

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



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

For the Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 3, 2021

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 7,456,847	\$ 3,376,250
Investments (Notes 2N, 2O, 4 and 5)	5,414,533	4,518,105
Government grants receivable, net (Note 2H)	2,667,560	2,131,816
Contributions receivable, net (Notes 2F and 6)	2,045,936	1,361,320
Other receivables, net (Note 2F)	197,189	29,222
Prepaid expenses and other assets	563,245	528,361
Amounts held for other agencies (Note 2D)	9,617	55,191
Property and equipment, net (Notes 2E and 7)	15,286,278	16,140,088
Beneficial interest in charitable remainder trust (Notes 2I and 10)	1,153,727	1,029,404
TOTAL ASSETS	\$ 34,794,932	\$ 29,169,757
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,224,767	\$ 886,628
Deferred revenue (Note 2J)	285,128	170,076
Amounts held for other agencies (Note 2D)	9,617	55,191
Mortgage payable (Note 8)	1,789,201	1,868,725
Paycheck Protection Program ("PPP") loan (Note 12E)	1,596,969	1,596,969
TOTAL LIABILITIES	4,905,682	4,577,589
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Operations	5,508,358	1,041,601
Board-designated (Note 2B)	4,894,964	3,998,440
Net investment in property and equipment	15,286,278	16,140,088
Total without donor restrictions	25,689,600	21,180,129
With donor restrictions (Note 10)	4,199,650	3,412,039
TOTAL NET ASSETS	29,889,250	24,592,168
TOTAL LIABILITIES AND NET ASSETS	\$ 34,794,932	\$ 29,169,757

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
OPERATING ACTIVITIES:						
PUBLIC SUPPORT AND REVENUE:						
Special events revenue (net of direct expenses of \$49 and \$170,250, respectively)	\$ 1,588,411	\$ -	\$ 1,588,411	\$ 3,285,569	\$ -	\$ 3,285,569
Government grants (Note 2H)	4,810,827	-	4,810,827	4,432,705	-	4,432,705
Contributions (Note 2F)	1,972,292	2,418,649	4,390,941	1,581,705	1,990,819	3,572,524
Donated services (Notes 2K and 9)	724,460	-	724,460	1,795,149	-	1,795,149
Legacies and bequests (Notes 2G and 10)	397,460	-	397,460	1,568,472	1,029,404	2,597,876
Program revenue	150,040	-	150,040	177,978	-	177,978
Medicaid revenue	1,162,521	-	1,162,521	844,493	-	844,493
Space usage fees	3,238	-	3,238	392,074	-	392,074
Other revenue (Note 4)	132,722	-	132,722	205,327	-	205,327
Net assets released from restrictions (Notes 2B and 10)	1,631,038	(1,631,038)	-	2,474,921	(2,474,921)	-
TOTAL PUBLIC SUPPORT AND REVENUE	12,573,009	787,611	13,360,620	16,758,393	545,302	17,303,695
EXPENSES (Note 2M):						
Program services:						
Youth programs	2,054,528	-	2,054,528	2,620,084	-	2,620,084
Adult programs	6,420,054	-	6,420,054	7,742,430	-	7,742,430
Arts and culture	1,481,902	-	1,481,902	1,748,263	-	1,748,263
Total program services	9,956,484	-	9,956,484	12,110,777	-	12,110,777
Supporting services:						
Management and general	1,131,881	-	1,131,881	2,160,023	-	2,160,023
Fundraising	2,225,694	-	2,225,694	2,398,168	-	2,398,168
Total supporting services	3,357,575	-	3,357,575	4,558,191	-	4,558,191
TOTAL EXPENSES	13,314,059	-	13,314,059	16,668,968	-	16,668,968
CHANGE IN NET ASSETS FROM OPERATIONS	(741,050)	787,611	46,561	89,425	545,302	634,727
NONOPERATING ACTIVITIES:						
PPP loan forgiveness (Note 12E)	1,596,969	-	1,596,969	-	-	-
Other income (Note 2F)	3,653,552	-	3,653,552	-	-	-
TOTAL NONOPERATING ACTIVITIES	5,250,521	-	5,250,521	-	-	-
CHANGE IN NET ASSETS	4,509,471	787,611	5,297,082	89,425	545,302	634,727
Net assets - beginning of year	21,180,129	3,412,039	24,592,168	21,090,704	2,866,737	23,957,441
NET ASSETS - END OF YEAR	\$ 25,689,600	\$ 4,199,650	\$ 29,889,250	\$ 21,180,129	\$ 3,412,039	\$ 24,592,168

