

**SACRAMENTO LGBT
COMMUNITY CENTER**

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2017

**SACRAMENTO LGBT COMMUNITY CENTER
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Sacramento LGBT Community Center
Sacramento, CA

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, 2017, 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 of 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.

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, 2017, 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.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
June 5, 2018

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

Assets

Current assets:

Cash and equivalents	\$	242,713
Accounts receivable		53,890
Contributions receivable		55,000
Prepaid expenses and other assets		967
Total current assets		352,570

Fixed assets, net		20,338
Beneficial interest in community foundation assets		18,781

Total assets	\$	391,689
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	8,835
Accrued expenses		43,394
Current portion of long-term debt		2,814
Total current liabilities		55,043

Long-term debt		1,170
Total liabilities		56,213

Net assets:

Unrestricted		141,882
Temporarily restricted		174,813
Permanently restricted		18,781
Total net assets		335,476

Total liabilities and net assets	\$	391,689
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The accompanying notes are an integral part of these financial statements.

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 239,684	-	-	\$ 239,684
Grant revenue	216,286	\$ 290,063	-	506,349
Special event revenue	461,897	-	-	461,897
Less: Cost of direct benefits to donors	(16,084)	-	-	(16,084)
Program service revenue	6,294	-	-	6,294
In-kind donations	109,786	-	-	109,786
Change in value of beneficial interest	-	-	\$ 2,708	2,708
Other income	5,230	-	-	5,230
Net assets released from restrictions	<u>181,786</u>	<u>(181,786)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,204,879</u>	<u>108,277</u>	<u>2,708</u>	<u>1,315,864</u>
Expenses:				
Program services:				
Community engagement	385,074	-	-	385,074
Health programs	128,714	-	-	128,714
Youth programs	145,188	-	-	145,188
Outreach, education and other	<u>151,002</u>	<u>-</u>	<u>-</u>	<u>151,002</u>
Total program services	<u>809,978</u>	<u>-</u>	<u>-</u>	<u>809,978</u>
Supporting services:				
General and administrative	140,910	-	-	140,910
Fundraising	<u>125,205</u>	<u>-</u>	<u>-</u>	<u>125,205</u>
Total supporting services	<u>266,116</u>	<u>-</u>	<u>-</u>	<u>266,116</u>
Total expenses	<u>1,076,094</u>	<u>-</u>	<u>-</u>	<u>1,076,094</u>
Change in net assets	128,785	108,277	2,708	239,770
Net assets, beginning of year	<u>13,097</u>	<u>66,536</u>	<u>16,073</u>	<u>95,706</u>
Net assets, end of year	<u>\$ 141,882</u>	<u>\$ 174,813</u>	<u>\$ 18,781</u>	<u>\$ 335,476</u>

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

**SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services					Supporting Services		Total
	Community Engagement	Health Programs	Youth Programs	Outreach, Education & Other Programs	Total Program Services	General & Administrative	Fundraising	
Salaries & wages	\$ 51,749	\$ 88,851	\$ 97,607	\$ 32,505	\$ 270,712	\$ 62,551	\$ 72,801	\$ 406,064
Payroll taxes	4,898	8,410	9,239	3,077	25,624	5,921	6,891	38,436
Employee benefits	2,424	4,161	4,571	1,522	12,678	2,930	3,410	19,018
Total personnel costs	59,071	101,422	111,417	37,104	309,014	71,402	83,102	463,518
Advertising & promotion	43,630	-	105	-	43,735	-	2,160	45,895
Bank & payroll fees	-	-	-	-	-	6,039	-	6,039
Contract services	71,500	-	-	-	71,500	-	-	71,500
Depreciation	1,933	1,933	1,933	1,933	7,734	430	430	8,593
Dues & subscriptions	1,335	-	-	-	1,335	-	-	1,335
Equipment rental	73,419	-	-	-	73,419	-	1,250	74,669
Event food and beverage	38,252	-	-	-	38,252	-	5,177	43,429
Insurance	12,120	4,094	4,094	4,094	24,402	910	910	26,222
License & permits	777	-	-	-	777	466	-	1,243
Miscellaneous	5,031	-	-	840	5,871	8,398	1,771	16,040
Occupancy	11,777	11,777	11,777	11,777	47,107	2,617	2,617	52,341
Office expenses	3,809	6,539	7,184	2,392	19,923	4,604	5,358	29,885
Other event expenses	55,195	-	-	-	55,195	-	15,220	70,415
Printing & postage	-	-	-	-	-	1,236	5,352	6,588
Professional fees	-	-	-	15,323	15,323	34,652	-	49,975
Program expenses	-	52	4,344	75,857	80,253	-	-	80,253
Repair & maintenance	980	980	980	980	3,920	218	218	4,356
Supplies	5,129	-	1,248	-	6,377	8,590	70	15,037
Telephone & internet	822	1,412	1,551	516	4,301	994	1,157	6,452
Travel	294	505	555	185	1,539	356	414	2,309
Total expenses	<u>\$ 385,074</u>	<u>\$ 128,714</u>	<u>\$ 145,188</u>	<u>\$ 151,002</u>	<u>\$ 809,978</u>	<u>\$ 140,910</u>	<u>\$ 125,205</u>	<u>\$ 1,076,094</u>

