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

Financial Statements

Years Ended December 31, 2013 and 2012

(With Independent Auditor's Report Thereon)

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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, 2013 and 2012, 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, 2013 and 2012, 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 20, 2014

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

Statement of Financial Position

December 31, 2013 and 2012

		2013	2012
Assets:			
Cash and cash equivalents	$	427,496	349,451
Contributions and grants receivable (note 2)		39,662	14,093
Endowment distributions receivable (note 6)		15,346	4,946
Capital campaign contributions receivable (note 3)		100,457	257,501
Investments (notes 4 and 5)		405,019	561,445
Prepaid expenses and other assets		37,467	51,191
Cash held for others (note 7)		–	10,132
Beneficial interest in assets held in endowment (notes 5, 6, and 10)		300,000	300,000
Property and equipment, net (note 8)		2,887,808	2,998,966
Total assets	$	4,213,255	4,547,725
Liabilities:			
Accounts payable and accrued expenses	$	46,336	66,224
Cash held for others (note 7)		–	10,132
Notes payable (note 9)		1,417,066	1,465,295
Total liabilities		1,463,402	1,541,651
Net Assets (note 10):			
Unrestricted:			
Undesignated		2,398,899	2,360,837
Board designated		28,454	232,641
Total unrestricted		2,427,353	2,593,478
Temporarily restricted		22,500	112,596
Permanently restricted		300,000	300,000
Total net assets		2,749,853	3,006,074
Commitments (notes 9, 11, and 14)			
Total liabilities and net assets	$	4,213,255	4,547,725

See accompanying notes to financial statements.

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

Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
General operating contributions and grants:				
Individuals	$ 340,343	-	-	340,343
Organizations	31,702	-	-	31,702
Foundations and corporations	436,735	22,500	-	459,235
Capital campaign contributions	44,127	-	-	44,127
Pridefest (note 13)	752,427	-	-	752,427
Special events revenue	93,030	-	-	93,030
Less costs of direct benefits to donors	(32,329)	-	-	(32,329)
Donated goods and services	79,625	-	-	79,625
Investment return (note 4)	44,094	-	-	44,094
Income earned on beneficial interest in assets in endowment (notes 6 and 10)	-	-	51,110	51,110
Program revenue	13,358	-	-	13,358
Miscellaneous and other income	15,720	-	-	15,720
Net assets released due to satisfaction of donor restrictions (note 10)	163,706	(112,596)	(51,110)	-
Total revenue and support	1,982,538	(90,096)	-	1,892,442
Expenses:				
Program services	1,516,826	-	-	1,516,826
Management and general	179,528	-	-	179,528
Fundraising	304,801	-	-	304,801
Total expenses before depreciation	2,001,155	-	-	2,001,155
Change in net assets before depreciation	(18,617)	(90,096)	-	(108,713)
Depreciation	147,508	-	-	147,508
Change in net assets	(166,125)	(90,096)	-	(256,221)
Net assets at beginning of year	2,593,478	112,596	300,000	3,006,074
Net assets, end of year	$ 2,427,353	22,500	300,000	2,749,853

See accompanying notes to financial statements.

The Gay, Lesbian, Bisexual, and Transgender Community Center of Colorado
Statement of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
General operating contributions and grants:				
Individuals	$ 216,827	-	-	216,827
Organizations	47,780	6,500	-	54,280
Foundations and corporations	294,854	106,096	-	400,950
Capital campaign contributions	109,254	-	-	109,254
Pridefest (note 13)	737,714	-	-	737,714
Special events revenue	66,629	-	-	66,629
Less costs of direct benefits to donors	(18,959)	-	-	(18,959)
Donated goods and services	95,000	-	-	95,000
Investment return (note 4)	37,442	-	-	37,442
Income earned on beneficial interest in assets in endowment (notes 6 and 10)	-	-	37,317	37,317
Program revenue	9,139	-	-	9,139
Miscellaneous and other income	4,742	-	-	4,742
Net assets released due to satisfaction of donor restrictions (note 10)	253,997	(216,680)	(37,317)	-
Total revenue and support	1,854,419	(104,084)	-	1,750,335
Expenses:				
Program services	1,430,610	-	-	1,430,610
Management and general	201,815	-	-	201,815
Fundraising	292,589	-	-	292,589
Total expenses before depreciation	1,925,014	-	-	1,925,014
Change in net assets before depreciation	(70,595)	(104,084)	-	(174,679)
Depreciation	118,844	-	-	118,844
Change in net assets	(189,439)	(104,084)	-	(293,523)
Net assets at beginning of year	2,782,917	216,680	300,000	3,299,597
Net assets, end of year	$ 2,593,478	112,596	300,000	3,006,074

