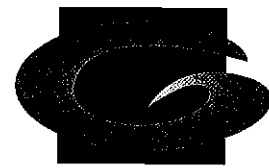


**SACRAMENTO LGBT
COMMUNITY CENTER**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED
DECEMBER 31, 2016**



Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.™

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Sacramento LGBT Community Center
Sacramento, California**

We have audited the accompanying financial statements of the Sacramento LGBT Community Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 policies 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.

Board of Directors
Sacramento LGBT Community Center
Sacramento, California
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sacramento LGBT Community Center as of December 31, 2016, 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.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc.".

GILBERT ASSOCIATES, INC.
Sacramento, California

June 13, 2017

SACRAMENTO LGBT COMMUNITY CENTER

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash	\$ 60,017
Contributions receivable	28,370
Prepaid expenses and other assets	<u>7,858</u>
Total current assets	96,245

ENDOWMENT INVESTMENTS 16,073

PROPERTY AND EQUIPMENT, Net 20,728

TOTAL ASSETS \$ 133,046

CURRENT LIABILITIES:

Accounts payable	\$ 3,486
Accrued expenses	26,351
Current portion of loan payable	<u>2,814</u>
Total current liabilities	32,651

LOAN PAYABLE, Net 4,689

TOTAL LIABILITIES 37,340

NET ASSETS:

Unrestricted	13,097
Temporarily restricted	66,536
Permanently restricted	<u>16,073</u>
Total net assets	<u>95,706</u>

TOTAL LIABILITIES AND NET ASSETS \$ 133,046

SACRAMENTO LGBT COMMUNITY CENTER

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

REVENUES:

Contributions	\$ 348,374
Events	295,184
Sponsorships	135,775
Government grants	119,777
Miscellaneous income	18,517
Net assets released from donor restriction	<u>219,028</u>
Total revenues	<u>1,136,655</u>

EXPENSES:

Program services:	
Community engagement	402,429
Health programs	195,615
Youth programs	180,168
Outreach, education, and other programs	<u>86,963</u>
Total program services	<u>865,175</u>
Supporting services:	
General and administrative	140,274
Fundraising	<u>113,934</u>
Total supporting services	<u>254,208</u>
Total expenses	<u>1,119,383</u>

INCREASE IN UNRESTRICTED NET ASSETS 17,272

TEMPORARILY RESTRICTED NET ASSETS:

Contributions	64,651
Net assets released from donor restriction	<u>(219,028)</u>

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS (154,377)

PERMANENTLY RESTRICTED NET ASSETS:

Endowment investment income	<u>720</u>
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DECREASE IN NET ASSETS (136,385)

NET ASSETS, Beginning of year 232,091

NET ASSETS, End of year \$ 95,706

SACRAMENTO LGBT COMMUNITY CENTER

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016

	Program Services				Outreach, Education, & Other Programs			Total Program Services		Supporting Services		
	Community Engagement	Health Programs	Youth Programs	\$	\$	\$	\$	\$	\$	General & Admin.	Fundraising	Total
Personnel	\$ 18,247	\$ 123,145	\$ 96,397	\$ 12,044	\$ 249,833	\$ 45,272	\$ 46,495	\$ 341,600				
Professional services	74,711	17,937	2,063	48,609	143,320	26,110	5,984	175,414				
Other event expenses	20,417	1,643	5,105	103	27,268	52,510	5,771	85,549				
Advertising and marketing	51,767	5,293	5,545	2,456	65,061	819	10,586	76,466				
Event equipment rent	66,217	2,531			68,748			68,748				
Event food and beverages	43,594	907	1,921		46,422			46,422				
Supplies	2,424	14,938	33,127	4,924	55,413	4,208	3,030	62,651				
Event entertainment	45,084				45,084			45,084				
Occupancy	5,635	13,455	16,589	7,272	42,951	3,314	1,657	47,922				
Sponsorships	35,361				35,361			35,361				
Insurance	7,740	4,137	4,137	2,765	18,779	2,765		21,544				
Depreciation expense		3,778	3,778	3,778	11,334	3,778		15,112				
Security	13,024				13,024			13,024				
Equipment rent and maintenance		3,203	2,942	1,918	8,063	702	2,808	11,573				
Bank fees	2,984				2,984			2,984				
Printing and postage	6,203	25	26	25	6,279	102	817	7,198				
Training and development	335	1,442	1,704	2,523	6,004	682	455	7,141				
Event giveaways							4,645	4,645				
Miscellaneous	8,686	3,181	6,834	546	19,247	12		19,259				
Total expenses	\$ 402,429	\$ 195,615	\$ 180,168	\$ 86,963	\$ 865,175	\$ 140,274	\$ 113,934	\$ 1,119,383				

