

**SACRAMENTO LGBT
COMMUNITY CENTER**

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2018

**SACRAMENTO LGBT COMMUNITY CENTER
YEAR ENDED DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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 24, 2019

**SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

Assets

Current assets:

Cash and equivalents	\$	295,293
Contributions receivable, short-term		347,986
Prepaid expenses and other assets		13,026
Cash held as fiscal agent		8,330
Total current assets		664,635

Fixed assets, net		12,567
Contributions receivable, long-term		369,459
Beneficial interest in community foundation assets		17,644
Security deposits		5,000
Total assets	\$	1,069,305

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	19,725
Accrued expenses		48,438
Deferred revenue		86,102
Current portion of long-term debt		1,170
Deposits held as fiscal agent		8,330
Total current liabilities		163,765

Net assets:

Without donor restrictions		223,712
With donor restrictions		681,828
Total net assets		905,540
Total liabilities and net assets	\$	1,069,305

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

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grant revenue	\$ 723,682	\$ 534,004	\$ 1,257,686
Special event revenue	408,448	-	408,448
Less: Direct costs of benefits to donors	(63,535)	-	(63,535)
Contributions	230,875	65,443	296,318
In-kind donations	165,119	-	165,119
Program service revenue	9,001	-	9,001
Other income	4,697	-	4,697
Change in value of beneficial interest	-	(1,137)	(1,137)
Net assets released from restrictions	110,076	(110,076)	-
Total support and revenue	1,588,363	488,234	2,076,597
Expenses:			
Program services:			
Community engagement	349,744	-	349,744
Health programs	189,617	-	189,617
Youth programs	495,156	-	495,156
Outreach, education, and other programs	173,363	-	173,363
Total program services	1,207,880	-	1,207,880
Supporting services:			
General and administrative	174,361	-	174,361
Fundraising	124,292	-	124,292
Total supporting services	298,653	-	298,653
Total expenses	1,506,533	-	1,506,533
Change in net assets	81,830	488,234	570,064
Net assets, beginning of year	141,882	193,594	335,476
Net assets, end of year	\$ 223,712	\$ 681,828	\$ 905,540

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

**SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			Total
	Community Engagement	Health Programs	Youth Programs	Outreach, Education & Other Programs	Total Program Services	General & Administrative	Fundraising	
Salaries & wages	\$ 73,345	\$ 106,435	\$ 235,605	\$ 56,165	\$ 471,550	\$ 57,350	\$ 82,310	\$ 611,210
Payroll taxes	6,184	8,974	19,865	4,736	39,759	4,835	6,940	51,534
Employee benefits	3,276	4,754	10,523	2,509	21,062	2,562	3,676	27,300
Total personnel costs	82,805	120,163	265,993	63,410	532,371	64,747	92,926	690,044
Advertising & promotion	1,717	2,492	5,516	1,315	11,040	1,343	1,927	14,310
Bank & payroll fees	-	-	-	-	-	2,328	-	2,328
Contract services	6,593	9,568	21,180	5,049	42,390	5,155	7,399	54,944
Depreciation	1,031	1,496	3,312	790	6,629	(16)	1,157	7,770
Dues & subscriptions	-	-	-	-	-	2,364	-	2,364
Equipment rental	99,994	649	900	30	101,573	-	-	101,573
Event food & beverage	20,616	510	14,996	1,052	37,174	-	-	37,174
In-kind expenses	29,874	22,523	51,125	61,624	165,146	-	-	165,146
Insurance	2,868	4,161	9,212	2,196	18,437	2,242	3,218	23,897
License & permits	1,525	-	-	-	1,525	161	-	1,686
Miscellaneous	-	-	-	-	-	8,804	-	8,804
Occupancy	4,823	6,999	15,493	3,693	31,008	3,771	5,413	40,192
Office expenses	2,527	3,667	8,118	1,935	16,247	30,957	2,836	50,040
Other event expenses	81,767	-	-	-	81,767	-	2,217	83,984
Printing & postage	2,716	3,941	8,725	2,080	17,462	2,124	3,048	22,634
Professional fees	-	-	-	-	-	47,489	-	47,489
Program expenses	-	5,808	76,408	23,428	105,644	-	-	105,644
Repair & maintenance	862	1,252	2,771	660	5,545	674	968	7,187
Supplies	7,190	2,272	2,297	3,929	15,688	-	-	15,688
Telephone & internet	1,188	1,724	3,815	910	7,637	929	1,333	9,899
Travel	1,648	2,392	5,295	1,262	10,597	1,289	1,850	13,736
Total expenses	<u>\$ 349,744</u>	<u>\$ 189,617</u>	<u>\$ 495,156</u>	<u>\$ 173,363</u>	<u>\$ 1,207,880</u>	<u>\$ 174,361</u>	<u>\$ 124,292</u>	<u>\$ 1,506,533</u>

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

**SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:	
Grants and contributions received	\$ 1,031,551
Special event receipts	408,448
Other cash receipts	5,368
Payments for salaries, benefits, and payroll taxes	(685,000)
Payments to vendors	<u>(704,973)</u>
Net cash provided by operating activities	<u>55,394</u>
Cash flows from financing activities:	
Principal payments on loan payable	<u>(2,814)</u>
Net cash used in financing activities	<u>(2,814)</u>
Net increase in cash	52,580
Cash and equivalents, beginning of year	<u>242,713</u>
Cash and equivalents, end of year	<u><u>\$ 295,293</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, 2018**

NOTE 1 – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Sacramento LGBT Community Center (Center, we, us, our) 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. We are primarily funded by proceeds from events, government and foundation grants, and private donations.

