

THE CENTER

**THE LESBIAN, GAY, BISEXUAL &
TRANSGENDER COMMUNITY CENTER**

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

Financial Statements

June 30, 2024

With Independent Auditor's Report

Lesbian and Gay Community Services Center, Inc.
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Lesbian and Gay Community Services Center, Inc. ("the Center"), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities, cash flows, and functional expenses for the year 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's 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 audit. 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.

Auditor's 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 auditor's 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.

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 audit 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.

Withum Smith + Brown, PC

November 27, 2024

Lesbian and Gay Community Services Center, Inc.
Statement of Financial Position
June 30, 2024

Assets

Cash and cash equivalents	\$ 2,308,226
Investments	5,199,359
Government grants receivable, net	3,553,449
Contribution receivable, net	2,488,748
Other receivables	139,529
Prepaid expenses and other assets	707,458
Amounts held for other agencies	61,862
Property and equipment, net	13,248,936
Beneficial interest in charitable remainder trust	<u>1,408,769</u>
Total assets	<u>\$ 29,116,336</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 890,009
Deferred revenue	249,628
Refundable advances	212,638
Amounts held for other agencies	61,862
Mortgage payable	<u>1,531,366</u>
Total liabilities	<u>2,945,503</u>

Net assets

Without donor restrictions:	
Operations	6,623,100
Board-designated	4,631,850
Net investment in property and equipment	<u>11,717,570</u>
Total without donor restrictions	22,972,520
With donor restrictions	<u>3,198,313</u>
Total net assets	<u>26,170,833</u>

Total liabilities and net assets	<u>\$ 29,116,336</u>
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The Notes to Financial Statements are an integral part of this statement.

Lesbian and Gay Community Services Center, Inc.
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Special events revenue	\$ 5,600,051	\$ -	\$ 5,600,051
Special events direct expense to donors	(768,088)	-	(768,088)
Special events revenue, net	4,831,963	-	4,831,963
Government grants	5,650,258	-	5,650,258
Contributions	1,695,777	1,450,304	3,146,081
Contributions of nonfinancial assets	391,666	-	391,666
Legacies and bequests	276,822	-	276,822
Program revenue	21,704	-	21,704
Medicaid and other third party payors	1,049,251	-	1,049,251
Membership fees	322,493	-	322,493
Space usage fees	446,497	-	446,497
Investment Income, net	341,215	-	341,215
Change in value of beneficial interest in charitable remainder trust	-	152,204	152,204
Net assets released from restrictions	2,967,166	(2,967,166)	-
	<u>17,994,812</u>	<u>(1,364,658)</u>	<u>16,630,154</u>
Expenses			
Program services:			
Youth programs	2,558,599	-	2,558,599
Adult services	11,027,525	-	11,027,525
Arts and culture	402,084	-	402,084
Total program services	13,988,208	-	13,988,208
Supporting services:			
Management and general	1,217,756	-	1,217,756
Fundraising	3,818,269	-	3,818,269
Total supporting services	5,036,025	-	5,036,025
Total expenses	19,024,233	-	19,024,233
Changes in net assets	(1,029,421)	(1,364,658)	(2,394,079)
Net assets			
Beginning of year	24,001,941	4,562,971	28,564,912
End of year	<u>\$ 22,972,520</u>	<u>\$ 3,198,313</u>	<u>\$ 26,170,833</u>

The Notes to Financial Statements are an integral part of this statement.

Lesbian and Gay Community Services Center, Inc.
Statement of Cash Flows
Year Ended June 30, 2024

Operating activities

Changes in net assets	\$ (2,394,079)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	731,933
Bad debt expense	216,931
Realized and unrealized loss on investments	4,199
Change in value of beneficial interest in charitable remainder trust	(152,204)
Changes in assets and liabilities	
Government grants receivable, net	(576,686)
Contributions receivable	935,209
Other receivables	(41,872)
Prepaid expenses and other assets	(109,140)
Accounts payable and accrued expenses	10,356
Deferred revenue	(26,391)
Refundable advances	<u>77,363</u>
Net cash used in operating activities	<u>(1,324,381)</u>

Investing activities

Purchases of property and equipment	(78,499)
Purchase of investments	(491,826)
Sale of investments	<u>2,701,620</u>
Net cash provided by investing activities	<u>2,131,295</u>

Financing activities

Repayment of mortgage payable	<u>(89,307)</u>
Net cash used in financing activities	<u>(89,307)</u>

Net change in cash and cash equivalents 717,607

Cash and cash equivalents

Beginning of year	<u>1,590,619</u>
End of year	<u>\$ 2,308,226</u>

Supplemental disclosure of cash flow information

Interest paid	<u>\$ 63,775</u>
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The Notes to Financial Statements are an integral part of this statement.

