

Lavender Youth Recreation & Information Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2015

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Lavender Youth Recreation & Information Center
San Francisco, California

We have audited the accompanying financial statements of Lavender Youth Recreation & Information Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, the related statements of activities and changes in net assets, 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 an assessment of the risks of the 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 Lavender Youth Recreation & Information Center as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the June 30, 2014, financial statements of Lavender Youth Recreation & Information Center and our report dated March 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
February 19, 2016

Lavender Youth Recreation & Information Center

Statement of Financial Position June 30, 2015 with Comparative Totals for June 30, 2014

	6/30/15 <u>Total</u>	6/30/14 Total <u>(Note 2)</u>
ASSETS		
Current Assets:		
Cash & equivalents	\$ 434,827	\$ 542,616
Contracts receivable	416,635	170,963
Grants & pledges receivable (Note 3)	27,600	59,342
Other accounts receivable	16,218	17,207
Prepaid expenses	<u>17,738</u>	<u>18,939</u>
Total current assets	913,018	809,067
Grants receivable, long-term	-	4,800
Property & equipment, net (Note 3)	528,987	559,480
Other long-term assets	<u>17,907</u>	<u>17,143</u>
TOTAL ASSETS	<u>\$ 1,459,912</u>	<u>\$ 1,390,490</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 21,728	\$ 29,173
Accrued salaries & payroll taxes	39,902	42,608
Accrued vacation pay	25,181	40,546
Current portion of long-term debt (Note 4)	<u>5,305</u>	<u>5,112</u>
Total current liabilities	92,116	117,439
Long-term debt (Note 4)	67,434	72,783
Other long-term liabilities	<u>15,281</u>	<u>10,270</u>
TOTAL LIABILITIES	174,831	200,492
Net Assets		
Unrestricted	1,197,444	1,071,757
Temporarily restricted (Note 5)	<u>87,637</u>	<u>118,241</u>
TOTAL NET ASSETS	1,285,081	1,189,998
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,459,912</u>	<u>\$ 1,390,490</u>

See accompanying notes to financial statements and independent auditor's report.

Lavender Youth Recreation & Information Center

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Unrestricted			Temporarily Restricted	2014-2015 Total	2013-2014 Total (Note 2)
	LYRIC Core Activities	Sponsored Projects	Total Unrestricted			
Support & Revenue:						
Government grants & contracts	\$ 914,029	\$324,753	\$ 1,238,782		\$ 1,238,782	\$ 1,053,352
Private grants & contributions	218,985	19,550	238,535	\$ 172,523	411,058	401,515
Net assets released from restriction:						
Satisfaction of donor restrictions	152,548	50,579	203,127	(203,127)	-	-
Program revenue	17,100	3,449	20,549		20,549	29,500
Miscellaneous	1,272		1,272		1,272	6,202
Total support & revenue	1,303,934	398,331	1,702,265	(30,604)	1,671,661	1,490,569
Expenses:						
Program services	933,881	359,711	1,293,592		1,293,592	1,213,677
General & administrative	105,285	38,620	143,905		143,905	157,129
Fundraising	139,081		139,081		139,081	139,462
Total expenses	1,178,247	398,331	1,576,578	-	1,576,578	1,510,268
CHANGE IN NET ASSETS	125,687	-	125,687	(30,604)	95,083	(19,699)
NET ASSETS, July 1	1,071,757	-	1,071,757	118,241	1,189,998	1,209,697
NET ASSETS, June 30	\$ 1,197,444	\$ -	\$ 1,197,444	\$ 87,637	\$ 1,285,081	\$ 1,189,998

See accompanying notes to financial statements and independent auditor's report.

Lavender Youth Recreation & Information Center

Statement of Functional Expenses for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	PROGRAM SERVICES						SUPPORTING SERVICES			2013-2014 Total (Note 2)
	Workforce Development	Access & Engagement	School- Based Initiative	Policy & Advocacy	Sponsored Projects	Total Programs	General & Administrative	Fundraising	2014-2015 Total	
Salaries, employee benefits & payroll taxes	\$ 294,095	\$ 282,085	\$ 114,454	\$ 49,521	\$ 200,414	\$940,569	\$ 99,679	\$ 107,121	\$ 1,147,369	\$ 1,151,507
Consulting & professional fees	16,126	19,405	5,367	1,900	34,900	77,698	26,382	9,962	114,042	96,042
Supplies	13,972	19,024	5,049	694	36,204	74,943	2,490	2,256	79,689	53,379
Telecommunications	1,073	3,132	511	229	2,585	7,530	876	500	8,906	10,101
Postage	200	223	91	42	746	1,302	152	118	1,572	1,060
Printing & copying	1,202	187	396	7	184	1,976	92	278	2,346	6,133
Insurance	4,114	4,739	1,508	185	1,355	11,901	1,898	396	14,195	13,711
Subscriptions & reference materials	238	313	105	55		711	192	110	1,013	1,279
Facility & equipment expense	7,832	7,223	1,854	657	38,134	55,700	1,609	1,493	58,802	52,571
Travel & meetings	1,750	1,333	815	460	5,240	9,598	3,690	524	13,812	9,443
Professional development	451	4,053	2,369	74	9,109	16,056	2,878	4,770	23,704	16,099
Fundraising & marketing	55	65	24	12	26	182	143	7,863	8,188	7,359
Participant expenses	18,761	15,851	366	100	7,980	43,058			43,058	46,741
Depreciation	7,975	13,034	2,718	1,044	842	25,613	2,647	2,232	30,492	31,002
Miscellaneous expense	426	2,577	433	1,327	21,992	26,755	1,177	1,458	29,390	13,841
TOTAL	\$ 368,270	\$ 373,244	\$ 136,060	\$ 56,307	\$ 359,711	\$ 1,293,592	\$ 143,905	\$ 139,081	\$ 1,576,578	\$ 1,510,268

