

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado**

Financial Statements

Years Ended December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

**Board of Directors
The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado:**

We have audited the accompanying financial statements of The Gay, Lesbian, Bisexual, and Transgender Community Center of Colorado, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gay, Lesbian, Bisexual, and Transgender Community Center of Colorado as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

May 17, 2016

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado
Statement of Financial Position
December 31, 2015 and 2014**

	2015	2014
Assets:		
Cash and cash equivalents	\$ 358,325	421,900
Contributions and grants receivable (note 2)	121,012	54,261
Capital campaign contributions receivable (note 3)	8,383	16,805
Investments (notes 4 and 5)	420,221	424,731
Prepaid expenses and other assets	31,703	31,156
Beneficial interest in assets held in endowment (notes 5, 6, and 9)	284,441	298,767
Property and equipment, net (note 7)	2,729,805	2,803,054
Total assets	\$ 3,953,890	4,050,674
Liabilities:		
Accounts payable and accrued expenses	\$ 47,915	45,596
Notes payable (note 8)	1,312,082	1,366,129
Total liabilities	1,359,997	1,411,725
Net Assets (note 9):		
Unrestricted:		
Undesignated	2,092,537	2,265,819
Board designated	28,454	28,454
Total unrestricted	2,120,991	2,294,273
Temporarily restricted	172,902	44,676
Permanently restricted	300,000	300,000
Total net assets	2,593,893	2,638,949
Commitments (notes 10, 11, and 13)		
Total liabilities and net assets	\$ 3,953,890	4,050,674

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado
Statement of Activities
Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support:				
General operating contributions and grants:				
Individuals	\$ 364,230	85,600	–	449,830
Organizations	33,935	2,391	–	36,326
Foundations and corporations	401,313	233,000	–	634,313
Pridefest (note 12)	889,026	–	–	889,026
Special events revenue	124,070	–	–	124,070
Less costs of direct benefits to donors	(53,552)	–	–	(53,552)
Donated goods and services	57,838	–	–	57,838
Investment return (note 4)	(4,517)	–	–	(4,517)
Investment return on beneficial interest in assets in endowment (notes 6 and 9)	–	–	(9,005)	(9,005)
Program revenue	22,613	–	–	22,613
Miscellaneous and other income	–	–	–	–
Net assets released due to satisfaction of donor restrictions (note 9)	183,760	(192,765)	9,005	–
Total revenue and support	<u>2,018,716</u>	<u>128,226</u>	<u>–</u>	<u>2,146,942</u>
Expenses:				
Program services	1,586,994	–	–	1,586,994
Management and general	192,318	–	–	192,318
Fundraising	300,536	–	–	300,536
Total expenses before depreciation	<u>2,079,848</u>	<u>–</u>	<u>–</u>	<u>2,079,848</u>
Change in net assets before depreciation	(61,132)	128,226	–	67,094
Depreciation	112,150	–	–	112,150
Change in net assets	<u>(173,282)</u>	<u>128,226</u>	<u>–</u>	<u>(45,056)</u>
Net assets at beginning of year	2,294,273	44,676	300,000	2,638,949
Net assets, end of year	<u>\$ 2,120,991</u>	<u>172,902</u>	<u>300,000</u>	<u>2,593,893</u>

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado
Statement of Activities
Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support:				
General operating contributions and grants:				
Individuals	\$ 300,011	-	-	300,011
Organizations	24,249	-	-	24,249
Foundations and corporations	480,104	43,400	-	523,504
Pridefest (note 12)	883,387	-	-	883,387
Special events revenue	130,572	6,000	-	136,572
Less costs of direct benefits to donors	(49,855)	-	-	(49,855)
Donated goods and services	41,031	-	-	41,031
Investment return (note 4)	19,711	-	-	19,711
Income earned on beneficial interest in assets in endowment (notes 6 and 9)	-	-	7,698	7,698
Program revenue	12,649	-	-	12,649
Miscellaneous and other income	1,725	-	-	1,725
Net assets released due to satisfaction of donor restrictions (note 9)	34,922	(27,224)	(7,698)	-
Total revenue and support	1,878,506	22,176	-	1,900,682
Expenses:				
Program services	1,461,258	-	-	1,461,258
Management and general	145,297	-	-	145,297
Fundraising	279,439	-	-	279,439
Total expenses before depreciation	1,885,994	-	-	1,885,994
Change in net assets before depreciation	(7,488)	22,176	-	14,688
Depreciation	125,592	-	-	125,592
Change in net assets	(133,080)	22,176	-	(110,904)
Net assets at beginning of year	2,427,353	22,500	300,000	2,749,853
Net assets, end of year	\$ 2,294,273	44,676	300,000	2,638,949

