

Lavender Youth Recreation & Information Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2017

**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, 2017, 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, 2017, 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, 2016, financial statements of Lavender Youth Recreation & Information Center and our report dated March 16, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
April 5, 2018

Lavender Youth Recreation & Information Center

Statement of Financial Position June 30, 2017 with Comparative Totals for June 30, 2016

	6/30/2017	6/30/2016
ASSETS	<u>Total</u>	<u>Total</u> (Note 2)
Current Assets:		
Cash & equivalents	\$ 1,367,510	\$ 912,403
Contracts receivable	459,777	295,355
Bequests receivable	-	453,174
Other contributions & grants receivable	23,544	10,000
Other accounts receivable	-	13,624
Prepaid expenses	35,153	15,727
Total current assets	<u>1,885,984</u>	<u>1,700,283</u>
Property & equipment, net (Note 3)	493,005	525,246
Other long-term assets	<u>28,394</u>	<u>27,828</u>
TOTAL ASSETS	<u><u>2,407,383</u></u>	<u><u>2,253,357</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 59,587	\$ 33,367
Accrued salaries & payroll taxes	53,117	59,440
Accrued vacation pay	42,457	36,915
Current portion of long-term debt (Note 4)	5,074	5,533
Total current liabilities	<u>160,235</u>	<u>135,255</u>
Long-term debt (Note 4)	56,384	61,892
Other long-term liabilities	<u>27,090</u>	<u>22,703</u>
TOTAL LIABILITIES	243,709	219,850
Net Assets		
Unrestricted	2,035,899	1,982,663
Temporarily restricted (Note 5)	<u>127,775</u>	<u>50,844</u>
TOTAL NET ASSETS	<u><u>2,163,674</u></u>	<u><u>2,033,507</u></u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 2,407,383</u></u>	<u><u>\$ 2,253,357</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, 2017 with Comparative Totals for the Year Ended June 30, 2016

	Unrestricted			Temporarily Restricted	2016-2017 Total	2015-2016 Total (Note 2)
	LYRIC Core Activities	Sponsored Projects	Total Unrestricted			
Support & Revenue:						
Government grants & contracts	\$ 1,337,287		\$ 1,337,287		\$ 1,337,287	\$ 1,457,938
Private grants & contributions	159,776		159,776	\$ 297,730	457,506	610,451
Bequests	32,663		32,663		32,663	552,500
Net assets released from restriction:						
Satisfaction of donor restrictions	161,298	\$ 59,501	220,799	(220,799)	-	-
Program revenue	18,900		18,900		18,900	14,550
Miscellaneous	3,735		3,735		3,735	2,603
Total support & revenue	1,713,659	59,501	1,773,160	76,931	1,850,091	2,638,042
Expenses:						
Program services	1,278,616	54,228	1,332,844		1,332,844	1,528,696
General & administrative	200,457	5,273	205,730		205,730	200,641
Fundraising	181,350		181,350		181,350	160,279
Total expenses	1,660,423	59,501	1,719,924	-	1,719,924	1,889,616
CHANGE IN NET ASSETS	53,236	-	53,236	76,931	130,167	748,426
NET ASSETS, July 1	1,982,663		1,982,663	50,844	2,033,507	1,285,081
NET ASSETS, June 30	\$ 2,035,899	\$ -	\$ 2,035,899	\$ 127,775	\$ 2,163,674	\$ 2,033,507

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, 2017 with Comparative Totals for the Year Ended June 30, 2016

	PROGRAM SERVICES						SUPPORTING SERVICES				
	Workforce Development	Access & Engagement	School- Based Initiative	Policy & Advocacy	Sponsored Projects	Total Programs	General & Administrative	Fundraising	2016-2017 Total	2015-2016 Total (Note 2)	
Salaries, employee benefits & payroll taxes	\$ 350,416	\$ 457,631	\$ 126,115	\$ 41,522	\$ 3,251	\$ 978,935	\$ 157,088	\$ 133,728	\$ 1,269,751	\$ 1,246,182	
Consulting & professional fees	56,216	49,336	5,019	1,290	50,278	162,139	29,095	15,837	207,071	256,196	
Supplies	30,810	31,767	2,388	400	29	65,394	4,213	3,627	73,234	116,691	
Telecommunications	1,122	3,477	390	169	-	5,158	843	489	6,490	11,634	
Postage	199	300	69	30	-	598	146	87	831	979	
Printing & copying	1,377	555	42	-	-	1,974	42	524	2,540	2,919	
Insurance	4,365	4,761	887	120	453	10,586	3,611	306	14,503	14,733	
Subscriptions & reference materials	244	409	80	1,535	-	2,268	102	4,819	7,189	5,825	
Occupancy	7,601	5,880	827	344	-	14,652	1,069	909	16,630	49,345	
Travel & meetings	3,130	3,198	300	3,761	120	10,509	4,289	726	15,524	34,662	
Professional developme	3,642	3,829	924	1,658	-	10,053	467	943	11,463	14,860	
Fundraising & marketin	126	124	32	14	-	296	43	15,330	15,669	20,678	
Participant expenses	13,386	24,329	160	-	-	37,875	190	-	38,065	63,021	
Depreciation	12,633	13,197	1,366	734	-	27,930	2,499	1,811	32,240	30,752	
Miscellaneous expense	1,893	1,535	122	830	97	4,477	2,033	2,214	8,724	21,139	
TOTAL	\$ 487,160	\$ 600,328	\$ 138,721	\$ 52,407	\$ 54,228	\$ 1,332,844	\$ 205,730	\$ 181,350	\$ 1,719,924	\$ 1,889,616	

