

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



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

For the Years Ended June 30, 2023 and 2022

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.

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

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Lesbian and Gay Community Services Center, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
December 1, 2023

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 1,590,619	\$ 5,302,352
Investments (Notes 2O, 2P, 4 and 5)	7,413,352	5,715,447
Government grants receivable, net (Note 2H)	2,976,763	2,740,799
Contributions receivable, net (Notes 2F and 6)	3,640,888	2,114,969
Other receivables (Note 2F)	97,657	121,468
Prepaid expenses and other assets	598,318	581,133
Amounts held for other agencies (Note 2D)	21,261	10,058
Property and equipment, net (Notes 2E and 7)	13,902,370	14,505,863
Beneficial interest in charitable remainder trust (Notes 2I, 5 and 10)	1,256,565	1,200,889
TOTAL ASSETS	\$ 31,497,793	\$ 32,292,978
LIABILITIES		
Accounts payable and accrued expenses	\$ 879,653	\$ 1,214,339
Deferred revenue (Note 2J)	411,294	239,384
Amounts held for other agencies (Note 2D)	21,261	10,058
Mortgage payable (Note 8)	1,620,673	1,706,630
TOTAL LIABILITIES	2,932,881	3,170,411
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Operations	4,845,993	7,414,397
Board-designated (Note 2B)	6,874,251	5,195,403
Net investment in property and equipment	12,281,697	12,799,233
Total without donor restrictions	24,001,941	25,409,033
With donor restrictions (Note 10)	4,562,971	3,713,534
TOTAL NET ASSETS	28,564,912	29,122,567
TOTAL LIABILITIES AND NET ASSETS	\$ 31,497,793	\$ 32,292,978

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>FOR THE YEAR ENDED JUNE 30, 2023</u>			<u>FOR THE YEAR ENDED JUNE 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
OPERATING ACTIVITIES:						
PUBLIC SUPPORT AND REVENUE:						
Special events revenue (net of direct expenses of \$684,673 and \$611,481, respectively) (Note 2L)	\$ 3,540,495	\$ 734,320	\$ 4,274,815	\$ 2,072,848	\$ 426,416	\$ 2,499,264
Government grants (Note 2H)	5,959,887	-	5,959,887	5,646,690	-	5,646,690
Contributions (Note 2F)	2,882,563	2,129,425	5,011,988	2,279,041	917,700	3,196,741
In-kind contributions (Notes 2K and 9)	861,696	-	861,696	70,653	-	70,653
Legacies and bequests (Note 2G)	323,782	-	323,782	328,491	-	328,491
Program revenue (Note 2J)	74,889	-	74,889	103,626	-	103,626
Medicaid revenue (Note 2J)	757,420	-	757,420	864,400	-	864,400
Membership fees (Note 2J)	322,212	-	322,212	317,563	-	317,563
Space usage fees (Note 2J)	364,032	-	364,032	179,413	-	179,413
Other revenue (Note 4)	239,040	55,676	294,716	5,696	47,162	52,858
Net assets released from restrictions (Notes 2B and 10)	2,069,984	(2,069,984)	-	1,877,394	(1,877,394)	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>17,396,000</u>	<u>849,437</u>	<u>18,245,437</u>	<u>13,745,815</u>	<u>(486,116)</u>	<u>13,259,699</u>
EXPENSES (Note 2N):						
Program services:						
Youth programs	3,680,520	-	3,680,520	3,425,327	-	3,425,327
Adult programs	8,620,439	-	8,620,439	7,521,226	-	7,521,226
Arts and culture	1,940,170	-	1,940,170	1,699,812	-	1,699,812
Total program services	<u>14,241,129</u>	<u>-</u>	<u>14,241,129</u>	<u>12,646,365</u>	<u>-</u>	<u>12,646,365</u>
Supporting services:						
Management and general	1,473,048	-	1,473,048	1,367,576	-	1,367,576
Fundraising	3,088,915	-	3,088,915	1,609,410	-	1,609,410
Total supporting services	<u>4,561,963</u>	<u>-</u>	<u>4,561,963</u>	<u>2,976,986</u>	<u>-</u>	<u>2,976,986</u>
TOTAL EXPENSES	<u>18,803,092</u>	<u>-</u>	<u>18,803,092</u>	<u>15,623,351</u>	<u>-</u>	<u>15,623,351</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(1,407,092)	849,437	(557,655)	(1,877,536)	(486,116)	(2,363,652)
NONOPERATING ACTIVITY:						
PPP loan forgiveness (Note 12E)	-	-	-	1,596,969	-	1,596,969
TOTAL NONOPERATING ACTIVITY	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,969</u>	<u>-</u>	<u>1,596,969</u>
CHANGE IN NET ASSETS	(1,407,092)	849,437	(557,655)	(280,567)	(486,116)	(766,683)
Net assets - beginning of year	<u>25,409,033</u>	<u>3,713,534</u>	<u>29,122,567</u>	<u>25,689,600</u>	<u>4,199,650</u>	<u>29,889,250</u>
NET ASSETS - END OF YEAR	<u>\$ 24,001,941</u>	<u>\$ 4,562,971</u>	<u>\$ 28,564,912</u>	<u>\$ 25,409,033</u>	<u>\$ 3,713,534</u>	<u>\$ 29,122,567</u>