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services				Supporting Services				Total 2021	Total 2020
	Youth Programs	Adult Programs	Arts and Culture	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 973,738	\$ 4,361,916	\$ 781,281	\$ 6,116,935	\$ 452,481	\$ 859,223	\$ 1,311,704	\$ 7,428,639	\$ 7,902,858	
Payroll taxes and employee benefits (Note 11)	220,170	1,006,974	178,305	1,405,449	22,411	180,878	203,289	1,608,738	1,861,676	
Total salaries and related costs	1,193,908	5,368,890	959,586	7,522,384	474,892	1,040,101	1,514,993	9,037,377	9,764,534	
Professional fees (Notes 2K and 9)	197,585	412,006	272,112	881,703	267,060	738,019	1,005,079	1,886,782	3,807,665	
Occupancy	14,529	71,457	54,494	140,480	9,665	8,448	18,113	158,593	209,243	
Building and office supplies	26,357	28,786	19,822	74,965	113,253	184,678	297,931	372,896	426,031	
Printing, publication and postage	5,709	4,652	1,048	11,409	6,119	64,134	70,253	81,662	106,573	
Advertising and marketing (Note 2L)	-	37,335	12,157	49,492	6,943	164	7,107	56,599	57,420	
Training and conferences	1,512	20,656	396	22,564	16,800	10,869	27,669	50,233	401,200	
Food and refreshments	-	209	-	209	1,423	-	1,423	1,632	127,868	
Equipment and space rental (Note 12B)	888	12,687	21,598	35,173	2,467	(17,228)	(14,761)	20,412	121,229	
Insurance	9,825	73,103	9,235	92,163	7,164	3,902	11,066	103,229	75,944	
Repairs and maintenance	9,226	88,262	7,723	105,211	18,557	3,801	22,358	127,569	217,902	
Interest (Note 8)	16,995	9,130	1,348	27,473	48,020	2,439	50,459	77,932	78,889	
Depreciation (Notes 2E and 7)	475,573	255,482	37,735	768,790	23,823	68,261	92,084	860,874	906,949	
Bad debt	-	-	-	-	126,979	80,338	207,317	207,317	89,542	
Other	102,421	37,399	84,648	224,468	8,716	37,817	46,533	271,001	448,229	
	2,054,528	6,420,054	1,481,902	9,956,484	1,131,881	2,225,743	3,357,624	13,314,108	16,839,218	
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(49)	(49)	(49)	(170,250)	
TOTAL EXPENSES	\$ 2,054,528	\$ 6,420,054	\$ 1,481,902	\$ 9,956,484	\$ 1,131,881	\$ 2,225,694	\$ 3,357,575	\$ 13,314,059	\$ 16,668,968	
TOTAL EXPENSES - 2020	\$ 2,620,084	\$ 7,742,430	\$ 1,748,263	\$ 12,110,777	\$ 2,160,023	\$ 2,398,168	\$ 4,558,191	\$ 16,668,968		