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado**
Statement of Functional Expenses
Year Ended December 31, 2015

	Program services					Supporting services			Total expenses	
	Pridefest	Legal and advocacy	Youth services	Sage	Community programs	Total program services	Management and general	Fund raising		Total supporting services
Personnel costs	\$ 135,493	89,758	156,189	107,947	129,305	618,692	140,760	217,760	358,520	977,212
Insurance	25,426	1,656	8,168	2,485	2,484	40,219	2,071	2,070	4,141	44,360
Supplies	17,072	1,031	15,159	2,028	2,527	37,817	7,205	20,206	27,411	65,228
Occupancy	11,951	7,975	31,818	11,932	11,971	75,647	11,352	9,983	21,335	96,982
Equipment rental and maintenance	61,417	-	-	-	-	61,417	266	-	266	61,683
Professional fees	536,127	300	397	41,243	34,683	612,750	19,464	16,622	36,086	648,836
Special events expenses	-	-	-	-	-	-	-	34,707	34,707	34,707
Printing and postage	17,014	2,147	6,168	7,839	2,822	35,990	3,162	14,599	17,761	53,751
Communications	7,539	4,655	19,103	7,163	8,164	46,624	8,038	19,296	27,334	73,958
Donated goods and services	54,325	-	-	1,730	1,783	57,838	-	-	-	57,838
Total functional expenses	866,364	107,522	237,002	182,367	193,739	1,586,994	192,318	335,243	527,561	2,114,555
Less expenses included with revenue in the statement of activities:										
Special events expense	-	-	-	-	-	-	-	(34,707)	(34,707)	(34,707)
Total expenses before depreciation	866,364	107,522	237,002	182,367	193,739	1,586,994	192,318	300,536	492,854	2,079,848
Depreciation	14,019	9,346	37,383	14,019	14,018	88,785	11,683	11,682	23,365	112,150
Total expenses	\$ 880,383	116,868	274,385	196,386	207,757	1,675,779	204,001	312,218	516,219	2,191,998

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado**
Statement of Functional Expenses
Year Ended December 31, 2014

	Program services						Supporting services			Total expenses	
	Pridefest	Legal and advocacy	Youth services	Sage	Fort Collins	Community programs	Total program services	Management and general	Fund raising		Total supporting services
Personnel costs	\$ 100,213	96,088	130,719	84,546	32,756	139,604	583,926	102,797	187,935	290,732	874,658
Insurance	18,999	1,104	4,573	1,656	-	1,656	27,988	3,869	1,380	5,249	33,237
Supplies	11,297	1,721	10,180	1,589	1,549	2,411	28,747	1,593	17,263	18,856	47,603
Occupancy	12,466	8,310	34,521	12,466	18,361	12,466	98,590	10,388	10,388	20,776	119,366
Equipment rental and maintenance	74,352	-	-	-	-	-	74,352	387	-	387	74,739
Professional fees	469,474	-	896	10,466	5,325	58,261	544,422	13,575	24,499	38,074	582,496
Special events expenses	-	-	-	-	-	-	-	-	49,855	49,855	49,855
Printing and postage	14,493	865	5,341	1,411	1,081	1,759	24,950	4,914	19,808	24,722	49,672
Communications	7,606	4,447	16,990	6,371	2,281	6,397	44,092	6,934	18,166	25,100	69,192
Donated goods and services	34,191	-	-	-	-	-	34,191	840	-	840	35,031
Total functional expenses	743,091	112,535	203,220	118,505	61,353	222,554	1,461,258	145,297	329,294	474,591	1,935,849
Less expenses included with revenue in the statement of activities:											
Special events expense	-	-	-	-	-	-	-	-	(49,855)	(49,855)	(49,855)
Total expenses before depreciation	743,091	112,535	203,220	118,505	61,353	222,554	1,461,258	145,297	279,439	424,736	1,885,994
Depreciation	13,887	9,258	37,031	13,887	14,500	13,887	102,450	11,570	11,572	23,142	125,592
Total expenses	\$ 756,978	121,793	240,251	132,392	75,853	236,441	1,563,708	156,867	291,011	447,878	2,011,586

