

**SACRAMENTO LGBT
COMMUNITY CENTER**

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2019

With summarized comparative financial information
for the year ended December 31, 2018

**SACRAMENTO LGBT COMMUNITY CENTER
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE 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, 2019, 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 qualified audit opinion.

Basis for Qualified Opinion

Inadequate accounting controls were exercised over the preparation and collection of government reimbursement contracts. We were unable to obtain sufficient appropriate audit evidence about the amounts billed and collected by the Sacramento LGBT Community Center for the year ended December 31, 2019, because of the inadequate accounting controls. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for Qualified Opinion paragraph, 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, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of a Matter – COVID-19

As more fully described in Note 17 to the financial statements, the Sacramento LGBT Community Center has been negatively impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Also, on March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide certain relief as a result of the COVID-19 outbreak. Sacramento LGBT Community Center is continuing to evaluate how the CARES Act and COVID-19 will impact its financial position, results of operations, and cash flows. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Sacramento LGBT Community Center's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
August 18, 2020

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	2019	2018
Assets		
Cash and equivalents	\$ 466,801	\$ 295,293
Contributions receivable	1,231,014	717,445
Prepaid expenses and other assets	21,365	13,026
Cash held as fiscal agent	2,681	8,330
Fixed assets, net	4,373,140	12,567
Beneficial interest in community foundation assets	20,626	17,644
Security deposits	26,250	5,000
Total assets	\$ 6,141,877	\$ 1,069,305
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 107,756	\$ 19,725
Accrued expenses	96,327	48,438
Deferred revenue	48,091	86,102
Long-term debt	3,192,560	1,170
Deposits held as fiscal agent	2,681	8,330
Total liabilities	3,447,415	163,765
Net assets:		
Without donor restrictions	1,761,319	223,712
With donor restrictions	933,143	681,828
Total net assets	2,694,462	905,540
Total liabilities and net assets	\$ 6,141,877	\$ 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, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue:				
Government grant revenue	\$ 1,310,203	\$ -	\$ 1,310,203	\$ 497,062
Foundation grant revenue	402,445	-	402,445	760,624
Event revenue	649,356	-	649,356	408,448
Less: Cost of direct benefits to donors	(46,882)	-	(46,882)	(63,535)
Contributions	590,378	1,399,366	1,989,744	296,318
In-kind donations	257,679	-	257,679	165,119
Program service revenue	19,377	-	19,377	9,001
Other income	6,271	2,982	9,253	3,560
Net assets released from restrictions	1,151,033	(1,151,033)	-	-
Total support and revenue	4,339,860	251,315	4,591,175	2,076,597
Expenses:				
Program services:				
Community engagement	327,973	-	327,973	349,744
Housing programs	1,059,817	-	1,059,817	-
Health programs	301,932	-	301,932	189,617
Youth programs	191,409	-	191,409	495,156
Outreach, education, and other	205,010	-	205,010	173,363
Total program services	2,086,141	-	2,086,141	1,207,880
Supporting services:				
General and administrative	427,618	-	427,618	174,361
Fundraising	288,494	-	288,494	124,292
Total supporting services	716,112	-	716,112	298,653
Total expenses	2,802,253	-	2,802,253	1,506,533
Change in net assets	1,537,607	251,315	1,788,922	570,064
Net assets, beginning of year	223,712	681,828	905,540	335,476
Net assets, end of year	<u>\$ 1,761,319</u>	<u>\$ 933,143</u>	<u>\$ 2,694,462</u>	<u>\$ 905,540</u>