Lesbian and Gay Community Services Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				Supporting Services				
	Youth Programs	Adult Services	Arts and Culture	Total Program Services	Management and General	Fundraising	Costs of Direct Donor Benefits	Total Supporting Services	Total
Salaries	\$ 1,557,286	\$ 6,668,929	\$ 224,804	\$ 8,451,019	\$ 379,795	\$ 1,254,241	\$ -	\$ 1,634,036	\$ 10,085,055
Payroll taxes and employee benefits	379,091	1,623,421	54,724	2,057,236	92,454	305,321	-	397,775	2,455,011
Total salaries and related costs	1,936,377	8,292,350	279,528	10,508,255	472,249	1,559,562	-	2,031,811	12,540,066
Professional Fees	118,456	998,077	35,380	1,151,913	327,435	1,234,129	20,900	1,582,464	2,734,377
Building & Office Supplies	18,282	110,558	7,048	135,888	196,755	167,698	-	364,453	500,341
Equipment & Space Rentals	4,449	20,906	20,875	46,230	4,363	22,160	649,493	676,016	722,246
Program Supplies	84,045	118,731	2,951	205,727	2,829	15,553	-	18,382	224,109
Occupancy	39,864	111,077	8,196	159,137	15,833	22,533	-	38,366	197,503
Printing, Publications & Postage	13,349	8,808	166	22,323	19,752	121,620	-	141,372	163,695
Food & Refreshments	35,735	124,719	6,159	166,613	11,770	39,534	97,695	148,999	315,612
Conferences and Travel	39,766	121,840	6,889	168,495	21,876	329,897	-	351,773	520,268
Insurance	23,390	99,714	2,684	125,788	7,553	5,099	-	12,652	138,440
Advertising	12,360	6,602	-	18,962	2,499	13,889	-	16,388	35,350
Repairs & Maintenance	70,902	158,528	14,476	243,906	24,490	28,274	-	52,764	296,670
Depreciation	106,461	455,908	15,368	577,737	97,667	56,529	-	154,196	731,933
Interest	10,225	43,787	1,476	55,488	2,549	5,738	-	8,287	63,775
Bad Debt	1,027	193,455	-	194,482	-	22,450	-	22,450	216,932
Other Administrative	43,911	162,465	888	207,264	10,136	173,604	-	183,740	391,004
Total Expenses	2,558,599	11,027,525	402,084	13,988,208	1,217,756	3,818,269	768,088	5,804,113	19,792,321
Less: Direct event expenses netted with revenue on the statement of activities	-	-	-	-	-	-	(768,088)	(768,088)	(768,088)
	\$ 2,558,599	\$ 11,027,525	\$ 402,084	\$ 13,988,208	\$ 1,217,756	\$ 3,818,269	\$ -	\$ 5,036,025	\$ 19,024,233

The Notes to Financial Statements are an integral part of this statement.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND PURPOSE OF CORPORATION

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, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center’s management and the Board of Directors.

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.

Board designated net assets balance at July 1, 2023	\$ 6,874,251
Reinvested dividend and interest	321,356
Board designated additions	142,112
Board approved withdrawals	(2,701,620)
Unrealized and realized loss on investments	<u>(4,249)</u>
Board designated net assets balance at June 30, 2024	<u>\$ 4,631,850</u>

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

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

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, 2024 amounted to \$61,862. 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 statement of financial position.

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.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

Property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Building and building improvements	5-35
Furniture and equipment	3-10

Contribution Revenue and Receivable

The Center recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Other Receivables

Other receivables are uncollateralized, non-interest bearing and due within normal payment terms. Amounts are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Center separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the Center develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The allowance and related changes as of and for the year ended June 30, 2024 are not material to the financial statements.

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.

Government Grants and Government Grants Receivable

Revenue from government and private grant and contract agreements, which are generally considered conditional contributions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as refundable advances. Grant funds expended in advance of reimbursement from the funding source are classified as government grants receivable in the statement of financial position. All amounts are expected to be collected within one year.

As of June 30, 2024, the Center received conditional grants from government agencies in the aggregate amounts of approximately \$13.1 million. 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 incurring allowable qualifying expenses 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 the Center may be required to return the funds already remitted.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

Membership Fees

Membership fees are considered non-exchange transactions and are recognized as revenue upon receipt.

Space Usage Fees

Space usage fees are recognized as revenue when the rental space is used by the third party. Any prepayments are recorded as deferred revenue until such time.

Medicaid and Other Third Party Payors

The Center accounts for revenue from contracts with customers as exchange transactions in the statement of activities and changes in net assets. Revenue from contracts with customers are treated as revenue without donor restrictions.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Center performs the following steps in accordance with Topic 606: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Center satisfies each performance obligation.