See accompanying notes to financial statements and independent auditor's report.

Lavender Youth Recreation & Information Center

Statement of Cash Flows for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>2014-2015</u>	2013-2014 Total (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 95,083	\$ (19,699)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	30,492	31,002
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	36,542	43,022
(Increase) decrease in contracts receivable	(245,672)	(71,197)
(Increase) decrease in other assets	1,427	(25,842)
Increase (decrease) in accounts payable	(7,445)	11,459
Increase (decrease) in other liabilities	<u>(13,060)</u>	<u>13,687</u>
Cash provided (used) by operating activities:	(102,633)	(17,568)
<i>Cash flows from investing activities:</i>		
Purchases of fixed assets	<u>-</u>	<u>(9,539)</u>
Cash provided (used) by investing activities:	-	(9,539)
<i>Cash flows from financing activities:</i>		
Principal payments on mortgage	<u>(5,156)</u>	<u>(4,855)</u>
Cash provided (used) by financing activities:	(5,156)	(4,855)
Cash provided (used) during year	(107,789)	(31,962)
Cash & cash equivalents:		
Beginning of year, July 1	<u>542,616</u>	<u>574,578</u>
End of year, June 30	<u><u>\$ 434,827</u></u>	<u><u>\$ 542,616</u></u>
<u>Additional disclosure:</u>		
Interest paid during the year	\$ 2,742	\$ 3,173

See accompanying notes to financial statements and independent auditor's report.

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

1. The Organization

Nature of activities

Lavender Youth Recreation & Information Center (LYRIC or the Organization) is a nonprofit organization whose mission is to build community and inspire positive social change through education enhancement, career training, health promotion, and leadership development with lesbian, gay, bisexual, transgender, queer, and questioning (LGBTQQ) youth, their families, and allies of all races, classes, genders, and abilities. Exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, the Organization is governed by a Board of Directors.

LYRIC's major programs consist of:

Workforce Development

LYRIC's Youth Workforce Development program provides LGBTQQ and straight ally youth with the knowledge, skills, abilities, and experiences that prepare them for the work world. Through this program, youth learn to: engage in activities that build their emotional and intellectual capacity; succeed in school and explore post-secondary pathways to cultivate economic self-sufficiency; obtain meaningful work experience that builds their basic job readiness/leadership skills; and develop the means to thrive as individuals, utilizing critical thinking/problem solving skills to contribute to the vitality of their communities. Youth were placed in a continuum of paid, work-based learning opportunities.

Access & Engagement

LYRIC's Access and Engagement Program decreases the isolation of LGBTQQ young people and promotes healthy communities of caring peers and adult allies through individualized case management and peer-led groups. The program provides a continuum of individualized case management supports for LGBTQQ youth. At intake, youth report high levels of unemployment, homelessness, and mental health issues. Youth gain access to housing, violence prevention services, educational support, legal services, and healthcare. Case management services are available on-site at LYRIC as well as at the Dimensions Clinic, The SF LGBT Center's Meal Night, and at numerous school sites. Youth engage in on-site mental health/substance abuse counseling. Youth participate in LYRIC's peer-led groups that celebrate and promote the resiliency of various members of our community—young women, transgender youth, youth at risk of sexual violence, youth at risk of HIV infection. Additionally, youth participate in peer-led special events, such as dances, holiday gatherings, and barbeques.

School-Based Initiative

LYRIC's School-Based program empowers students, teachers, and families to create schools where LGBTQQ youth can thrive. Across three school sites, youth participate in a year-long course for students, exploring themes of culture, identity, and social justice through an LGBTQQ lens. These youth form leadership teams, leading activities and events for all students throughout the school year. The program provides professional development training to teachers/staff and facilitates on-site support groups for parents. Students participating in our program report a significant decrease in bullying and harassment experienced at school, improvement in their sense of safety at school, and improvement in their sense of school connectedness.