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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Program Services			Total Program Services	Supporting Services			Total 2023	Total 2022
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 2,162,690	\$ 5,148,673	\$ 813,129	\$ 8,124,492	\$ 585,035	\$ 1,243,950	\$ 1,828,985	\$ 9,953,477	\$ 8,294,674
Payroll taxes and employee benefits (Note 11)	507,306	1,225,758	198,470	1,931,534	244,590	239,223	483,813	2,415,347	2,066,752
Total salaries and related costs	2,669,996	6,374,431	1,011,599	10,056,026	829,625	1,483,173	2,312,798	12,368,824	10,361,426
Professional fees (Notes 2K and 9)	340,798	1,304,938	555,075	2,200,811	100,210	622,087	722,297	2,923,108	2,297,765
Occupancy	37,832	51,446	78,577	167,855	25,398	15,446	40,844	208,699	185,548
Office supplies	20,306	78,199	25,591	124,096	197,058	227,931	424,989	549,085	517,296
Printing, publication and postage	11,156	43,288	5,587	60,031	11,619	122,966	134,585	194,616	101,730
Advertising and marketing (Notes 2M and 9)	607	4,321	840	5,768	3,877	1,037	4,914	10,682	26,372
Training and conferences	41,204	62,499	15,479	119,182	21,480	228,755	250,235	369,417	77,908
Food and refreshments	69,812	15,982	24,682	110,476	68,514	50,621	119,135	229,611	116,106
Equipment and space rental (Note 12B)	5,890	17,359	19,871	43,120	11,824	713,566	725,390	768,510	626,475
Insurance	36,630	45,481	22,923	105,034	8,165	4,747	12,912	117,946	116,799
Repairs and maintenance	73,818	90,879	42,700	207,397	16,803	8,913	25,716	233,113	245,304
Interest (Note 8)	17,338	39,496	2,934	59,768	13,274	(5,917)	7,357	67,125	63,729
Depreciation (Notes 2E and 7)	162,516	370,216	27,498	560,230	142,343	49,328	191,671	751,901	813,700
Bad debt	-	-	-	-	-	143,949	143,949	143,949	263,601
Other	192,617	121,904	106,814	421,335	22,858	106,986	129,844	551,179	421,073
	1,010,524	2,246,008	928,571	4,185,103	1,473,048	3,773,588	5,246,636	19,487,765	16,234,832
Less: Direct event expenses deducted directly from revenue on the statements of activities	-	-	-	-	-	(684,673)	(684,673)	(684,673)	(611,481)
TOTAL EXPENSES	\$ 3,680,520	\$ 8,620,439	\$ 1,940,170	\$ 14,241,129	\$ 1,473,048	\$ 3,088,915	\$ 4,561,963	\$ 18,803,092	\$ 15,623,351
TOTAL EXPENSES - 2022	\$ 3,425,327	\$ 7,521,226	\$ 1,699,812	\$ 12,646,365	\$ 1,367,576	\$ 1,609,410	\$ 2,976,986	\$ 15,623,351	