The Center's revenue is recognized either at a point in time, or over time. Revenue earned over time is recognized if one of the following criteria are met: (1) when the customer receives or consumes the benefit provided by the Center's performance, (2) the Center creates or enhances an asset that the customer controls or (3) does not create an asset with an alternative use to the Center and the Center has an enforceable right to payment for performance completed to date.

When the Center satisfies a performance obligation at a point in time, this is deemed to be when a customer obtains control of the promised asset or service. The Center considers the below indicators of the transfer of control, which include, but are not limited to the following: (a) the Center has a present right to payment for the asset; (b) the customer has legal title to the asset; (c) the Center has transferred physical possession of the asset; (d) the customer has significant risks and rewards of ownership of the asset or (e) the customer has accepted the asset.

The Center does not have any significant financing components as payment is received at or shortly after revenue is recognized.

The Center has agreements with third-party payors that provide for the payment for services rendered at amounts different from its established rates. A summary of the payment arrangement with major third-party payors is as follows:

Medicaid

The Center is paid for clinical services under the State of New York Medicaid program for certain services. State regulations provide certain adjustments to current and prior years' payment rates, based on published rates and tiers of the individuals being served.

Other Third-Party Payors

The Center has entered into payment agreements with other third-party payors. The basis for payment to the Center under these agreements includes prospectively determined amounts based on clinical services performed.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

Each program participant has a contract with the Center, and the rates and other information for service are provided to the Center by the State of New York through the Medicaid and Contracted Provider program. The Center records service revenue at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing clinical services. Medicaid revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center and are generally broken down into incremental units of service based on hours or services provided. Medicaid revenue for performance obligations is satisfied at a point in time and is recognized based on actual charges incurred in relation to services provided. The Center believes that this method provides a reasonable depiction of the transfer of services to satisfy the obligation.

Amounts received under the State of New York Medicaid program are subject to review and final determination. The Center records all services provided and follows Medicaid guidelines. By following these guidelines, the Center ensures that it is able to be reimbursed for the majority, if not all, of the revenue from Medicaid.

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount if, under audit, charges are disallowed. Management periodically reviews recorded amounts receivable from, or payable to, third-party payors and adjusts these balances as new information becomes available.

The following table provides information about receivables and contract liabilities from contracts with customers as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 100,073	\$ 72,815
Contract liabilities	<u>\$ -</u>	<u>\$ -</u>

Special Event Revenue

Special event revenue typically comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Center does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as revenue when received. For the exchange portion, funds received in advance of the event date are recorded as deferred revenue in the statement of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is held.

Contributions of Nonfinancial Assets

Donated items are recorded at fair value at the date received and as an expense when utilized. Donated goods and services are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributions of nonfinancial assets are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated goods and services are not sold and goods are only distributed for program use. 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 for recognition.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the statement of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values should be based on the assumptions market participants use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Center's assumptions (unobservable inputs). The Center groups assets at fair value in their levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Quoted market prices in active markets for identical assets and liabilities to the extent possible.

Level 2 - Other observable inputs, including quoted market prices of similar assets and liabilities in active and inactive markets, quoted prices for identical or similar assets in non-active markets, and other inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Valuation of Long-Lived Assets

The Center reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the period presented in these financial statements.

Beneficial Interest in Charitable Remainder Trust

Assets held under these arrangements are reported at fair value in the accompanying statement of financial position. Contribution revenue is recognized at the date the trust is established. Changes in fair value are recognized as with donor restrictions. The Center determined the value of the beneficial interest using a growth rate of 3.0% and a withdrawal rate of 5% as of June 30, 2024. 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, 2024 is \$1,408,769.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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.

Advertising Expense

Advertising expenses are charged to operations when the advertising first takes place. Advertising expense for the year ended June 30, 2024 was \$35,350.

Lesbian and Gay Community Services Center, Inc.
Notes to Financial Statements
June 30, 2024

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include net realizable value of receivable, valuation of beneficial interest in charitable remainder trust, depreciation expense and functional allocation of expenses. Accordingly, actual results could differ from those estimates.

Income Taxes

The Center is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under similar provisions. The Center is required to file charitable registrations in states where they solicit contributions. There were no uncertain tax positions at June 30, 2024. The Center did not have any income tax related penalties or interest for the year ended June 30, 2024.

