

**Lesbian and Gay
Community Services Center, Inc.**

Financial Statements

June 30, 2011



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of the Lesbian and Gay Community Services Center, Inc. (the "Center") as of June 30, 2011 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 financial statements for the year ended June 30, 2010 were audited by other auditors whose report dated November 30, 2010 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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. as of June 30, 2011 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.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
December 13, 2011

Lesbian and Gay Community Services Center, Inc.

Statement of Financial Position

June 30, 2011

(with comparative amounts at June 30, 2010)

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,010,736 | \$ 540,384 |
| Government grants receivable, net | 560,158 | 924,007 |
| Unconditional promises to give, net | 367,191 | 270,662 |
| Other receivables, net | 47,482 | 61,583 |
| Prepaid expenses and other assets | 243,323 | 308,126 |
| Property, plant and equipment, net | <u>11,855,565</u> | <u>11,925,374</u> |
| | <u>\$ 14,084,455</u> | <u>\$ 14,030,136</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 182,325 | \$ 628,354 |
| Accrued salaries | 55,598 | 199,765 |
| Accrued vacation | 150,139 | 170,867 |
| Tenant's security deposits | 4,461 | 4,461 |
| Government refundable advances | 42,320 | 26,506 |
| Deferred revenue | 160,196 | 154,266 |
| Loans payable | - | 1,000,000 |
| Mortgages payable | <u>2,888,292</u> | <u>1,254,763</u> |
| Total Liabilities | <u>3,483,331</u> | <u>3,438,982</u> |
| Net Assets | | |
| Unrestricted | | |
| Board designated | 343,515 | 343,515 |
| Undesignated | 9,813,383 | 9,815,368 |
| Temporarily restricted | <u>444,226</u> | <u>432,271</u> |
| Total Net Assets | <u>10,601,124</u> | <u>10,591,154</u> |
| | <u>\$ 14,084,455</u> | <u>\$ 14,030,136</u> |

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Statement of Activities

Year Ended June 30, 2011

(with summarized totals for the year ended June 30, 2010)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|--|----------------------|-----------------------------------|-----------------------|-----------------------|
| REVENUE AND SUPPORT | | | | |
| Special events revenue, net of direct costs of \$381,346 and \$301,541 in 2011 and 2010 | \$ 1,472,194 | \$ - | \$ 1,472,194 | \$ 1,226,553 |
| Government grants | 2,764,647 | - | 2,764,647 | 3,618,814 |
| Contributions | 1,593,517 | 507,050 | 2,100,567 | 2,174,655 |
| Legacies and bequests | 301,844 | - | 301,844 | 155,960 |
| Program revenue | 202,869 | - | 202,869 | 169,083 |
| Medicaid revenue | 247,410 | - | 247,410 | 118,327 |
| Space usage fees | 419,535 | - | 419,535 | 366,153 |
| Other revenue | 10,211 | - | 10,211 | 14,424 |
| Net assets released from restrictions | <u>495,095</u> | <u>(495,095)</u> | <u>-</u> | <u>-</u> |
| Total Revenue and Support | <u>7,507,322</u> | <u>11,955</u> | <u>7,519,277</u> | <u>7,843,969</u> |
| EXPENSES | | | | |
| Program services | 5,508,310 | - | 5,508,310 | 5,288,993 |
| Supporting services | | | | |
| Management and general | 936,116 | - | 936,116 | 1,114,981 |
| Fundraising | <u>1,064,881</u> | <u>-</u> | <u>1,064,881</u> | <u>1,390,696</u> |
| Total supporting services | <u>2,000,997</u> | <u>-</u> | <u>2,000,997</u> | <u>2,505,677</u> |
| Total Expenses | <u>7,509,307</u> | <u>-</u> | <u>7,509,307</u> | <u>7,794,670</u> |
| Change in Net Assets | (1,985) | 11,955 | 9,970 | 49,299 |
| NET ASSETS | | | | |
| Beginning of year | <u>10,158,883</u> | <u>432,271</u> | <u>10,591,154</u> | <u>10,541,855</u> |
| End of year | <u>\$ 10,156,898</u> | <u>\$ 444,226</u> | <u>\$ 10,601,124</u> | <u>\$ 10,591,154</u> |