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, 2022

	Program Services			Total Program Services	Supporting Services			Total 2022
	Youth Programs	Adult Programs	Arts and Culture		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,860,737	\$ 4,400,526	\$ 760,161	\$ 7,021,424	\$ 447,523	\$ 825,727	\$ 1,273,250	\$ 8,294,674
Payroll taxes and employee benefits (Note 11)	520,882	1,060,645	193,908	1,775,435	91,568	199,749	291,317	2,066,752
Total salaries and related costs	2,381,619	5,461,171	954,069	8,796,859	539,091	1,025,476	1,564,567	10,361,426
Professional fees (Notes 2K and 9)	433,587	972,866	525,453	1,931,906	229,480	136,379	365,859	2,297,765
Occupancy	41,397	62,610	37,906	141,913	22,057	21,578	43,635	185,548
Office supplies	42,501	139,702	9,096	191,299	171,378	154,619	325,997	517,296
Printing, publication and postage	14,994	1,507	2,239	18,740	9,950	73,040	82,990	101,730
Advertising and marketing (Note 2M and 9)	3,958	9,153	3,581	16,692	6,735	2,945	9,680	26,372
Training and conferences	16,713	40,204	4,635	61,552	10,123	6,233	16,356	77,908
Food and refreshments	34,951	3,230	9,265	47,446	26,382	42,278	68,660	116,106
Equipment and space rental (Note 12B)	2,340	7,754	25,225	35,319	7,394	583,762	591,156	626,475
Insurance	31,041	66,492	6,754	104,287	8,097	4,415	12,512	116,799
Repairs and maintenance	72,504	141,012	5,528	219,044	17,290	8,970	26,260	245,304
Interest (Note 8)	18,596	40,510	3,051	62,157	(4,313)	5,885	1,572	63,729
Depreciation (Notes 2E and 7)	215,126	468,625	35,294	719,045	26,570	68,085	94,655	813,700
Bad debt	-	-	-	-	255,601	8,000	263,601	263,601
Other	116,000	106,390	77,716	300,106	41,741	79,226	120,967	421,073
	3,425,327	7,521,226	1,699,812	12,646,365	1,367,576	2,220,891	3,588,467	16,234,832
Less: Direct event expenses deducted directly from revenue on the statement of activities	-	-	-	-	-	(611,481)	(611,481)	(611,481)
TOTAL EXPENSES	<u>\$ 3,425,327</u>	<u>\$ 7,521,226</u>	<u>\$ 1,699,812</u>	<u>\$ 12,646,365</u>	<u>\$ 1,367,576</u>	<u>\$ 1,609,410</u>	<u>\$ 2,976,986</u>	<u>\$ 15,623,351</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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (557,655)	\$ (766,683)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	751,901	813,700
Bad debt expense	143,949	263,601
Forgiveness of PPP loan	-	(1,596,969)
Beneficial interest in charitable remainder trust	(55,676)	(47,162)
Realized and unrealized gains on investments	(211,263)	(3,665)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants receivable	(235,964)	(328,840)
Contributions receivable	(1,669,868)	(77,033)
Other receivables	23,811	75,721
Prepaid expenses and other assets	(17,185)	(17,888)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(334,686)	(10,428)
Deferred revenue	171,910	(45,744)
Net Cash Used in Operating Activities	(1,990,726)	(1,741,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,486,642)	(297,249)
Purchases of property and equipment	(148,408)	(33,285)
Net Cash Used in Investing Activities	(1,635,050)	(330,534)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(85,957)	(82,571)
Net Cash Used in Financing Activities	(85,957)	(82,571)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,711,733)	(2,154,495)
Cash and Cash Equivalents - beginning of year	5,302,352	7,456,847
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,590,619	\$ 5,302,352
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 67,125	\$ 63,729
Supplemental Non-Cash Disclosure		
Forgiveness of Paycheck Protection Program Loan	\$ -	\$ 1,596,969

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

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 their 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, 2023 AND 2022

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.

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, 2023 and 2022, Board designated net assets amounted to \$6,874,251 and \$5,195,403, respectively.

- 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.

C. *Cash and Cash Equivalents*

The Center considers all highly liquid investments acquired with maturities of three months or less to be cash equivalents, except for cash and cash equivalents held as part of the Center's investment portfolio.