New Accounting Pronouncements Adopted in Current Year

Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022 and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Center will now use forward-looking information to better inform their credit loss estimates. The Center adopted this pronouncement on the modified retrospective basis as of July 1, 2023. The adoption of this standard did not have a material impact on its financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

At June 30, 2024, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Cash and cash equivalents	\$ 2,308,226
Investments	5,199,359
Government grants receivable, net	3,553,449
Contribution receivable, net	2,488,748
Other receivables	139,529
Beneficial interest in charitable remainder trust	<u>1,408,769</u>
	15,098,080
Less those unavailable for general expenditure within one year	
Board-designated strategic fund	(4,631,850)
Net assets with donor restrictions	<u>(3,198,313)</u>
	<u>\$ 7,267,917</u>

The Center manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Center’s cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from donors and grantors. In addition, the Center has a line of credit to help manage unanticipated liquidity needs of \$1 million that it could draw upon through January 2025. As of June 30, 2024, the Center had an available balance in its line of credit of \$1 million. Please refer to Note 11 for more details on the line of credit.

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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.

4. FAIR VALUE MEASUREMENTS

Financial assets carried at fair value as of June 30, 2024 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 1,151,945	\$ -	\$ -	\$ 1,151,945
U.S. treasury bills	4,047,414	-	-	4,047,414
Beneficial interest in charitable remainder trust	-	1,408,769	-	1,408,769
Total assets at fair value	<u>\$ 5,199,359</u>	<u>\$ 1,408,769</u>	<u>\$ -</u>	<u>\$ 6,608,128</u>

5. CONTRIBUTIONS RECEIVABLE

At June 30, 2024, contributions receivable, net consist of the following:

Due within one year	\$ 2,248,598
Due in one to five years	<u>255,000</u>
	2,503,598
Less present value discount at 3%	<u>(14,850)</u>
	<u>\$ 2,488,748</u>

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of June 30, 2024:

Land	\$ 227,150
Building and building improvements	25,513,520
Furniture and equipment	837,896
Construction in progress	<u>126,965</u>
	26,705,531
Less: Accumulated depreciation	<u>(13,456,595)</u>
	<u>\$ 13,248,936</u>

Construction in progress primarily consists of amounts paid for filing fees and facility improvements. There is a façade project that is expected to cost approximately \$1.9 million to complete the first phase of the project.

Depreciation expense for the year ended June 30, 2024 was \$731,933.

7. 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 maintains a debt service coverage ratio of at least 1.25. The Center was not in compliance with its debt covenants for the year ended June 30, 2024. Therefore the debt is callable on demand and is considered to be a current liability.

8. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets for the year ended June 30, 2024 consisted of the following:

<u>Type of Contributions</u>	<u>Amount</u>	<u>Non-Financial Contributions Category</u>	<u>Donor-Imposed Restrictions</u>	<u>Valuation</u>
Legal services	\$ 343,438	Various administrative legal matters	No associated donor restriction	Standard industry pricing for similar services
Sundry items	<u>48,228</u>	Fundraising	No associated donor restriction	Based on value of items provided
	<u>\$ 391,666</u>			

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9. PENSION

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 3% of employee compensation based upon board approval. For the year ended June 30, 2024, the Center made contributions of \$226,808, to the plan.

10. NET ASSETS

During the year ended June 30, 2024, releases from donor restrictions were as follows:

Arts & Culture	\$	149,888
Youth Services		1,353,377
Mental Health Services		622,887
Archives		48,204
Adult Services		<u>792,810</u>
	\$	<u>2,967,166</u>

Components of net assets with donor restrictions at June 30, 2024, were as follows:

Arts & Culture	\$	161,218
Youth Services		297,806
Mental Health Services		967,114
Archives		285,583
Adult Services		77,823
Charitable remainder trust		<u>1,408,769</u>
	\$	<u>3,198,313</u>

11. COMMITMENTS AND CONTINGENCIES

Government Grants

Revenue and receivables arising from various programs funded under contracts with governmental agencies may be subject to audit from various agencies. Management is of the opinion that adjustments, if any, resulting from any audits will not be material to the Center's financial position or changes in net assets.

Line of Credit

The Center has a bank revolving line of credit with a \$1 million limit that matures in January 2025. 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 Adjusted Secured Overnight Financing Rate ("SOFR") Rate plus 3.00%. As of and for the year ended June 30, 2024, there were no borrowings.

12. CONCENTRATIONS AND RISKS AND UNCERTAINTIES

Cash and Cash Equivalents

The Center has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Center's financial condition, results of operations, and cash flows.

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Investments

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Revenue Concentrations

As of June 30, 2024, there were five government agencies that accounted for 72% of the government grant revenue.

Receivable Concentrations

At June 30, 2024, there were four government agencies that accounted for 74% of the government grants receivable.

13. SUBSEQUENT EVENTS

The Center has evaluated subsequent events occurring after the statement of financial position date through the date of November 27, 2024, which is the date the financial statements were available to be issued, noting no subsequent events requiring adjustment to or disclosure in the financial statements.