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

	Program Services				Supporting Services			Total 2020
	Youth Programs	Adult Programs	Arts and Culture	Total Program Services	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
Payroll taxes and employee benefits (Note 11)	262,703	975,932	230,038	1,468,673	170,786	222,217	393,003	1,861,676
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
Professional fees (Notes 2K and 9)	298,488	1,654,359	132,668	2,085,515	769,341	952,809	1,722,150	3,807,665
Occupancy	17,944	91,761	69,263	178,968	16,256	14,019	30,275	209,243
Building and office supplies	4,268	87,534	32,761	124,563	108,348	193,120	301,468	426,031
Printing, publication and postage	19,333	11,547	13,122	44,002	13,699	48,872	62,571	106,573
Advertising and marketing (Note 2L)	1,221	44,700	4,170	50,091	5,142	2,187	7,329	57,420
Training and conferences	107,512	230,665	42,969	381,146	16,061	3,993	20,054	401,200
Food and refreshments	40,858	41,882	9,341	92,081	22,884	12,903	35,787	127,868
lease	23,135	4,978	84,696	112,809	5,654	2,766	8,420	121,229
Insurance	7,291	56,046	5,634	68,971	4,510	2,463	6,973	75,944
Repairs and maintenance	39,278	133,201	4,563	177,042	24,127	16,733	40,860	217,902
Interest (Note 8)	37,663	20,233	2,988	60,884	11,289	6,716	18,005	78,889
Depreciation (Notes 2E and 7)	487,608	261,947	38,690	788,245	31,758	86,946	118,704	906,949
Bad debt	-	-	-	-	63,840	25,702	89,542	89,542
Other	128,889	55,469	164,048	348,406	50,142	49,681	99,823	448,229
	2,620,084	7,742,430	1,748,263	12,110,777	2,160,023	2,568,418	4,728,441	16,839,218
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(170,250)	(170,250)	(170,250)
TOTAL EXPENSES	<u>\$ 2,620,084</u>	<u>\$ 7,742,430</u>	<u>\$ 1,748,263</u>	<u>\$ 12,110,777</u>	<u>\$ 2,160,023</u>	<u>\$ 2,398,168</u>	<u>\$ 4,558,191</u>	<u>\$ 16,668,968</u>

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,297,082	\$ 634,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	860,874	906,949
Bad debt expense	207,317	89,542
Forgiveness of PPP loan	(1,596,969)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(662,723)	(393,462)
Contributions receivable	(764,954)	591,516
Other receivables	(167,967)	5,180
Prepaid expenses and other assets	(34,884)	(55,405)
Beneficial interest in charitable remainder trust	(124,323)	(1,029,404)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	338,139	(520,350)
Deferred revenue	115,052	(23,207)
Net Cash Provided by Operating Activities	3,466,644	206,086
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(896,428)	(319,601)
Purchases of property and equipment	(7,064)	(275,167)
Net Cash Used in Investing Activities	(903,492)	(594,768)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(79,524)	(76,599)
PPP loan	1,596,969	1,596,969
Net Cash Provided by Financing Activities	1,517,445	1,520,370
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,080,597	1,131,688
Cash and Cash Equivalents - beginning of year	3,376,250	2,244,562
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,456,847	\$ 3,376,250
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 77,932	\$ 78,889

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 the following:

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, 2021 AND 2020

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, 2021 and 2020, Board designated net assets amounted to \$4,894,964 and \$3,998,440, respectively.

C. *Cash and Cash Equivalents*

The Center considers all highly liquid investments acquired with maturities of three months or less to be cash equivalents.

D. *Amounts 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, 2021 and 2020, amounted to \$9,617 and \$55,191, respectively. The Center has no variance power over the cash held for other agencies and therefore has recorded the amount as an asset and recorded a corresponding liability in the accompanying statements of financial position.

E. *Property and Equipment*

Property and equipment purchases above \$2,000 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, 2021 AND 2020

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, 2021 and 2020, the Center determined that an allowance of \$30,249 and \$25,256, respectively, was necessary for its contributions receivable. As of June 30, 2021 and 2020, the Center also determined that an allowance of \$0 and \$3,070, respectively, was necessary for other receivables, which consists of amounts receivable for program revenue and space usage fees.

During the year ended June 30, 2021, the Center received a one-time donation without donor restrictions of approximately \$3,654,000 for proceeds from an auction from a donor's estate which is included in other income in the statements of activities.

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 Financial Accounting Standards Board ("FASB") Accounting Standards Update ("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 \$4,810,827 and \$4,432,705 as of June 30, 2021 and 2020, respectively, and are included in the statements of activities. There are instances when the Center 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, 2021 and 2020, the Center received conditional grants and contracts from government agencies in the aggregate amounts of approximately \$7.7 million and \$9.3 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 Center may be required to return the funds already remitted. As of June 30, 2021 and 2020, the Center determined that an allowance of \$62,019 was necessary for its government grants receivable.