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, 2023 and 2022 amounted to \$21,261 and \$10,058, 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, 2023 AND 2022

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, 2022, the Center determined that an allowance of \$25,749 was necessary for its contributions receivable. There was no allowance necessary for contributions receivable as of June 30, 2023. The Center also determined that no allowance was necessary as of both June 30, 2023 and 2022 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 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 amounted to \$5,959,887 and \$5,646,690 for the years ended June 30, 2023 and 2022, respectively, and are included in the statements of activities. There are instances when the Center receives advances from the governmental funding sources. Such advances, if applicable, are recorded as refundable advances from governmental agencies in the accompanying statements of financial position.

As of June 30, 2023 and 2022, the Center received conditional grants and contracts from government agencies in the aggregate amounts of approximately \$19.1 million and \$16.8 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, 2023 and 2022, the Center determined that an allowance of \$60,057 and \$59,499, respectively, 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 3.0% and a withdrawal rate of 5% as of both June 30, 2023 and 2022. 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, 2023 and 2022 is \$1,256,565 and \$1,200,889, respectively.

J. *Deferred Revenue*

The Center recognizes revenue from fees collected that relate to programs, membership fees 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 in which the services are performed or expenditures are incurred. 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, 2023 and 2022 amounted to \$411,294 and \$239,384, respectively.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *In-Kind Contributions*

Donated items are recorded at fair value at the time received. 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, 2023 and 2022, the Center received in-kind contributions amounting to \$861,696 and \$70,653, respectively, which are recorded as both revenue and expense in the accompanying financial statements.

L. *Special Events*

The direct cost of special events includes expenses for the benefit of the donor. For example, meals and facilities rental are considered to be direct costs of special events.

M. *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, 2023 and 2022 amounted to \$10,682 and \$26,372, respectively.

N. *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.

O. *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.

P. *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.

Q. *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, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, (Topic 842): *Leases*, which modifies, as well as stipulates the proper accounting of leases by both lessees and lessors, which establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of functional expenses. The adoption of Topic 842 did not have a material effect on the Center’s financial statements and did not result in an adjustment to the prior year financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets consist of the Center’s cash and cash equivalents, investments, government grants receivable, contributions receivable and other receivables. The following represents the Center’s financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year as of June 30, 2023 and 2022, because of contractual or donor-imposed restrictions, as well as the Board-designated strategic operating reserve fund:

	2023	2022
Cash and cash equivalents	\$ 1,590,619	\$ 5,302,352
Investments	7,413,352	5,715,447
Government grants receivable, net	2,976,763	2,740,799
Contributions receivable, net	3,640,888	2,114,969
Other receivables	97,657	121,468
Total	15,719,279	15,995,035
Less those unavailable for general expenditure within one year		
Board-designated strategic fund	(6,874,251)	(5,195,403)
Net assets with donor restrictions	(4,562,971)	(3,713,534)
Total	\$ 4,282,057	\$ 7,086,098

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 2023.

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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	2023	2022
Money Market Funds	\$ 2,469,876	\$ 5,715,447
U.S. Treasury Bills	4,943,476	-
	\$ 7,413,352	\$ 5,715,447

Interest and dividends amounted to approximately \$47,980 and \$3,700 for the years ended June 30, 2023 and 2022, 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.

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 and U.S. Treasury Bills 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, 2023 and 2022, there were no transfers in or out of levels 1, 2 or 3.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2023 are classified as Level 1 and Level 2 in the table as follows:

	Level 1	Level 2	Total 2023
ASSETS AT FAIR VALUE:			
Investments:			
Money market funds	\$ 2,469,876	\$ -	\$ 2,469,876
U.S. treasury bills	4,943,476	-	4,943,476
Beneficial interest in charitable remainder trust	-	1,256,565	1,256,565
TOTAL ASSETS AT FAIR VALUE:	\$ 7,413,352	\$ 1,256,565	\$ 8,669,917

Financial assets carried at fair value as of June 30, 2022 are classified as Level 1 and Level 2 in the table as follows:

	Level 1	Level 2	Total 2022
ASSETS AT FAIR VALUE:			
Investments:			
Money market funds	\$ 5,715,447	\$ -	\$ 5,715,447
Beneficial interest in charitable remainder trust	-	1,200,889	1,200,889
TOTAL ASSETS AT FAIR VALUE:	\$ 5,715,447	\$ 1,200,889	\$ 6,916,336

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consist of the following as of June 30:

	2023	2022
Due within one year	\$ 3,414,768	\$ 1,812,718
Due in one to five years	226,120	328,000
	3,640,888	2,140,718
Allowance for doubtful accounts	-	(25,749)
	\$ 3,640,888	\$ 2,114,969

NOTE 7 – PROPERTY AND EQUIPMENT, NET

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

	2023	2022	Estimated Useful Lives
Land	\$ 227,150	\$ 227,150	
Building and building improvements	25,513,520	25,403,213	5 – 35 Years
Furniture and equipment	837,896	834,760	3 – 10 Years
Construction in progress	48,465	13,500	
	26,627,031	26,478,623	
Less: Accumulated depreciation	(12,724,661)	(11,972,760)	
	\$ 13,902,370	\$ 14,505,863	

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 – PROPERTY AND EQUIPMENT, NET (Continued)

For the years ended June 30, 2023 and 2022, depreciation expense amounted to \$751,901 and \$813,700, respectively.

Construction in progress primarily consists of amount paid for filing fees and facility improvements. There is a façade project that is expected to be completed in 2024 at a cost to complete of approximately \$1.9 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 its debt covenants for the years ended June 30, 2023 and 2022.

Future annual principal payments for the years ending after June 30, 2023 are as follows:

2024	\$	89,278
2025		93,113
2026		96,931
2027		<u>1,341,351</u>
	\$	<u>1,620,673</u>

Interest expense amounted to \$67,125 and \$63,729 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended June 30, 2023 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Admin/ Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Legal services	\$ 698,387	Various administrative legal matters	No associated donor restriction	Based on current rates of legal services provided by law firm
Sundry items	<u>163,309</u>	Fundraising	No associated donor restriction	Based on value of items provided
	<u>\$ 861,696</u>			

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – IN-KIND CONTRIBUTIONS (Continued)

In-kind contributions for the year ended June 30, 2022 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>
Legal services	\$ 62,329	Various administrative legal matters	No associated donor restriction	Based on current rates of legal services provided by law firm
Sundry items	7,399	Fundraising	No associated donor restriction	Based on value of items provided
Ads	<u>925</u>	Fundraising	No associated donor restriction	Based on cost of ads
	<u>\$ 70,653</u>			

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Adult programs	\$ 2,923,875	\$ 1,627,666
Youth programs	252,338	493,818
Arts and culture	130,193	204,288
Mental health	-	100,000
Archives	-	86,873
Charitable remainder trust	<u>1,256,565</u>	<u>1,200,889</u>
	<u>\$ 4,562,971</u>	<u>\$ 3,713,534</u>

Net assets released from restrictions amounted to \$2,069,984 and \$1,877,394 for the years ended June 30, 2023 and 2022, 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 6% of employee compensation based upon board approval. For the years ended June 30, 2023 and 2022, the Center made contributions of \$418,870 and \$366,145, 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.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Equipment Rental*

The Center has entered into various equipment leases. Future minimum lease payments required under these leases are as follows for the years ended June 30:

	Phone System	Copiers	Total
2024	\$ 45,900	\$ 14,304	\$ 60,204
2025	33,000	14,304	47,304
Total	\$ 78,900	\$ 28,608	\$ 107,508

Equipment lease expense for the years ended June 30, 2023 and 2022 was approximately \$270,000 and \$32,600, 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%. The Center renewed its line of credit on November 9, 2022 and it matured on November 9, 2023. The Center is in the process of renewing the line of credit. As of June 30, 2023 and December 1, 2023, there were no borrowings.

D. *Income Tax*

The Center believes it has no uncertain income tax positions as of June 30, 2023 and 2022, in accordance with FASB 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 for the year ended June 30, 2021.

LESBIAN AND GAY COMMUNITY SERVICES CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

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." In April 2022, 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 statement of activities for the year ended June 30, 2022.

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 \$1,515,000 and \$4,800,000 as of June 30, 2023 and 2022, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 1, 2023, the date the financial statements were available to be issued.