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual, and Transgender
Community Center of Colorado
Statement of Cash Flows
Years Ended December 31, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (45,056)	(110,904)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interest in assets held in endowment	14,326	1,233
Realized and unrealized gains on investments	(8,250)	(14,814)
Depreciation expense	112,150	125,592
(Increase) decrease in operating assets:		
Endowment distributions receivable	-	15,346
Contributions and grants receivable	(66,751)	(14,599)
Prepaid expenses and other assets	(547)	6,311
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,319	(740)
Net cash provided by operating activities	8,191	7,425
Cash flows from investing activities:		
Purchases of property and equipment	(38,901)	(40,838)
Net sales (purchases) of investments	12,760	(4,898)
Net cash used in investing activities	(26,141)	(45,736)
Cash flows from financing activities:		
Proceeds from capital campaign contributions	8,422	83,652
Payments on notes payable obligations	(54,047)	(50,937)
Net cash provided by (used in) financing activities	(45,625)	32,715
Net decrease in cash and cash equivalents	(63,575)	(5,596)
Cash and cash equivalents, beginning of year	421,900	427,496
Cash and cash equivalents, end of year	\$ 358,325	421,900
Supplemental cash flow information:		
Interest paid	\$ 54,996	58,176

See accompanying notes to financial statements.

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado**

Notes to Financial Statements

December 31, 2015

(1) Summary of Significant Accounting Policies

(a) General

The Gay, Lesbian, Bisexual and Transgender Community Center of Colorado (the Center) was established in 1976 as a charitable organization. The Center's mission is to engage, empower, enrich, and advance the gay, lesbian, bisexual, and transgender community of Colorado. The Center has adult community and support programs, a comprehensive library, and health and wellness programs. In addition, the Center has a youth drop-in center, which is a safe alternative to the streets featuring youth-led recreational, cultural, and social activities. The Center also manages PrideFest, an annual festival celebrating and promoting the heritage and culture of the gay, lesbian, bisexual, transgender, and allied communities in Colorado. This major two day event produces more than one third of the total profit that supports the programs of the Center and its facilities.

(b) Basis of Accounting

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(1) Summary of Significant Accounting Policies, Continued

(e) Contributions Receivable

Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management considers all accounts to be collectible; therefore, an allowance for doubtful accounts is not considered necessary.

Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. As of December 31, 2014 and 2015, there are no conditional contributions receivable.

(f) Cash and Cash Equivalents

The Center considers all unrestricted highly liquid investments with an original maturity of three months or less, and which are not held as part of the investment portfolio, to be cash equivalents.

(g) Investments

The Center reports investments at fair value. Fair value is determined as more fully described in note 5. The Center's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of the Center's distributive share of any interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(h) Property and Equipment

The Center capitalizes all expenditures for property and equipment in excess of \$500 and with an estimated useful life of one year or more. Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(1) Summary of Significant Accounting Policies, Continued

(i) Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalents, investments, and contributions receivable. The Center places its cash and cash equivalents with creditworthy, high quality financial institutions. At year-end, a portion of the Center's cash is in excess of the amount insured by the FDIC. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Center. Credit risk with respect to contributions receivable is considered by management to be limited because substantially all contributions are receivable from foundations or individuals with a demonstrated history of payment.

Over one third of the Center's total revenue is derived from one event, Pridefest. A decrease in support of this event could have an adverse effect on the Center's operations.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Donated Goods and Services

Contributed goods and services are recorded as unrestricted support at the estimated fair value at date of donation. Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. During 2015, in-kind donations totaled \$76,683, of which \$18,845 is included with special event revenue and expense. During 2014, in-kind donations totaled \$57,656, of which \$16,625 is included with special event revenue and expense, and \$6,000 is capitalized.