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 value as of June 30, 2021 and 2020 is \$1,153,727 and \$1,029,404, respectively.

J. *Deferred Revenue*

The Center recognizes revenue from fees collected that relate to programs and/or events and Medicaid revenue when the performance obligations of providing the services are met in an amount that reflects the consideration the Center expects to be entitled to receive in exchange for the services. The contracts have one single performance obligation, and all services are recognized at a point in time. Amounts received in advance are deferred to the applicable period. The Center records the fees collected that relate to programs and/or events that will occur in future periods as deferred revenue and will be recognized in the period earned. Deferred revenue collected as of June 30, 2021 and 2020, amounted to \$285,128 and \$170,076, respectively.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For the years ended June 30, 2021 and 2020, the Center received donated services amounting to \$724,460 and \$1,795,149, 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, 2021 and 2020, amounted to \$56,599 and \$57,420, 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.

Q. *Recent Accounting Pronouncements*

FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) was adopted for the year ended June 30, 2021. The core guidance is to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure, as further described in Notes 2K and 9.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, reduced by amounts not available for general use within one year as of June 30, 2021 and 2020, because of contractual or donor-imposed restrictions, as well the Board-designated strategic operating reserve fund:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,456,847	\$ 3,376,250
Investments	5,414,533	4,518,105
Government grants receivable, net	2,667,560	2,131,816
Contributions receivable, net	2,045,936	1,361,320
Other receivables, net	<u>197,189</u>	<u>29,222</u>
Total	17,782,065	11,416,713
Less those unavailable for general expenditure within one year		
Board-designated strategic fund	(4,894,964)	(3,998,440)
Net assets with donor restrictions	<u>(4,199,650)</u>	<u>(3,412,039)</u>
Total	<u>\$ 8,687,451</u>	<u>\$ 4,006,234</u>

The Center's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements and a planned increase in program expenditures in fiscal year 2022.

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 ongoing 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 Center. 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:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 5,414,533	\$ 4,518,105
	<u>\$ 5,414,533</u>	<u>\$ 4,518,105</u>

Interest and dividends amounted to approximately \$8,000 and \$68,000 for the years ended June 30, 2021 and 2020, respectively, and are 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, 2021 AND 2020

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 the 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.

Beneficial interest in charitable remainder trust is valued using an estimated growth rate and withdrawal rate as determined when the trust was set up (Level 2) Level 2 instrument valuations are based on model-derived valuations in which all significant inputs are observable.

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, 2021 and 2020, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2021 are classified as Level 1 and Level 2 in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2021</u>
ASSETS AT FAIR VALUE:			
Investments:			
Money market funds	\$ 5,414,533	\$ -	\$ 5,414,533
Beneficial interest in charitable remainder trust	<u>-</u>	<u>1,153,727</u>	<u>1,153,727</u>
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 5,414,533</u>	<u>\$ 1,153,727</u>	<u>\$ 6,568,260</u>

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2020 are classified as Level 1 and Level 2 in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2020</u>
ASSETS AT FAIR VALUE:			
Investments:			
Money market funds	\$ 4,518,105	\$ -	\$ 4,518,105
Beneficial interest in charitable remainder trust	<u>-</u>	<u>1,029,404</u>	<u>1,029,404</u>
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 5,414,533</u>	<u>\$ 1,029,404</u>	<u>\$ 5,547,509</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 1,169,685	\$ 828,033
One to five years	<u>906,500</u>	<u>558,543</u>
	2,076,185	1,386,576
Allowance for doubtful accounts	<u>(30,249)</u>	<u>(25,256)</u>
	<u>\$ 2,045,936</u>	<u>\$ 1,361,320</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 227,150	\$ 227,150	
Building and building improvements	25,403,213	25,377,444	5 – 35 Years
Furniture and equipment	802,726	777,630	3 – 10 Years
Construction in progress	<u>12,250</u>	<u>56,051</u>	
	26,445,339	26,438,275	
Less: Accumulated depreciation	<u>(11,159,061)</u>	<u>(10,298,187)</u>	
	<u>\$ 15,286,278</u>	<u>\$ 16,140,088</u>	

For the years ended June 30, 2021 and 2020, depreciation expense amounted to \$860,874 and \$906,949, respectively.

