center (the "Center") is 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. They have not been designated as a private foundation.

The Center is a community based organization whose purpose includes providing community building activities, cultural programming and broad based mental health and social services with an emphasis on HIV/AIDS related services to the lesbian, gay, bisexual and transgender communities. The Center's primary sources of funding are contributions and government grants.

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

The Center follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, organizations are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- *Unrestricted net assets* – represents all activity without donor imposed restrictions as well as activity with donor imposed restrictions that expire within the same period. The Center has elected to appropriate funds for an endowment and show this appropriation as a separate category of unrestricted net assets.
- *Temporarily restricted net assets* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- *Permanently restricted net assets* – the Center had no activity of this type.

- c. Contributions  
The Center follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. A contribution is defined as an unconditional transfer of assets or a settlement of liabilities in a voluntary, nonreciprocal transfer.

Contributions received with restrictions that expire in the same period are reported as unrestricted. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

- d. Unconditional Promises to Give  
In accordance with SFAS No. 116, the Center records unconditional promises to give as revenue in the period received at the present value of the expected cash inflow. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Center has established a reserve of \$200,000 for bad debts based on historical experience. Pledges are written off against the reserve at the point in time where management deems that all reasonable collection efforts have been exhausted.

- e. Government Refundable Advances  
Government grant awards are classified as refundable advances until expended for the purposes of the grants since they have traits that bear a closer resemblance to exchange transactions (purchase of services) rather than contributions as defined above.

- f. Cash and Cash Equivalents  
The Center considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

- g. Property, Plant and Equipment  
Fixed assets purchased that cost above predetermined amounts that the Center retains title to and which benefit future periods are capitalized at cost, or if donated, at the estimated fair market value at the time of donation. Fixed assets 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.

Fixed assets consist of building, furniture, and equipment that are carried at cost and are depreciated over their useful life using the straight line method. (See Note 6 for additional details.)

- h. Deferred Revenue  
Fees collected that relate to programs that occur in future periods have been recorded as deferred revenue and will be recognized in the period that they are earned.
- i. Concentration of Credit Risk  
Financial instruments that potentially subject the Center to concentration of credit risk consist principally of temporary cash investments. The Center places its temporary cash investments with financial institutions that have \$100,000 limits of insurance from FDIC. At June 30, 2007, the amount of uninsured balances was \$680,273.
- j. Special Events  
Direct costs of special events where the donor receives a benefit, such as the meal and facility rental are shown as a reduction of special event revenue on the statement of activities.
- k. Advertising  
Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising and promotion expense for the year ended June 30, 2007 was \$43,752.
- l. Expense Allocation/Management Estimates  
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.
- The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.
- m. In-Kind Services  
The Center pays for most services requiring specific expertise. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Center. In accordance with the requirements of SFAS No. 116, these services do not meet the criteria to be recorded and have not been included in the financial statements.

n. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

**Note 3 - Net Assets Released From Restrictions and Reclassifications**

The following summarizes the changes in temporarily restricted net assets for the year ended June 30, 2007:

	<u>Balance</u> <u>7/1/06</u>	<u>Restricted</u> <u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/07</u>
Programs:				
Center Cancer Care	\$42,850	\$164,510	(\$85,350)	\$122,010
Education	18,835			18,835
Causes in Common	319,583	50,000	(154,583)	215,000
I look up to the Sky	19,925			19,925
Strategic Branding Initiative	20,000		(20,000)	0
Medicaid Billing Software	180,000			180,000
Capital Campaign	0	117,000		117,000
Center Public Events	15,000		(5,540)	9,460
Community Fundraising				
Calendar	5,000		(22)	4,978
Communications	0	3,000		3,000
Food for Youth	<u>30,000</u>			<u>30,000</u>
Total Program Restrictions	651,193	334,510	(265,495)	720,208
Time Restrictions	<u>15,000</u>	<u>5,000</u>	<u>(15,000)</u>	<u>5,000</u>
Total	<u>\$666,193</u>	<u>\$339,510</u>	<u>(\$280,495)</u>	<u>\$725,208</u>

**Note 4 - Unconditional Promises to Give**

As stated in Note 2d, the Center records unconditional promises to give as support and as receivables at the time the promise is made. Unconditional promises to give consist of receivables from a capital campaign, president's circle, founders and net proceeds from the AIDS ride and are due within one year.

**Note 5 - Capital Campaign**

The campaign for Our Future is a two phase capital campaign to raise the funds necessary to renovate the Center's facility, which was built in 1844. The first phase of this campaign focused on the renovation to the existing building and to make it accessible. In addition, during the renovations, funds were utilized to provide temporary facilities. The second phase will seek to raise additional funds for the construction of a five-story annex.

**Note 6 - Property, Plant & Equipment**

Property, plant and equipment consist of the following:

	<u>Assets</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$227,150	\$0	\$227,150
Building and building improvements	13,438,666	2,649,516	10,789,150
Furniture and equipment	<u>668,674</u>	<u>668,674</u>	<u>0</u>
Total	<u>\$14,334,490</u>	<u>\$3,318,190</u>	<u>\$11,016,300</u>

Depreciation expense has been computed on the straight line basis over the useful life of the assets. Generally, buildings are being depreciated over 35 years, and equipment over 5 years.

**Note 7 - Mortgages Payable**

The property located at 208 W. 13<sup>th</sup> Street is secured by a mortgage with Community Reinvestment Fund. It is set to expire in October 2021. Payments are made in monthly installments of \$13,437, which includes interest at 7%.

Future annual principal payments are as follows:

June 30, 2008	\$61,229
June 30, 2009	65,655
June 30, 2010	70,813
June 30, 2011	75,489
June 30, 2012	80,948
Thereafter	<u>1,102,453</u>
	<u>\$1,456,587</u>

**Note 8 - Loans Payable**

The Center has an agreement with JP Morgan Chase Bank for a line of credit in the amount of \$1,000,000, which expires January 31, 2008. The interest rate, which varies, was 8.25% at year end and represents 1% above the prime rate. This loan is secured by the Center's receivables. The outstanding loan balance at June 30, 2007 was \$504,000 and the remaining line of credit was \$496,000.

**Note 9 - Commitments and Contingencies**

- a) The Center leases equipment. The minimum annual rental commitments under the non-cancelable leases are as follows:

June 30, 2008	\$2,496
June 30, 2009	2,496
June 30, 2010	<u>208</u>
Total	<u>\$5,200</u>

- b) Pursuant to the Center's contractual relationships with government funding sources, most funding sources have the right to examine the books and records of the Center involving transactions relating to their contracts. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

**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 year ended June 30, 2007, the Center made contributions totaling \$70,906.

**Note 11 - Change in Net Assets**

The change in net assets for fiscal year ended June 30, 2007 included non cash depreciation expenses of \$390,898. During fiscal year 2003 the renovated building was placed into service, requiring the Center to begin yearly depreciation on the renovations.