

Lavender Youth Recreation & Information Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2018

**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, 2018, 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, 2018, 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, 2017, financial statements of Lavender Youth Recreation & Information Center and our report dated April 5, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
March 12, 2019

Lavender Youth Recreation & Information Center

Statement of Financial Position June 30, 2018 with Comparative Totals for June 30, 2017

ASSETS	6/30/2018 <u>Total</u>	6/30/2017 Total (Note 2)
Current Assets:		
Cash & equivalents	\$ 1,046,518	\$ 1,367,510
Contracts receivable	817,006	459,777
Contributions & grants receivable	-	23,544
Prepaid expenses	28,171	35,153
Total current assets	1,891,695	1,885,984
Property & equipment, net (Note 3)	460,950	493,005
Other long-term assets	34,478	28,394
TOTAL ASSETS	\$ 2,387,123	\$ 2,407,383
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 86,076	\$ 59,587
Accrued salaries & payroll taxes	63,716	53,117
Accrued vacation pay	50,481	42,457
Current portion of long-term debt (Note 4)	5,922	5,074
Total current liabilities	206,195	160,235
Long-term debt (Note 4)	50,257	56,384
Other long-term liabilities	39,768	27,090
TOTAL LIABILITIES	296,220	243,709
Net Assets		
Unrestricted	2,055,504	2,035,899
Temporarily restricted (Note 5)	35,399	127,775
TOTAL NET ASSETS	2,090,903	2,163,674
TOTAL LIABILITIES & NET ASSETS	\$ 2,387,123	\$ 2,407,383

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, 2018 with Comparative Totals for the Year Ended June 30, 2017

	Unrestricted			Temporarily <u>Restricted</u>	2017-18 <u>Total</u>	2016-2017 <u>Total</u> (Note 2)
	LYRIC Core <u>Activities</u>	Sponsored <u>Projects</u>	Total <u>Unrestricted</u>			
Support & Revenue:						
Government grants & contracts	\$ 1,714,615		\$ 1,714,615		\$ 1,714,615	\$ 1,337,287
Private grants & contributions	136,940		136,940	\$ 199,228	336,168	457,506
Bequests	30,510		30,510		30,510	32,663
Net assets released from restriction:						
Satisfaction of donor restrictions	269,433	\$ 22,171	291,604	(291,604)	-	-
Program revenue	8,725		8,725		8,725	18,900
Miscellaneous	2,907		2,907		2,907	3,735
Total support & revenue	2,163,130	22,171	2,185,301	(92,376)	2,092,925	1,850,091
Expenses:						
Program services	1,732,766	20,349	1,753,115		1,753,115	1,332,844
General & administrative	212,182	1,822	214,004		214,004	205,730
Fundraising	198,577		198,577		198,577	181,350
Total expenses	2,143,525	22,171	2,165,696	-	2,165,696	1,719,924
CHANGE IN NET ASSETS	19,605	-	19,605	(92,376)	(72,771)	130,167
NET ASSETS, July 1	2,035,899		2,035,899	127,775	2,163,674	2,033,507
NET ASSETS, June 30	\$ 2,055,504	\$ -	\$ 2,055,504	\$ 35,399	\$ 2,090,903	\$ 2,163,674

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, 2018 with Comparative Totals for the Year Ended June 30, 2017

