

Lavender Youth Recreation & Information Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2016

**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, 2016, 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2015, financial statements of Lavender Youth Recreation & Information Center and our report dated February 19, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
March 16, 2017

Lavender Youth Recreation & Information Center

Statement of Financial Position June 30, 2016 with Comparative Totals for June 30, 2015

	6/30/16 <u>Total</u>	6/30/15 Total <u>(Note 2)</u>
ASSETS		
Current Assets:		
Cash & equivalents	\$ 912,403	\$ 434,827
Contracts receivable	295,355	416,635
Bequests receivable	453,174	-
Other contributions & grants receivable	10,000	27,600
Other accounts receivable	13,624	16,218
Prepaid expenses	<u>15,727</u>	<u>17,738</u>
Total current assets	1,700,283	913,018
Property & equipment, net (Note 3)	525,246	528,987
Other long-term assets	<u>27,828</u>	<u>17,907</u>
TOTAL ASSETS	<u><u>\$ 2,253,357</u></u>	<u><u>\$ 1,459,912</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 33,367	\$ 21,728
Accrued salaries & payroll taxes	59,440	39,902
Accrued vacation pay	36,915	25,181
Current portion of long-term debt (Note 4)	<u>5,533</u>	<u>5,305</u>
Total current liabilities	135,255	92,116
Long-term debt (Note 4)	61,892	67,434
Other long-term liabilities	<u>22,703</u>	<u>15,281</u>
TOTAL LIABILITIES	219,850	174,831
Net Assets		
Unrestricted	1,982,663	1,197,444
Temporarily restricted (Note 5)	<u>50,844</u>	<u>87,637</u>
TOTAL NET ASSETS	<u>2,033,507</u>	<u>1,285,081</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 2,253,357</u></u>	<u><u>\$ 1,459,912</u></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, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Unrestricted			Temporarily Restricted	2015-2016 Total	2014-2015 Total (Note 2)
	LYRIC Core Activities	Sponsored Projects	Total Unrestricted			
Support & Revenue:						
Government grants & contracts	\$ 1,091,440	\$ 366,498	\$ 1,457,938		\$ 1,457,938	\$ 1,238,782
Private grants & contributions	219,546		219,546	\$ 460,559	680,105	339,911
Bequests	482,846		482,846		482,846	71,147
Net assets released from restriction:						
Satisfaction of donor restrictions	332,914	164,438	497,352	(497,352)	-	-
Program revenue	14,550		14,550		14,550	20,549
Miscellaneous	2,603		2,603		2,603	1,272
Total support & revenue	2,143,899	530,936	2,674,835	(36,793)	2,638,042	1,671,661
Expenses:						
Program services	1,049,587	479,109	1,528,696		1,528,696	1,293,592
General & administrative	148,814	51,827	200,641		200,641	143,905
Fundraising	160,279		160,279		160,279	139,081
Total expenses	1,358,680	530,936	1,889,616	-	1,889,616	1,576,578
CHANGE IN NET ASSETS	785,219	-	785,219	(36,793)	748,426	95,083
NET ASSETS, July 1	1,197,444	-	1,197,444	87,637	1,285,081	1,189,998
NET ASSETS, June 30	<u>\$ 1,982,663</u>	<u>\$ -</u>	<u>\$ 1,982,663</u>	<u>\$ 50,844</u>	<u>\$ 2,033,507</u>	<u>\$ 1,285,081</u>

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, 2016 with Comparative Totals for the Year Ended June 30, 2015