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

**SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			2019 Total	2018 Total
	Community Engagement	Housing Programs	Health Programs	Youth Programs	Advocacy, Outreach & Other	Total Program Services	General & Administrative	Fundraising		
Salaries & wages	\$ 29,358	\$ 348,226	\$ 145,628	\$ 105,813	\$ 102,063	\$ 731,088	\$ 221,554	\$ 77,383	\$ 1,030,025	\$ 611,210
Payroll taxes	3,625	52,281	18,430	13,620	12,423	100,379	23,602	10,663	134,644	51,534
Employee benefits	4,891	57,264	13,147	9,071	11,534	95,907	28,159	8,377	132,443	27,300
Total personnel costs	37,874	457,771	177,205	128,504	126,020	927,374	273,315	96,423	1,297,112	690,044
Advertising & promotion	12,533	2,352	1,435	2,205	1,422	19,947	1,889	9,972	31,808	14,310
Bank & payroll fees	1,070	5,171	2,336	3,220	1,337	13,134	13,991	36,476	63,601	2,328
Depreciation	-	-	-	-	-	-	21,979	-	21,979	7,770
Equipment rental	102,337	-	-	-	-	102,337	-	-	102,337	101,573
Event food & beverage	26,805	-	-	-	-	26,805	-	-	26,805	37,174
In-kind expenses	1,718	136,889	83,929	3,644	17,568	243,748	-	13,931	257,679	165,146
Insurance	5,985	4,656	1,968	1,353	1,061	15,023	1,818	853	17,694	23,897
Licenses, permits & dues	4,680	216	864	31	47	5,838	1,619	93	7,550	4,050
Miscellaneous	-	-	-	-	-	-	13,086	-	13,086	8,804
Occupancy	18,113	42,818	13,900	9,079	23,546	107,456	5,261	12,647	125,364	47,379
Office expenses	1,835	19,525	6,522	5,764	3,724	37,370	375	7,368	45,113	50,040
Other event expenses	100,822	1,329	1,316	7,271	309	111,047	500	12,193	123,740	83,984
Printing & postage	3,647	12,075	5,221	1,805	1,775	24,523	5,883	12,318	42,724	22,634
Professional fees	1,400	25,850	-	4,995	8,920	41,165	72,280	71,122	184,567	102,433
Program expenses	2,883	334,032	-	21,508	15,308	373,731	1,044	11,814	386,589	121,332
Telephone & internet	449	7,103	1,812	1,279	1,044	11,687	2,196	794	14,677	9,899
Travel	5,822	10,030	5,424	751	2,929	24,956	12,382	2,490	39,828	13,736
Total expenses	\$ 327,973	\$ 1,059,817	\$ 301,932	\$ 191,409	\$ 205,010	\$ 2,086,141	\$ 427,618	\$ 288,494	\$ 2,802,253	\$ 1,506,533

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

SACRAMENTO LGBT COMMUNITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	2019	2018
Cash flows from operating activities:		
Grants and contributions received	\$ 3,150,812	\$ 1,031,551
Special event receipts	649,356	408,448
Other cash receipts	25,455	5,368
Payments for salaries, benefits, and payroll taxes	(1,249,223)	(685,000)
Payments to vendors	(1,213,730)	(704,973)
Net cash provided by operating activities	1,362,670	55,394
Cash flows from investing activities:		
Purchases of fixed assets	(4,382,552)	-
Net cash used in investing activities	(4,382,552)	-
Cash flows from financing activities:		
Proceeds from note payable	3,200,000	-
Principal payments on note payable	(8,610)	(2,814)
Net cash provided by (used in) financing activities	3,191,390	(2,814)
Net increase in cash	171,508	52,580
Cash and equivalents, beginning of year	295,293	242,713
Cash and equivalents, end of year	\$ 466,801	\$ 295,293
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 10,175	\$ -

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

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – NATURE OF THE ORGANIZATION

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 government and foundation grants, events, and private donations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 stipulations that may or will be met either by our actions and/or the passage of time – OR – net assets to be held in perpetuity as directed by donors, whereas the income from the contributions is available to support activities as designated by donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions restricted by a donor are reported as increases in net assets without donor restrictions if restrictions are met (either by passage of time or by use) in the same reporting period in which the contributions are recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

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.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. As of December 31, 2019 and 2018, the allowance was \$178,900 and \$10,966, respectively.

Fixed Assets

Acquisitions of fixed assets in excess of \$5,000 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.

Revenue and Revenue Recognition

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of our revenue is derived from cost-reimbursable federal, state, and foundation contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. We received cost-reimbursable grants of \$567,026 and \$479,084 that have not been recognized as of December 31, 2019 and 2018 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal and state contracts and grants.

We record special event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. It is considered a public charity under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management has processes presently in place to ensure maintenance of our tax exempt status; 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.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from these estimates under different assumptions or conditions.

Reclassifications

Certain prior year amounts may have been reclassified to conform to the current year financial statement presentation. The nature of reclassification has no impact on previously reported net assets.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Adoption of New Accounting Standards

Effective for the year ended December 31, 2019, we 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.

Presentation of Certain Prior Year Information

The statements of activities and functional expenses include certain prior year summarized financial information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 – 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	\$ 466,801
Contributions receivable	879,874
Distributions from beneficial interest in assets held by others	<u>740</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,347,415</u>

We can also draw upon \$100,000 of available lines of credit (as further discussed in Note 8). 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.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Restricted to future periods	\$ 1,441,125	\$ 744,199
Less: discount to net present value at the rate of 2.5%	(31,211)	(15,758)
Less: allowance for uncollectible amounts	<u>(178,900)</u>	<u>(10,996)</u>
 Net contributions receivable	 <u>\$ 1,231,014</u>	 <u>\$ 717,445</u>
 Amounts due in:		
Less than one year	\$ 879,874	\$ 347,986
One to five years	<u>561,251</u>	<u>396,213</u>
 Total	 <u>\$ 1,441,125</u>	 <u>\$ 744,199</u>

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 – FIXED ASSETS

Fixed assets consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,410,000	--
Building	2,890,000	--
Furniture and equipment	103,930	\$ 21,378
Software	26,513	26,513
Vehicles	<u>6,876</u>	<u>6,876</u>
	4,437,319	54,767
Less: accumulated depreciation	<u>(64,179)</u>	<u>(42,200)</u>
Total fixed assets	<u>\$ 4,373,140</u>	<u>\$ 12,567</u>