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

SACRAMENTO LGBT COMMUNITY CENTER

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (136,385)
Reconciliation to net cash used by operating activities:	
Gain on endowment investments	(720)
Receipt of donated property and equipment	(5,240)
Depreciation expense	15,112
Changes in:	
Contributions receivable	9,426
Prepaid expenses and other assets	(4,992)
Accounts payable	(1,845)
Accrued expenses	<u>(5,074)</u>
Net cash used by operating activities	<u>(129,718)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on loan payable	<u>(2,814)</u>
 DECREASE IN CASH	(132,532)
 CASH, Beginning of year	<u>192,549</u>
 CASH, End of year	<u>\$ 60,017</u>

SACRAMENTO LGBT COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Sacramento LGBT Community Center (Center) is a publicly-supported nonprofit corporation whose mission is to build a healthy, strong and diverse Lesbian, Gay, Bisexual, Transgender, and Intersex community in the greater Sacramento area by providing services, resources, support, education and advocacy.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue recognition – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor restricted amounts are reported as increases in temporarily restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for restricted purposes. Permanently restricted net assets are those net assets whose use by the Center is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Center and consist of contributions to the Center's endowment fund.

Event revenues are recognized when the related events occur. Event receipts received in advance of the related event are recorded as deferred revenue until the event occurs.

Government grants are recognized when qualifying expenses are incurred.

Donated materials, equipment, and professional services are recorded as in-kind donations and recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

Contributions receivable are due to be collected within one year.

Endowment investments consist of endowments pooled and managed by a community foundation, and are stated at fair value.

Property and equipment is stated at cost if purchased or, if donated, at the estimated fair market value at the date of donation. The Center capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over an estimated useful life of 5 years.

SACRAMENTO LGBT COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Income taxes – The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability):

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

The Center's endowment investments are part of a pooled fund held by the Sacramento Region Community Foundation (see Note 6), and are therefore classified as level 2, as fair value is quoted by the Community Foundation and based on prices in active markets for the pooled investment as a whole.

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. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses – The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to program services based on estimates of employees' time incurred and usage of resources.

Subsequent events have been reviewed through June 13, 2017, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in such financial statements.

SACRAMENTO LGBT COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Software	\$ 18,310
Equipment	21,378
Vehicles	<u>6,876</u>
Subtotal	46,564
Less accumulated depreciation	<u>(25,836)</u>
Total	<u>\$ 20,728</u>

4. OPERATING LEASES

The Center has a noncancelable operating lease for office equipment. Rental expense under this lease was \$3,939 for 2016 and 2015. Future minimum payments due under this loan are as follows:

2017	\$ 3,939
2018	3,939
2019	3,939
2019	<u>1,952</u>
Total	<u>\$ 13,769</u>

The Center leases office space under a month to month operating lease agreement. Rental expense under this lease was \$21,300 for 2016.

5. DEBT

The Center has an interest free loan payable in monthly principal payments of \$234, maturing in May 2019. Future minimum payments due under this loan are as follows:

2017	\$ 2,814
2018	2,814
2019	<u>1,875</u>
Total	<u>\$ 7,503</u>

During 2016, the Center established a line of credit with Wells Fargo Bank in the amount of \$15,000. Any draws on the line of credit will accrue interest at the rate of 5%. No amounts were outstanding on this line of credit as of December 31, 2016.

SACRAMENTO LGBT COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

6. NET ASSETS

Temporarily restricted net assets are restricted for the following purposes and activities:

Health programs	\$ 39,134
Vision fund – capital campaign	17,100
Youth outreach	7,652
Mental health of youth	874
Other	<u>1,776</u>
Total	<u>\$ 66,536</u>

Permanently restricted net assets at December 31, 2016 are invested in perpetuity with the Sacramento Region Community Foundation (Community Foundation) based on an endowed agency fund agreement made with the Center to provide financial support for the Center as stipulated by the Board of Directors. The Center's endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowments, and (c) the accumulated unrealized appreciation and depreciation of endowment investments less the annual spendable amount. The Community Foundation charges an annual fee of 1.5% to manage the assets of the endowment and calculates amounts that are spendable by the Foundation under the agreement.

The Center's endowed agency fund is administered in accordance with the policies of the Community Foundation per the terms of the agreement. The Community Foundation's investment policy relies on a total return perspective in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation uses a diversified asset allocation based on core-satellite strategy to achieve its long-term objectives within prudent risk constraints.

The spendable amount of endowed funds is determined by the Community Foundation. The annual dollar amount is determined by calculating the rolling average fair market value of the endowed funds over the previous 12 quarters. This rolling average is then multiplied by the current spending percentage to arrive at the spendable amount. The Community Foundation reviews its spending policy annually, and may increase or decrease the percentage available to spend. For the years ending December 31, 2016, the current spending percentage was set at 4%.

Changes in permanently restricted endowment net assets are as follows:

Endowment net assets, beginning of year	\$ 15,353
Unrealized gain (loss) on investments	<u>720</u>
Total	<u>\$ 16,073</u>

SACRAMENTO LGBT COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

7. DONATED SERVICES AND MATERIALS

The Center received the following donated services and materials:

Supplies and miscellaneous	\$ 124,889
Advertising and promotion	39,183
Rent	16,200
Venue space	<u>9,830</u>
Total	<u>\$ 190,102</u>