(1) Summary of Significant Accounting Policies, Continued

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(l) Donated Goods and Services, Continued

A number of volunteers have donated time in connection with the Center's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria for recognition.

(m) Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during the year ended December 31, 2015 or 2014.

Management is required to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Center is no longer subject to income tax examinations for years prior to December 31, 2012.

(n) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Center's financial statements were available to be issued on May 17, 2016, and this is the date through which subsequent events were evaluated.

(2) Contributions and Grants Receivable

Contributions and grants receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
RANGE Consulting grant	\$ 65,000	-
Contributions receivable – general operating support	40,759	16,634
Colorado Health Benefit Exchange grant	15,253	34,859
Office of Economic Development grant	<u>-</u>	<u>2,768</u>
Total contributions and grants receivable	\$ <u>121,012</u>	<u>54,2616</u>

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(2) Contributions and Grants Receivable, Continued

During 2015, the Center received a \$251,000, two year grant for the implementation of a naturally occurring retirement community program in the Capitol Hill neighborhood of Denver. The Center received and recognized \$134,000 in 2015; the \$117,000 balance is conditioned upon the Center achieving specific milestones before payment will be made. Accordingly, the balance of the grant has not been recorded because the conditions have not been met.

(3) Capital Campaign Contributions Receivable

The Center embarked on a capital campaign in 2009 to raise funds to purchase, operate, and renovate a building. The balance of capital campaign contributions receivable are expected to be collected in less than one year. There is no allowance for doubtful accounts as management believes all outstanding pledges are collectible.

(4) Investments

The market value of the Center's investments consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 25,489	14,043
Mutual funds:		
Domestic equity funds	202,076	211,737
Fixed income funds	156,676	134,787
International equity funds	15,647	18,062
Corporate bonds	<u>20,333</u>	<u>46,102</u>
Total investments	\$ <u>420,221</u>	<u>424,731</u>

The Center's investment return consisted of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Realized gains on investments	\$ 10,280	5,233
Unrealized gains on investments	(18,530)	9,581
Interest and dividend income	6,443	6,973
Investment fees	<u>(2,710)</u>	<u>(2,076)</u>
Investment return	\$ <u>(4,517)</u>	<u>19,711</u>

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(5) Fair Value Measurements

The Center reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Center to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Center's financial statements.

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(5) Fair Value Measurements, Continued

The following table summarizes the Center's investments by the above fair value hierarchy levels as of December 31, 2015:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 25,489	25,489	-	-
Mutual funds:				
Domestic equity funds	202,076	202,076	-	-
Fixed income funds	156,676	156,676	-	-
International equity funds	15,647	15,647	-	-
Corporate bonds	<u>20,333</u>	<u>20,333</u>	<u>-</u>	<u>-</u>
Total	\$ <u>420,221</u>	<u>420,221</u>	<u>-</u>	<u>-</u>
Beneficial interest in assets held in endowment	\$ <u>284,441</u>	<u>-</u>	<u>284,441</u>	<u>-</u>

The following table summarizes the Center's investments by the above fair value hierarchy levels as of December 31, 2014:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 14,043	14,043	-	-
Mutual funds:				
Domestic equity funds	211,737	211,737	-	-
Fixed income funds	134,787	134,787	-	-
International equity funds	18,062	18,062	-	-
Corporate bonds	<u>46,102</u>	<u>46,102</u>	<u>-</u>	<u>-</u>
Total	\$ <u>424,731</u>	<u>424,731</u>	<u>-</u>	<u>-</u>
Beneficial interest in assets held in endowment	\$ <u>298,767</u>	<u>-</u>	<u>298,767</u>	<u>-</u>

Level 1 assets have been valued using a market approach. Level 2 assets consist of the Center's pro-rata share of an investment pool held by Community First Foundation (see note 6). The underlying investments include publicly traded securities and alternative investments. Fair values for assets in Level 2 are calculated using the fair value of the underlying assets and information provided by underlying fund managers as allowed under the practical expedient method.