Construction in progress primarily consists of amounts paid for filing fees and facility improvements. The projects are expected to be completed in 2023 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, 2021 and 2020.

**LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – MORTGAGE PAYABLE (Continued)

Future annual principal payments for the years ending after June 30, 2021 are as follows:

2022	\$	82,545
2023		85,929
2024		89,278
2025		93,113
2026		96,930
Thereafter		<u>1,341,406</u>
	\$	<u>1,789,201</u>

Interest expense amounted to \$73,557 and \$76,483 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 – DONATED SERVICES

Donated services for the year ended June 30, 2021 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Ads	\$ 551,002	Fundraising	No associated donor restriction	Based on cost of ads
Legal services	\$ 169,663	Various administrative legal matters	No associated donor restriction	Based on current rates of legal services provided by law firm
One-year subscription for a donor research database	\$ 3,795	Fundraising	No associated donor restriction	Based on value of a one-year subscription

Donated services for the year ended June 30, 2020 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Ads	\$ 481,000	Fundraising	No associated donor restriction	Based on cost of ads
Legal services	\$ 1,314,149	Various administrative legal matters and training	No associated donor restriction	Based on current rates of legal services provided by law firm

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Adult programs	\$ 1,962,869	\$ 1,522,796
Youth programs	767,240	395,456
Arts and culture	315,814	464,383
Charitable remainder trust	<u>1,153,727</u>	<u>1,029,404</u>
	<u>\$ 4,199,650</u>	<u>\$ 3,412,039</u>

Net assets released from restrictions amounted to \$1,631,038 and \$2,474,921 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 – 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, 2021 and 2020, the Center made contributions of \$109,004 and \$285,462, respectively, to the plan.

NOTE 12 – 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 for the years ended June 30:

	<u>Phone System</u>	<u>Copiers and Printers</u>	<u>Total</u>
2022	\$ 46,795	\$ 19,600	\$ 66,395
2023	46,795	-	46,795
2024	<u>11,699</u>	<u>-</u>	<u>11,699</u>
Total	<u>\$ 105,289</u>	<u>\$ 19,600</u>	<u>\$ 124,889</u>

Equipment lease expense for the years ended June 30, 2021 and 2020 was approximately \$31,600 and \$46,800, respectively.

C. *Line of Credit*

The Center has a bank revolving line of credit with a \$1 million limit with a maturity date of August 1, 2022. 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 3.00%. As of June 30, 2021 and November 3, 2021, there were no borrowings.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

D. *Income Tax*

The Center believes it has no uncertain income tax positions as of June 30, 2021 and 2020, 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.

E. *PPP Loans*

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security 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 (“SBA”) 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 Center’s employees.

The Center applied for this loan through Spring National Bank and received \$1,596,969 in May 2020. Management had opted to account for the proceeds as a loan under Topic 470, Debt, until the loan is, in part or wholly, forgiven, and the Center has been “legally released.” In February 2021 the Center received forgiveness from the lender and the SBA for the full amount of the outstanding loan and recorded \$1,596,969 as revenue in the accompanying statements of activities.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act became law as part of the Consolidated Appropriations Act, 2021. The Center applied for a Second Draw PPP loan under the Consolidated Appropriations Act, 2021 and received \$1,596,969 in January 2021. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred until the SBA remits the borrower’s loan forgiveness amount to the lender and are payable with interest at 1% for a five-year term. The loan is uncollateralized and guaranteed by the SBA. Management has opted to account for the proceeds as a loan under Topic 470, Debt, 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 13 – 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 \$6,915,000 and \$2,713,000 as of June 30, 2021 and 2020, respectively.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 3, 2021, the date the financial statements were available to be issued.