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, 2017 with Comparative Totals for the Year Ended June 30, 2016

	<u>2016-2017</u>	2015-2016 Total (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 130,167	\$ 748,426
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	32,240	30,752
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	439,630	(435,574)
(Increase) decrease in contracts receivable	(164,422)	121,280
(Increase) decrease in other assets	(6,367)	(5,315)
Increase (decrease) in accounts payable	26,220	11,639
Increase (decrease) in other liabilities	3,606	38,694
	461,074	509,902
<i>Cash flows from investing activities:</i>		
Purchases of fixed assets	-	(27,012)
	-	(27,012)
<i>Cash flows from financing activities:</i>		
Principal payments on mortgage	(5,967)	(5,314)
	(5,967)	(5,314)
Cash provided (used) during year	455,107	477,576
Cash & cash equivalents:		
Beginning of year, July 1	912,403	434,827
End of year, June 30	\$ 1,367,510	\$ 912,403
<u>Additional disclosure:</u>		
Interest paid during the year	\$ 2,871	\$ 2,550

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

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2017

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 and teachers to create schools where LGBTQQ youth can thrive. Across three school sites, youth participate in a 12-session, confidential health and wellness group (called "Q Groups"). Students participating in our program report a significant increase in their: level of safety within and connection to the school environment; positive identity development; feelings of LGBTQQ pride; and opportunities for community leadership.

(continued)

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2017

(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 The Budget Justice Coalition (a collaboration of over 30 community-based and labor organizations serving impoverished people working towards a City budget that prioritizes the unmet needs of the City's most vulnerable populations and poorest communities in San Francisco.)

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.

(continued)

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2017

(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.

(continued)

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2017

(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 2015 through 2017 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 2014 through 2017 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, 2016, 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	\$533,424	311,224
Furnishings & equipment	<u>63,034</u>	<u>41,427</u>	<u>21,607</u>
Total	\$1,067,856	\$574,851	\$493,005

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2017

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, 2017 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, 2018	\$5,074
June 30, 2019	5,996
June 30, 2020	6,217
June 30, 2021	6,446
June 30, 2022	6,684
Thereafter	<u>31,041</u>
Total mortgage balance at June 30, 2017	\$61,458
Less: current portion	<u>(5,074)</u>
Amount classified as long-term debt	\$56,384

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:

Queer educator fellowship	\$42,997
Sponsored projects	24,903
Access & engagement	20,000
Youth workforce development	17,570
Building renovation	10,273
Other activities	<u>12,032</u>
Total temporarily restricted net assets at June 30, 2017	\$127,775

6. Line of Credit

The Organization has available a \$100,000 bank line of credit, which is renewed in September of each year. No amounts had been drawn down as of June 30, 2017. The line charges interest on outstanding balances at a variable annual rate that is currently 11%.

Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2017

7. Contingencies, Risks & Uncertainties

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.

Concentration of Risk – Revenue & Support

Approximately 45% of the Organization's revenue and support is derived from contracts with one government agency. Should revenue from this sources decrease, LYRIC could experience a significant contraction of its services.

Cash Deposits in Excess of FDIC Insurance Limits

From time to time, LYRIC's cash deposits may exceed the insurance limits provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, LYRIC held approximately \$1,050,000 in one bank, exceeding FDIC limits by approximately \$800,000. Management believes the risk of loss is minimal and LYRIC has not experienced any losses in these accounts to date.

8. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through April 5, 2018 the date the financial statements were available to be issued.