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Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

(continued)

Policy & Advocacy

LYRIC's Policy and Advocacy program addresses the institutional barriers that negatively impact LGBTQ youth—exclusion of LGBTQ youth perspectives from civic debates, lack of LGBTQ-inclusive data and research, and fragmented resource networks. Through our advocacy efforts, LGBTQ youth and adult allies inform key decision-makers about the issues impacting LGBTQ youth's lives and communities. Through our high level research partnerships, we identify and disseminate cutting edge practices that advance the field of LGBTQ youth development. Through our coordination of an interagency service collaborative, we leverage a wide range of resources—housing, primary care, behavioral health, workforce development, educational services—that provide LGBTQ with the holistic supports that they need to thrive.

Sponsored Projects

The Organization acts as fiscal sponsor for various unincorporated groups whose activities are aligned with LYRIC's mission. Sponsored projects include El/La Para Translatinas (a program that provides educational and support services to the Latina Transgender community), Maven (a program that creates an interactive virtual community for LGBTQ youth to network, organize and educate for social change), and outLoud Radio (a radio program that provides LGBTQ youth with the tools, skills, and confidence to share their stories with a broad audience).

Funding

LYRIC receives funding from foundations, corporations, individuals and local government.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets, which includes resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization does not currently have any permanently restricted net assets.

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Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

(continued)

Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank checking, savings and money market accounts.

Contracts Receivable

Receivables from program service contracts with government agencies are reported at the amount management expects to collect on balances outstanding at year-end. As all amounts are deemed fully collectible, there is no allowance for doubtful accounts.

Grants & Pledges Receivable

Grants and pledges receivable are recorded based on formal promises received from donors. Amounts due within one year of the balance sheet date are stated at face value. Amounts due beyond one year are discounted to present value, using an annual rate of 4%, only when such discounts are material to the financial statements. Currently, there are no discounts reflected in the accompanying financial statements.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Fixed assets with a cost of at least \$1,000 are capitalized and stated at cost. Donated fixed assets are stated at their fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 31.5 years for fixed assets currently on the books.

Functional Expenses

Expenses are allocated on a functional basis among LYRIC's program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated based on formulas developed by management.

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Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

(continued)

Sponsored Projects

The Organization acts as fiscal sponsor for various unincorporated groups. Since LYRIC maintains legal, financial, and operational authority over these sponsored projects, they represent programs of LYRIC. As such, revenues, expenses, assets, and liabilities of the projects are included in the accompanying financial statements. The projects' unexpended funding is reflected in the ending balance of temporarily restricted net assets.

Income Taxes

As a public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. As management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2013 through 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's *California Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2012 through 2015 are subject to examination by the California Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

The financial statement information for the year ended June 30, 2014, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statement for that fiscal year.

3. Property & Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$160,174		\$160,174
Building & improvements	844,648	\$479,013	365,635
Furnishings & equipment	<u>36,025</u>	<u>32,847</u>	<u>3,178</u>
Total	\$1,040,847	\$511,860	\$528,987

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

4. Long-Term Debt

In 1996, the Organization financed the acquisition of its facility with a thirty-year, variable rate mortgage. The current balance of the mortgage is \$77,895, which is secured by a deed of trust on LYRIC's facility. The annual interest rate is based on the bank's index rate plus 3%. The rate is recalculated by the bank twice per year and may never exceed 12% or fall below 2%. The interest rate in effect at June 30, 2015 was 3.75% and the total interest paid during the year then ended was \$2,742. Future maturities of principal are anticipated as follows:

<u>Fiscal-year ending</u>	<u>Principal payments</u>
June 30, 2016	\$5,305
June 30, 2017	5,533
June 30, 2018	5,737
June 30, 2019	5,948
June 30, 2020	6,167
Thereafter	<u>44,049</u>
Total mortgage balance at June 30, 2015	\$72,739
Less: current portion	<u>(5,305)</u>
Amount classified as long-term debt	\$67,434

5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations and grants to LYRIC that have been restricted for a specific purpose or time period. Details are as follows:

Sponsored projects	\$38,768
Access & engagement	20,000
Other activities	18,596
Building renovation	<u>10,273</u>
Total temporarily restricted net assets at June 30, 2015	\$87,637

6. Line of Credit

The Organization has available a \$100,000 bank line of credit, none of which had been drawn down as of June 30, 2015. The line charges interest on outstanding balances at a variable annual rate that is currently 10%.

7. Contingencies – Satisfaction of Funding Source Requirements

The Organization receives grants and contracts that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the funding source. It is management's opinion that all funding source restrictions have been met for amounts that have been either recorded as unrestricted or for which donor restrictions have been released.

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2015

8. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through February 19, 2016, the date the financial statements were available to be issued.