**The Gay, Lesbian, Bisexual and Transgender
Community Center of Colorado
Notes to Financial Statements**

(6) Beneficial Interest in Assets Held in Endowment

The Center has established the Roy G. Wood Endowment, a permanent endowment fund (the Fund) with Community First Foundation (the Foundation) and named itself as the beneficiary. The Center granted variance power, allowing the Foundation to substitute another beneficiary if, in the sole judgment of the Board of Directors of the Foundation, the restriction on this Fund becomes unnecessary, undesirable, impractical of fulfillment, or fundamentally inconsistent with the charitable needs of the Foundation and the Center. The investment is to be held in the endowment in perpetuity and is included in permanently restricted net assets. Community First Foundation makes all of the investment decisions for the endowment fund.

In accordance with the accounting standard *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the transfer was not considered to be a contribution from the Center to the Foundation but rather was accounted for as a reciprocal transfer. Therefore, the transfer is reflected in the statement of financial position as a "beneficial interest in assets held in endowment."

Distributions from the Foundation are equal to the earnings on the endowment fund and are available to fund the general operations of the Center. At December 31, 2015 and 2014, the fair value of the Fund was \$284,441 and \$298,767, respectively. Investment return during 2015 and 2014 totaled (\$9,005) and \$7,698, respectively. Distributions from the fund during 2015 and 2014 totaled \$5,321 and \$8,931, respectively.

(7) Property and Equipment

Property and equipment for the years ended December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 328,100	328,100
Building and improvements	2,726,855	2,713,171
Furniture and fixtures	165,907	161,171
Office equipment	<u>163,616</u>	<u>144,270</u>
	3,384,478	3,346,712
Accumulated depreciation	<u>(654,673)</u>	<u>(543,658)</u>
Property and equipment, net	\$ <u>2,729,805</u>	<u>2,803,054</u>

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(8) Notes Payable

The Center entered into a twenty-year, \$1,235,758 loan agreement with UMB Bank on November 15, 2012. The proceeds of the loan were used to repay the principal amount owed on a note payable to Steele Street Bank & Trust, proceeds of which were used for the purchase of the Center's property in Denver. The loan bears interest at a rate of 4.24% per annum and is secured by the Center's property. The rate is subject to change based on changes in prime rate on each date that the rate is adjusted. The note is payable in monthly installments of \$7,821 through December 2032.

Future payments on the loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 45,321	47,084	92,405
2017	47,443	44,962	92,405
2018	49,523	42,882	92,405
2019	51,695	40,710	92,405
2020	52,916	40,939	93,855
Thereafter	<u>865,793</u>	<u>260,304</u>	<u>1,126,097</u>
Total	<u>\$ 1,112,691</u>	<u>476,881</u>	<u>1,589,572</u>

The Center entered into a ten-year loan agreement with the City and County of Denver on July 14th, 2009 in the amount of \$250,000. The proceeds were used for the renovation of the Center's property. The loan bears interest at the rate of 3% per annum and is secured by the Center's property. The note is payable in monthly installments of \$1,387 through December 2019, at which time a balloon payment of \$154,722 is due.

Future payments on the loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 10,843	5,795	16,638
2017	11,173	5,465	16,638
2018	11,513	5,125	16,638
2019	<u>165,862</u>	<u>4,005</u>	<u>169,867</u>
Total	<u>\$ 199,391</u>	<u>20,390</u>	<u>219,781</u>

Total interest expense paid on both notes during 2015 and 2014 was \$54,996 and \$58,176, respectively.

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(9) Net Assets

Unrestricted Net Assets

The Board of Directors has designated a portion of unrestricted net assets as a reserve for future operations. At December 31, 2015 and 2014, the balance of the board designated reserve was \$28,454 for both years, and consisted of cash and cash equivalents.

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Naturally occurring retirement community	\$ 137,790	30,520
Mental health initiative	25,000	-
RANGE consulting	5,991	-
History project	4,121	-
E.D. support group	-	8,156
Future operations	<u>-</u>	<u>6,000</u>
Total temporarily restricted net assets	<u>\$ 172,902</u>	<u>44,676</u>

Net assets released during 2015 and 2014 because the program or event restrictions were met totaled \$192,765 and \$27,224, respectively.