Lesbian and Gay Community Services Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2011
(with summarized totals for the year ended June 30, 2010)

| | Supporting Services | | | Total Supporting Services | 2011 Total | 2010 Total |
|-------------------------------------|---------------------|---------------------------|---------------------|---------------------------------|---------------------|---------------------|
| | Program Services | Management and General | Fundraising | | | |
| PERSONNEL | | | | | | |
| Salaries | \$ 3,237,023 | \$ 427,531 | \$ 366,455 | \$ 793,986 | \$ 4,031,009 | \$ 4,205,055 |
| Employee benefits and payroll taxes | 622,710 | 82,245 | 70,495 | 152,740 | 775,450 | 761,913 |
| Total Personnel | 3,859,733 | 509,776 | 436,950 | 946,726 | 4,806,459 | 4,966,968 |
| Professional fees | 180,742 | 123,195 | 346,805 | 470,000 | 650,742 | 735,884 |
| Occupancy | 174,256 | 36,108 | 8,568 | 44,676 | 218,932 | 180,211 |
| Building and office supplies | 88,117 | 13,457 | 59,962 | 73,419 | 161,536 | 144,782 |
| Printing, publication and postage | 27,778 | 20,788 | 49,725 | 70,513 | 98,291 | 176,145 |
| Advertising | 1,774 | 3,303 | 575 | 3,878 | 5,652 | 4,163 |
| Program expenses | 142,273 | - | 42,445 | 42,445 | 184,718 | 170,691 |
| Training and conferences | 27,631 | 4,568 | 9,097 | 13,665 | 41,296 | 121,604 |
| Food and refreshments | 60,853 | 6,839 | 31,012 | 37,851 | 98,704 | 124,125 |
| Equipment and rental | 77,739 | 17,829 | 6,330 | 24,159 | 101,898 | 114,008 |
| Insurance | 66,020 | 9,840 | 1,059 | 10,899 | 76,919 | 93,941 |
| Repairs and maintenance | 115,104 | 11,976 | 3,481 | 15,457 | 130,561 | 121,074 |
| Interest | 149,805 | 19,786 | 16,959 | 36,745 | 186,550 | 136,743 |
| Depreciation | 377,223 | 49,822 | 42,704 | 92,526 | 469,749 | 444,040 |
| Bad debt | 75,000 | - | - | - | 75,000 | 185,439 |
| Other | 84,262 | 108,829 | 9,209 | 118,038 | 202,300 | 74,852 |
| Total Other Expenses | 1,648,577 | 426,340 | 627,931 | 1,054,271 | 2,702,848 | 2,827,702 |
| | <u>\$ 5,508,310</u> | <u>\$ 936,116</u> | <u>\$ 1,064,881</u> | <u>\$ 2,000,997</u> | <u>\$ 7,509,307</u> | <u>\$ 7,794,670</u> |

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.
Statement of Cash Flows
Year Ended June 30, 2011
(with summarized totals for the year ended June 30, 2010)

| | 2011 | 2010 |
|---|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 9,970 | \$ 49,299 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 469,749 | 444,040 |
| Changes in operating assets and liabilities | | |
| Government grants receivables | 363,849 | 156,678 |
| Unconditional promises to give | (96,529) | 227,728 |
| Other receivables | 14,101 | 75,456 |
| Prepaid expenses and other assets | 64,803 | (8,614) |
| Accounts payable and accrued expenses | (610,924) | (244,091) |
| Government refundable advances and deferred revenue | 21,744 | 4,031 |
| Net Cash from Operating Activities | 236,763 | 704,527 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (399,940) | (270,992) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from mortgage loans | 3,000,000 | - |
| Principal payments on mortgage loans | (2,366,471) | (74,971) |
| Net Cash from Financing Activities | 633,529 | (74,971) |
| Net Change in Cash and Cash Equivalents | 470,352 | 358,564 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 540,384 | 181,820 |
| End of year | \$ 1,010,736 | \$ 540,384 |
| SUPPLEMENTAL INFORMATION | | |
| Cash paid for interest | \$ 186,550 | \$ 136,743 |

See notes to financial statements

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

1. Organization and Tax Status

The Lesbian and Gay Community Services Center, Inc. (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.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to the following classes of net assets:

- Unrestricted net assets - represents all activity without donor imposed restrictions. The board of directors of 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.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments purchased with an original maturity of three months or less at time of purchase.

Allowance for Doubtful Accounts

The Center has established an allowance of \$75,000 for bad debt based on factors such as the age of the receivables and the history of the payee. Pledges are written off against the allowance at the point in time where management deems that all reasonable collection efforts have been exhausted.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

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.

Depreciation and amortization are computed over the estimated useful lives of the assets using the straight line method for financial reporting purposes as follows:

| | |
|-----------------------------------|-------------|
| Building and improvements | 10-35 years |
| Furniture and equipment | 5-10 years |
| Equipment under capitalized lease | 5 years |
| Computer software and hardware | 3 years |

Contributions and Promises to Give

All contributions, including unconditional promises to give, are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. When a donor 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 are reported in the statement of activities as net assets released from restrictions.