Depreciation expense was \$21,979 and \$7,770 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 – 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 years ended December 31, 2019 and 2018. We have recorded a beneficial interest in assets held by the Foundation totaling \$20,626 and \$17,644 as of December 31, 2019 and 2018, respectively.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – 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, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by the community foundation	\$ 20,626	\$ --	\$ --	\$ 20,626
Total assets carried at fair value	<u>\$ 20,626</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,626</u>

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>

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – FAIR VALUE MEASUREMENTS (continued)

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 years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 17,644	\$ 18,781
Change in value	<u>2,982</u>	<u>(1,137)</u>
Balance, end of year	<u>\$ 20,626</u>	<u>\$ 17,644</u>

NOTE 8 – LINE OF CREDIT

We have a line of credit with Wells Fargo Bank in the amount of \$100,000. The amount is due by November 15, 2020 and bears interest at a variable rate (6.25% as of December 31, 2019). The line is secured by substantially all of the assets of the Center. No amounts were outstanding on this line of credit as of December 31, 2019 and 2018.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 – LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable with monthly installments of \$18,184, at a rate of 4.7%, secured by a deed of trust; maturing November 2029	\$ 3,192,560	\$ --
Note payable with monthly installments of \$234, zero interest, and unsecured; maturing December 2018	<u> --</u>	<u> 1,170</u>
Total debt	3,192,560	1,170
Less: current portion	<u> (68,800)</u>	<u> (1,170)</u>
Long-term portion of debt	<u>\$ 3,123,760</u>	<u>\$ --</u>

Maturities on the notes are as follows for years ending December 31:

2020	\$ 68,800
2021	72,123
2022	75,606
2023	79,258
2024	83,086
Thereafter	<u>2,813,687</u>
Total	<u>\$ 3,192,560</u>

NOTE 10 – CONCENTRATIONS

Three funding sources accounted for 56% of total gross contributions receivable as of December 31, 2019. Two funding sources accounted for 56% of total gross contributions receivable as of December 31, 2018.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Youth and health programs	\$ 239,439	\$ 109,737
Property acquisition	294,450	--
Subject to the passage of time:		
Contributions receivable	378,628	554,447
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interest in assets held by Community Foundation	<u>20,626</u>	<u>17,644</u>
Total net assets with donor restrictions	<u>\$ 933,143</u>	<u>\$ 681,828</u>

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 years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 175,819	\$ --
Satisfaction of purpose restrictions	<u>975,214</u>	<u>110,076</u>
Total net assets released from donor restrictions	<u>\$ 1,151,033</u>	<u>\$ 110,076</u>

NOTE 12 – RELATED PARTIES

We have contributions receivable from our Board members of \$388,988 and \$18,000 as of December 31, 2019 and 2018, respectively. Those amounts are included in the accompanying statement of financial position. In addition, Board members continue to contribute to the Center through regular monetary and nonmonetary donations.

**SACRAMENTO LGBT COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 – COMMITMENTS

We lease office space and equipment under noncancellable operating leases that expire from 2021 through 2024. The following is a schedule of future minimum rental payments required under the above operating leases for the years ended December 31:

2020	\$	185,772
2021		181,272
2022		131,772
2023		131,772
2024		<u>3,367</u>
Total future minimum rental payments	\$	<u><u>633,955</u></u>

We lease other office space under a month to month lease that is not included above. Total rental expense under all leases was \$156,910 and \$86,227 for the years ended December 31, 2019 and 2018, respectively.

NOTE 14 – DONATED GOODS AND SERVICES

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

	<u>2019</u>	<u>2018</u>
Services	\$ 216,671	\$ 109,383
Supplies and miscellaneous	30,208	39,483
Office space	<u>10,800</u>	<u>16,253</u>
Total	<u><u>\$ 257,679</u></u>	<u><u>\$ 165,119</u></u>

We also received substantial donated services during the years ended December 31, 2019 and 2018, valued at approximately \$333,750 and \$153,750, respectively, 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
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YEAR ENDED DECEMBER 31, 2019**

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NOTE 15 – 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, program expenses, in-kind, other events, advertising, insurance, and office related expenses, which are allocated on the basis of estimates of time and effort. Occupancy and other related expenses are allocated on a square footage basis.

NOTE 16 – 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 17 – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus (pandemic), economic uncertainties have occurred that are likely to negatively impact our contribution revenue and program service activities. In order to help cope with those uncertainties, and to support our liquidity needs, we have applied for and received funds under the federal Paycheck Protection Program, after the fiscal year end, in the amount of \$247,692. However, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

Management has reviewed the results of operations for the period of time from our year end, December 31, 2019, through August 18, 2020, the date the financial statements were available to be issued, and has 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.