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

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 239,770
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	8,593
Increase in accounts receivable	(53,890)
Increase in contributions receivable	(26,630)
Decrease in prepaid expenses	6,891
Increase in beneficial interest	(2,708)
Increase in accounts payable	5,349
Increase in accrued expenses	<u>17,043</u>
Net cash provided by operating activities	<u>194,418</u>
Cash flows from investing activities	
Purchases of fixed assets	<u>(8,203)</u>
Net cash used in investing activities	<u>(8,203)</u>
Cash flows from financing activities	
Principal payments on loan payable	<u>(3,519)</u>
Net cash used in financing activities	<u>(3,519)</u>
Net increase in cash	182,696
Cash and equivalents, beginning of year	<u>60,017</u>
Cash and equivalents, end of year	<u><u>\$ 242,713</u></u>

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

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE A – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Sacramento LGBT Community Center (Center) is a publicly-supported nonprofit organization 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. The Center is primarily funded by proceeds from events, government and foundation grants, and private donations.

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United State 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.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions restricted by a donor are reported as increases in unrestricted net assets if restrictions are met (either by passage of time or by use) in the reporting period in which the contributions are recognized. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Revenue Recognition

Revenue from events is recognized as revenue when the events are held. Revenues collected in advance are deferred until the events are held. Government grants are recognized when qualifying expenses are incurred.

SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Acquisitions of fixed assets in excess of \$1,000 are capitalized and stated at cost. Donated fixed assets are reported at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing the program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Indirect costs are allocated among programs and supporting services based on personnel, space, and other factors.

Income Tax Status

The Center is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. The Center is considered a public charity and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management of the Center has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE B – CONTRIBUTIONS RECEIVABLE

Contributions receivable, all of which management believes are collectable within one year, consisted of the following at December 31, 2017:

The California Endowment	<u>\$ 55,000</u>
Total contributions receivable	<u>\$ 55,000</u>

NOTE C – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2017:

Software	\$ 26,513
Equipment	21,378
Vehicles	6,876
Less: accumulated depreciation	<u>(34,429)</u>
Total fixed assets	<u>\$ 20,338</u>

Depreciation expense was \$8,593 for the year ended December 31, 2017.

NOTE D – BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

The Center has established an agency endowment fund with the Sacramento Region Community Foundation (Foundation). Amounts in the fund include donor restricted contributions and earnings on those contributions. All of the amounts in the fund are considered permanently restricted. The agreement states that the assets are the property of the Foundation and that the Foundation will make distributions of income earned on the fund to the Center, subject to the Foundation’s spending policy. The Center has granted the Foundation variance power which allows the Foundation, at its sole discretion and subject to certain conditions, to modify any condition or restriction on the distribution of funds. No distributions were received for the year ended December 31, 2017. The Center has recorded a beneficial interest in assets held by the Foundation totaling \$18,781 at December 31, 2017.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

The California Endowment	\$ 112,292
Walmart Foundation	37,500
Cares Foundation	<u>25,021</u>
Total temporarily restricted net assets	<u>\$ 174,813</u>

NOTE F – DEBT

The Center has an interest-free loan payable in monthly principle payments of \$234, maturing in May 2019. Future minimum payments due under this loan consisted of the following as of December 31, 2017:

2018	\$ 2,814
2019	<u>1,170</u>
Total loan payable	<u>\$ 3,984</u>

The Center has 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 annual rate of 11.25%. No amounts were outstanding on this line of credit as of December 31, 2017.

NOTE G – COMMITMENTS

The Center leases office equipment under a noncancellable operating lease that expires in 2020. The following is a schedule of future minimum rental payments required under the above operating lease for the years ended December 31:

2018	\$ 3,939
2019	3,939
2020	<u>1,970</u>
Total future minimum rental payments	<u>\$ 9,848</u>

The Center leases office space under a month to month lease. Total rental expense under all leases was \$27,339 for the year ended December 31, 2017.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE H – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, the Center uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments are reported at fair value and consist of the following at December 31, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest	\$ 18,781	\$ --	\$ --	\$ 18,781
Total assets carried at fair value	<u>\$ 18,781</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 18,781</u>

The beneficial interest in assets held by community foundation is valued using Level 3 measurements, as the Center’s interest is not redeemable in the near term. The following is a reconciliation of the Center’s investments measured using significant unobservable measurements (Level 3) for the year ending December 31, 2017:

Balance, beginning of year	\$ 16,073
Change in value	<u>2,708</u>
Balance, end of year	<u>\$ 18,781</u>

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

NOTE I – DONATED GOODS AND SERVICES

The Center received donated services and materials that are included in the accompanying financial statements with an estimated value as follows:

Supplies and miscellaneous	\$ 70,946
Services	22,520
Office space	<u>16,320</u>
Total	<u>\$ 109,786</u>

The Center also received donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

NOTE J – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Center manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Center has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of the Center's mission.

NOTE K – CONTINGENCIES

The Center has been awarded certain grants and contracts and is subject to financial and compliance requirements of the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such amounts, if any, to materially affect the financial statements.

NOTE L – SUBSEQUENT EVENTS

Management of the Center has reviewed the results of operations for the period of time from its year end December 31, 2017 through June 5, 2018, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.