	PROGRAM SERVICES						SUPPORTING SERVICES			2014-2015 Total (Note 2)
	Workforce Development	Access & Engagement	School- Based Initiative	Policy & Advocacy	Sponsored Projects	Total Programs	General & Administrative	Fundraising	2015-2016 Total	
Salaries, employee benefits & payroll taxes	\$ 248,841	\$ 373,984	\$ 120,526	\$ 38,975	\$ 207,218	\$989,544	\$ 145,503	\$ 111,135	\$ 1,246,182	\$ 1,147,369
Consulting & professional fees	32,420	41,585	7,514	1,683	124,038	207,240	38,181	10,775	256,196	114,042
Supplies	22,442	30,110	4,234	479	56,354	113,619	1,671	1,401	116,691	79,689
Telecommunications	967	3,963	620	254	4,300	10,104	933	597	11,634	8,906
Postage	167	327	94	34	152	774	126	79	979	1,572
Printing & copying	1,159	803	237	98	16	2,313	272	334	2,919	2,346
Insurance	3,748	5,414	1,335	146	1,300	11,943	2,442	348	14,733	14,195
Subscriptions & reference materials	488	441	147	65	-	1,141	163	4,521	5,825	1,013
Occupancy	4,371	8,031	1,287	429	32,987	47,105	1,255	985	49,345	58,802
Travel & meetings	1,568	6,075	1,022	1,375	19,962	30,002	3,767	893	34,662	13,812
Professional development	5,518	4,228	463	23	3,555	13,787	440	633	14,860	23,704
Fundraising & marketing	215	429	139	56	182	1,021	160	19,497	20,678	8,188
Participant expenses	26,567	15,255	250	-	20,949	63,021	-	-	63,021	43,058
Depreciation	8,910	12,946	2,454	805	-	25,115	3,704	1,933	30,752	30,492
Miscellaneous expense	1,110	1,620	260	881	8,096	11,967	2,024	7,148	21,139	29,390
TOTAL	\$ 358,491	\$ 505,211	\$ 140,582	\$ 45,303	\$ 479,109	\$ 1,528,696	\$ 200,641	\$ 160,279	\$ 1,889,616	\$ 1,576,578

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, 2016 with Comparative Totals for the Year Ended June 30, 2015

	<u>2015-2016</u>	2014-2015 Total (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 748,426	\$ 95,083
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	30,752	30,492
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	(435,574)	36,542
(Increase) decrease in contracts receivable	121,280	(245,672)
(Increase) decrease in other assets	(5,315)	1,427
Increase (decrease) in accounts payable	11,639	(7,445)
Increase (decrease) in other liabilities	38,694	(13,060)
Cash provided (used) by operating activities:	509,902	(102,633)
<i>Cash flows from investing activities:</i>		
Purchases of fixed assets	<u>(27,012)</u>	<u>-</u>
Cash provided (used) by investing activities:	(27,012)	-
<i>Cash flows from financing activities:</i>		
Principal payments on mortgage	<u>(5,314)</u>	<u>(5,156)</u>
Cash provided (used) by financing activities:	(5,314)	(5,156)
Cash provided (used) during year	477,576	(107,789)
Cash & cash equivalents:		
Beginning of year, July 1	<u>434,827</u>	<u>542,616</u>
End of year, June 30	<u><u>\$ 912,403</u></u>	<u><u>\$ 434,827</u></u>
<u>Additional disclosure:</u>		
Interest paid during the year	\$ 2,550	\$ 2,742

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

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2016

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.

(continued)

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2016

(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, 2016

(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 \$5,000 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, 2016

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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 2014 through 2016 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 2013 through 2016 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, 2015, 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.

Reclassification

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.

3. Property & Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$160,174		\$160,174
Building & improvements	844,648	\$506,586	338,062
Furnishings & equipment	<u>63,035</u>	<u>36,025</u>	<u>27,010</u>
Total	\$1,067,857	\$542,611	\$525,246

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2016

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 \$67,425, 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, 2016 was 3.625% and the total interest paid during the year then ended was \$2,550. Future maturities of principal are anticipated as follows:

<u>Fiscal-year ending</u>	<u>Principal payments</u>
June 30, 2017	\$5,533
June 30, 2018	5,708
June 30, 2019	5,925
June 30, 2020	6,156
June 30, 2021	6,386
Thereafter	<u>37,717</u>
Total mortgage balance at June 30, 2016	\$67,425
Less: current portion	<u>(5,533)</u>
Amount classified as long-term debt	\$61,892

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	\$31,675
Building renovation	10,273
Access & engagement	5,000
Other activities	<u>3,896</u>
Total temporarily restricted net assets at June 30, 2016	\$50,844

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, 2016. 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, 2016

8. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through March 16, 2017, the date the financial statements were available to be issued.