Third-Party Reimbursement and Revenue Recognition

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because of their conditional and reciprocal nature. As such, government grant receipts are recorded as advances (liabilities) until they have been earned. Once the conditions have been satisfied, the advances are recorded as income. Grant receivables have been established to reflect amounts due relating to services performed that are earned under terms of the government contract.

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.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

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.

In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, 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.

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, 2011 was \$5,652.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative, fundraising and maintenance costs have been allocated among the programs and supporting services.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition. The Center is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2007.

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, 2010, from which the summarized information was derived.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 13, 2011.

3. Property, Plant and Equipment

Property, plant and equipment consist of the following as of June 30:

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Land | \$ 227,150 | \$ 227,150 |
| Buildings and building improvements | 15,605,802 | 14,440,209 |
| Furniture and equipment | 140,598 | 132,197 |
| Construction in progress | <u>293,269</u> | <u>1,067,323</u> |
| | 16,266,819 | 15,866,879 |
| Accumulated depreciation and amortization | <u>(4,411,254)</u> | <u>(3,941,505)</u> |
| | <u>\$ 11,855,565</u> | <u>\$ 11,925,374</u> |

4. Loans and Mortgages Payable

During fiscal 2011, the Center obtained a mortgage loan from the Nonprofit Finance Fund in the amount of \$3,000,000. The principal balance of this loan was \$2,888,292 at June 30, 2011. The loan bears interest at 6.5% per annum and matures on July 1, 2020, with a final balloon payment of \$1,361,753. The loan is collateralized by the property located at 208 West 13th Street, New York, New York. The proceeds of this loan were used to refinance the outstanding balance of a line of credit with JP Morgan Chase Bank in the amount of \$1,000,000 and a mortgage note from the Community Reinvestment Fund in the amount of \$1,254,763.

Future annual principal payments at June 30, 2011 are as follows:

| | |
|---------------|---------------------|
| Year Ended: | |
| June 30, 2012 | \$ 129,678 |
| June 30, 2013 | 138,363 |
| June 30, 2014 | 147,629 |
| June 30, 2015 | 157,516 |
| June 30, 2016 | 168,065 |
| Thereafter | <u>2,147,041</u> |
| | <u>\$ 2,888,292</u> |

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

5. Line of Credit

The Center has an available line of credit of \$300,000 from a bank, at prime plus one half percent, with a base rate of 4%. This line is secured by the Center's assets and expires November 1, 2011. At June 30, 2011, there were no outstanding borrowings under this line and no interest was incurred for the year ended June 30, 2011.

6. Board Designated Net Assets

The Center's Board of Directors designated a portion of the unrestricted net assets to be used for future program operations and capital improvements.

7. Temporarily Restricted Net Assets

Changes in the temporarily restricted net assets consist of the following:

| <u>Purpose / Restriction</u> | <u>Balance at June 30, 2010</u> | <u>Additions</u> | <u>Assets Released</u> | <u>Balance at June 30, 2011</u> |
|------------------------------|-------------------------------------|-------------------|----------------------------|-------------------------------------|
| Adult Services | \$ 64,725 | \$ 51,050 | \$ (81,340) | \$ 34,435 |
| Communications | 100,000 | - | (100,000) | - |
| Youth Services | 70,500 | 210,000 | (62,500) | 218,001 |
| Foster Care | 83,475 | 140,000 | (137,685) | 85,790 |
| Out of Home Youth | 88,571 | - | (88,571) | - |
| Mentoring | 25,000 | - | (25,000) | - |
| Cultural | - | 106,000 | - | 106,000 |
| | <u>\$ 432,271</u> | <u>\$ 507,050</u> | <u>\$ (495,095)</u> | <u>\$ 444,226</u> |

8. Pension Plan

The Center maintains a defined contribution profit sharing plan. All employees who have been employed for at least two years and work at least 1,000 hours per year are eligible. The Center makes discretionary contributions of up to 15% of employee compensation based upon board approval. For the year ended June 30, 2011, the Center made contributions totaling \$2,496.

Lesbian and Gay Community Services Center, Inc.

Notes to Financial Statements

9. Economic Dependency

The Center is an authorized social service agency under the regulations of the New York State Office of Children and Family Services. Reimbursement rates for the services provided by Forestdale are promulgated by this department and payments for such services are received through various governmental agencies. The Center is economically dependent on these funds to continue operations.

10. Contingencies

Pursuant to the Center's government contracts, most funding sources have the right to examine the books and records of the Center. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

The Center is subject to lawsuits and claims with respect to matters arising in the normal course of doing business. The Center defends its position on all actions. In the opinion of management, the ultimate liability if any, from these lawsuits or claims, will not materially affect the financial position of the Center.

11. 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 management deems to be creditworthy. During the year a portion of the funds were not insured. The Center has not experienced any losses from these accounts.