Permanently Restricted Net Assets

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Accordingly, the Center follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

The Center has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Center's permanently restricted net assets consist of donor restricted funds held by Community First Foundation, the earnings on which are available for general operating support. Earnings on the endowment fund are distributed quarterly to the Center. Returns on the endowment fund in 2015 and 2014 were (\$9,005) and \$7,698, respectively. The amount included in net assets released from restriction in 2015 and 2014 were \$5,321 and \$8,931, respectively.

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(9) Net Assets, Continued

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Foundation and the donor-restricted endowment funds
- General economic conditions including the possible effect of inflation and deflation
- The expected total return from income
- The appreciation of investments
- The Foundation's investment policies
- Other Foundation resources

Endowment net assets consisted of the following at December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Roy G. Wood Endowment	\$ <u>(15,559)</u>	<u>-</u>	<u>300,000</u>

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, December 31, 2013	\$ -	-	300,000
Investment return, net	-	-	7,698
Reclassification of underwater funds	(1,233)	-	1,233
Appropriated for expenditure	<u>-</u>	<u>-</u>	<u>(8,931)</u>
Endowment net assets, December 31, 2014	<u>(1,233)</u>	<u>-</u>	<u>300,000</u>
Investment return, net	-	-	(9,005)
Reclassification of underwater funds	(14,326)	-	14,326
Appropriated for expenditure	<u>-</u>	<u>-</u>	<u>(5,321)</u>
Endowment net assets, December 31, 2015	\$ <u>(15,559)</u>	<u>-</u>	<u>300,000</u>

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(9) Net Assets, Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation. In accordance with generally accepted accounting principles, any deficiencies would be reported in unrestricted net assets. At December 31, 2015 and 2014, there was one fund with such deficiencies totaling \$14,326 and \$1,233, respectively.

Return Objectives and Strategies for Achieving Objectives

The endowment funds are held and invested by Community First Foundation for the benefit of the Center. Community First Foundation sets the investment policies for the endowment funds, investing the endowment assets in a manner intended to produce a long-term rate of return that exceeds the return from the S&P 500. The Foundation has an active investment committee that consistently reviews allocations and returns.

Distribution Policy and How the Investment Objectives Relate to the Distribution Policy

Pursuant to the terms created for the endowment fund, the Center receives quarterly distributions of the earnings on the funds, less administrative fees and expenses.

(10) Lease Commitments

The Center is obligated under various operating leases for facilities and equipment. These leases expire through 2017. Future minimum rental payments under these leases are as follows:

2016	\$ 4,404
2017	3,114
2018	1,308
2019	1,308
2020	<u>1,308</u>
Total	\$ <u>11,442</u>

The Center's rent expense for operating leases in 2015 and 2014 totaled \$12,486 and \$31,129, respectively.

(11) Retirement Plan

All employees are eligible to participate in the Center's 403(b) retirement plan upon hire. Employee and employer contributions are fully vested at the time of contribution. Full-time employees are eligible to participate in the employer match, and the Center matches 50% of all

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eligible employee contributions up to 1% of salary. Retirement benefits expense for the Plan in 2015 and 2014 totaled \$4,129 and \$3,780, respectively.

(12) Pridefest

Pridefest revenue consisted of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Ticket and booth fees	\$ 617,232	632,387
Sponsorships	<u>271,794</u>	<u>251,000</u>
Total	\$ <u>889,026</u>	<u>883,387</u>

In addition, the Center received donated goods and services during 2015 and 2014 valued at \$54,325 and \$34,191, respectively, in connection with the event. The donated goods and services are included in revenue and support and program expense in the accompanying statement of activities.

(13) Contingent Liability

In 2009, the City and County of Denver provided a \$250,000 grant to the Center, contingent upon the continued use of the property as a non-profit community facility for a period of seven years from the date of the agreement. Upon completion of the seven-year period, presuming compliance with the agreement, the contingent liability will be cancelled and the deed of trust will be released by the City. As of December 31, 2015, the Center has complied with all requirements of the agreement and no amounts are owed under this liability.