Basis of Presentation

Our financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are available for use in general operations and are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and 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.

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.

Use of Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles requires our 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.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have 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, foundations and individuals supportive of our mission.

Income Tax Status

We are exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. We are considered a public charity under Section 170(b)(1)(A) and have been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Our management has processes presently in place to ensure maintenance of our tax exempt statuses; to identify and report unrelated business income; to determine our filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated the tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards

We have adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of January 31, 2019 with no effect on beginning net assets.

We have also adopted ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. It provides assistance to not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and equivalents	\$ 303,623
Contributions receivable	347,986
Distributions from beneficial interest in assets held by others	<u>690</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 652,299</u>

We maintain a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are estimated to be collected as follows as of December 31, 2018:

Restricted to future periods	\$ 744,199
Less: discount to net present value at the rate of 2.5%	(15,758)
Less: allowance for uncollectible amounts	<u>(10,996)</u>
Net contributions receivable	<u>\$ 717,445</u>
Amounts due in:	
Less than one year	\$ 347,986
One to five years	<u>396,213</u>
Total	<u>\$ 744,199</u>

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2018:

Software	\$ 26,513
Equipment	21,378
Vehicles	6,876
Less: accumulated depreciation	<u>(42,200)</u>
Total fixed assets	<u>\$ 12,567</u>

Depreciation expense was \$7,770 for the year ended December 31, 2018.

NOTE 5 – BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

We have established an agency endowment fund with the Sacramento Region Community Foundation (Foundation). Amounts in the fund include perpetually donor-restricted contributions and earnings on those contributions. 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. We have 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, 2018. We have recorded a beneficial interest in assets held by the Foundation totaling \$17,644 as of December 31, 2018.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 6 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, we use 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.

The beneficial interest is reported at fair value and consists of the following as of December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by the community foundation	\$ 17,644	\$ --	\$ --	\$ 17,644
Total assets carried at fair value	<u>\$ 17,644</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,644</u>

The beneficial interest in assets held by the community foundation is valued using Level 3 measurements, as our interest is not redeemable. The following is a reconciliation of the Center’s investments measured using significant unobservable measurements (Level 3) for the year ended December 31, 2018:

Balance, beginning of year	\$ 18,781
Change in value	<u>(1,137)</u>
Balance, end of year	<u>\$ 17,644</u>

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 7 – DEBT

We have an interest-free loan, payable in monthly principle payments of \$234 and maturing in May 2019. Future minimum payments due under this loan consisted of the following as of December 31, 2018:

2019	\$ <u>1,170</u>
Total loan payable	\$ <u>1,170</u>

We also have 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, 2018.

NOTE 8 – CONCENTRATION

Approximately 45% of contributions receivable as of December 31, 2018 were due from a single funding source.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2018:

Subject to expenditure for specified purpose:

Youth and health programs	\$ 109,737
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Subject to the passage of time:

Contributions receivable	554,447
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Perpetual in nature, not subject to spending policy or appropriation:

Beneficial interest in assets held by Community Foundation	<u>17,644</u>
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Total net assets with donor restrictions	\$ <u>681,828</u>
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**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Expiration of time restriction	\$ --
Satisfaction of purpose restrictions	<u>110,076</u>
Total assets released from donor restrictions	<u>\$ 110,076</u>

NOTE 10 – COMMITMENTS

We lease office space and equipment under noncancellable operating leases that expire in 2019 and 2020, respectfully. The following is a schedule of future minimum rental payments required under the above operating leases for the years ended December 31:

2019	\$ 53,439
2020	<u>1,970</u>
Total future minimum rental payments	<u>\$ 55,409</u>

We lease other office space under a month to month lease that is not included above. Total rental expense under all leases was \$86,227 for the year ended December 31, 2018.

NOTE 11 – DONATED GOODS AND SERVICES

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

Supplies and miscellaneous	\$ 39,483
Services	109,383
Office space	<u>16,253</u>
Total	<u>\$ 165,119</u>

We also received other donated services from a variety of vendors and unpaid volunteers assisting in leadership, committees, fundraising 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.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 12 – FUNCTIONALIZED EXPENSES

Our financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require an allocation method with a reasonable basis that is consistently applied. The expenses that are allocated include: salaries and wages, benefits, payroll taxes, information technology, printing, supplies and insurance which are allocated on the basis of estimates of time and effort. Occupancy, depreciation, and other expenses are allocated on a square footage basis.

NOTE 13 – CONTINGENCIES

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

NOTE 14 – SUBSEQUENT EVENTS

Our management has reviewed the results of operations for the period of time from our year end, December 31, 2018, through June 24, 2019, 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.