	PROGRAM SERVICES					SUPPORTING SERVICES			2017-2018 Total	2016-2017 Total (Note 2)
	Workforce Development	Access & Engagement	School- Based Initiative	Policy & Advocacy	Sponsored Projects	Total Programs	General & Administrative	Fundraising		
Salaries, employee benefits & payroll taxes	\$ 350,952	\$ 729,392	\$ 136,895	\$ 38,172	\$ 4,073	\$ 1,259,484	\$ 151,584	\$ 134,774	\$ 1,545,842	1,269,751
Consulting & professional fees	11,546	25,106	5,785	1,859	1,275	45,571	30,119	25,565	101,255	102,988
Program contractors	81,467	12,023	1,026	-	-	94,516	-	-	94,516	84,305
Grants paid	-	92,431	-	-	14,137	106,568	-	-	106,568	19,778
Supplies	27,121	60,130	3,545	678	107	91,581	2,854	2,295	96,730	73,234
Telecommunications	1,347	6,893	749	250	-	9,239	1,349	784	11,372	6,490
Postage	276	305	76	24	-	681	118	81	880	831
Printing & copying	765	200	-	-	-	965	-	1,126	2,091	2,540
Insurance	2,549	7,775	1,214	151	713	12,402	3,762	513	16,677	14,503
Subscriptions & reference materials	3,397	5,652	1,181	1,053	-	11,283	338	7,421	19,042	7,189
Occupancy	18,584	6,484	1,596	410	-	27,074	1,558	1,387	30,019	16,630
Travel & meetings	2,374	7,458	503	1,019	-	11,354	6,480	915	18,749	15,524
Professional development	-	-	-	-	-	-	-	-	-	-
Fundraising & marketing	-	5,843	-	-	-	5,843	-	15,898	21,741	15,669
Participant expenses	18,246	27,686	55	-	-	45,987	50	-	46,037	38,065
Depreciation	6,232	13,825	3,509	1,081	-	24,647	3,746	3,663	32,056	32,240
Miscellaneous expense	899	3,590	411	976	44	5,920	12,046	4,155	22,121	20,187
TOTAL	\$ 525,755	\$ 1,004,793	\$ 156,545	\$ 45,673	\$ 20,349	\$ 1,753,115	\$ 214,004	\$ 198,577	\$ 2,165,696	1,719,924

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, 2018 with Comparative Totals for the Year Ended June 30, 2017

	<u>2017-2018</u>	<u>2016-2017 Total (Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (72,771)	\$ 130,167
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	32,056	32,240
Changes in assets and liabilities:		
(Increase) decrease in grants & pledges receivable	23,544	439,630
(Increase) decrease in contracts receivable	(357,229)	(164,422)
(Increase) decrease in other assets	898	(6,367)
Increase (decrease) in accounts payable	26,489	26,220
Increase (decrease) in other liabilities	31,301	3,606
	(315,712)	461,074
Cash provided (used) by operating activities:	(315,712)	461,074
<i>Cash flows from financing activities:</i>		
Principal payments on mortgage	(5,280)	(5,967)
Cash provided (used) by financing activities:	(5,280)	(5,967)
Cash provided (used) during year	(320,992)	455,107
Cash & cash equivalents:		
Beginning of year, July 1	1,367,510	912,403
End of year, June 30	\$ 1,046,518	\$ 1,367,510
<u>Additional disclosure:</u>		
Interest paid during the year	\$ 2,134	\$ 2,871

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

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2018

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 are 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 barbecues.

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, 2018

(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, 2018

(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, 2018

(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 2016 through 2018 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 2015 through 2018 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, 2017, 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	\$560,078	284,570
Furnishings & equipment	<u>63,034</u>	<u>46,828</u>	<u>16,206</u>
Total	\$1,067,856	\$606,906	\$460,950

Lavender Youth Recreation & Information Center

Notes to Financial Statements

June 30, 2018

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 \$56,179, 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, 2018 was 3.75% 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, 2019	\$5,922
June 30, 2020	6,191
June 30, 2021	6,423
June 30, 2022	6,668
June 30, 2023	6,922
Thereafter	<u>24,053</u>
Total mortgage balance at June 30, 2018	\$56,179
Less: current portion	<u>(5,922)</u>
Amount classified as long-term debt	\$50,257

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	\$20,959
Building renovation	10,273
Other activities	<u>4,167</u>
Total temporarily restricted net assets at June 30, 2018	\$35,399

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, 2018. The line charges interest on outstanding balances at a variable annual rate that is currently 12%.

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.

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Lavender Youth Recreation & Information Center

Notes to Financial Statements June 30, 2018

(continued)

Concentration of Risk – Revenue & Support

Approximately 41% 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. Contracts with this agency are funded in three to five year cycles. As such, management does not expect any near term impact from this funding concentration.

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, 2018, LYRIC held approximately \$767,000 in one bank, exceeding FDIC limits by approximately \$517,000. 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 March 12, 2019, the date the financial statements were available to be issued.