See accompanying notes to financial statements.

The Gay, Lesbian, Bisexual, and Transgender Community Center of Colorado
Statement of Functional Expenses
Year Ended December 31, 2013

	Program services							Supporting services			
	Pridefest	Legal and advocacy	Youth services	Sage	Fort Collins	Community programs	Total program services	Management and general	Fund raising	Total supporting services	Total expenses
Personnel costs	$ 147,024	101,317	145,661	74,691	59,698	96,575	624,966	119,741	211,711	331,452	956,418
Insurance	19,224	2,851	4,717	1,607	–	1,625	30,024	4,932	1,122	6,054	36,078
Supplies	9,451	873	10,720	993	501	1,803	24,341	15,675	19,363	35,038	59,379
Occupancy	16,077	8,718	35,184	13,026	24,040	13,331	110,376	8,748	9,092	17,840	128,216
Equipment rental and maintenance	54,371	–	–	–	366	–	54,737	373	3,065	3,438	58,175
Professional fees	421,268	–	21,560	20,928	18,648	21,305	503,709	17,825	27,049	44,874	548,583
Special events expenses	–	–	–	–	–	–	–	–	32,329	32,329	32,329
Printing and postage	20,858	956	4,728	1,547	1,736	1,295	31,120	9,420	27,069	36,489	67,609
Communications	10,534	4,912	19,476	7,339	3,979	11,688	57,928	2,814	6,330	9,144	67,072
Donated goods and services	79,125	–	–	–	500	–	79,625	–	–	–	79,625
Total functional expenses	777,932	119,627	242,046	120,131	109,468	147,622	1,516,826	179,528	337,130	516,658	2,033,484
Less expenses included with revenue in the statement of activities:											
Special events expense	–	–	–	–	–	–	–	–	(32,329)	(32,329)	(32,329)
Total expenses before depreciation	777,932	119,627	242,046	120,131	109,468	147,622	1,516,826	179,528	304,801	484,329	2,001,155
Depreciation	21,693	11,763	46,640	17,576	8,000	17,764	123,436	11,805	12,267	24,072	147,508
Total expenses	$ 799,625	131,390	288,686	137,707	117,468	165,386	1,640,262	191,333	317,068	508,401	2,148,663

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year Ended December 31, 2012

	Program services							Supporting services			
	Pridefest	Legal and advocacy	Youth services	Sage	Fort Collins	Community programs	Total program services	Management and general	Fund raising	Total supporting services	Total expenses
Personnel costs	$ 146,750	104,628	145,556	66,836	47,918	30,580	542,268	154,106	220,420	374,526	916,794
Insurance	18,969	2,605	3,289	1,240	1,010	1,240	28,353	2,419	870	3,289	31,642
Supplies	12,788	880	17,855	706	5,139	6,803	44,171	10,779	3,544	14,323	58,494
Occupancy	18,059	9,883	39,159	14,762	27,463	15,168	124,494	10,003	10,351	20,354	144,848
Equipment rental and maintenance	57,369	–	1,191	–	1,083	–	59,643	10,432	–	10,432	70,075
Professional fees	413,864	9	12,219	13,979	10,524	2,909	453,504	8,378	27,360	35,738	489,242
Special events expenses	–	–	–	–	–	–	–	–	18,959	18,959	18,959
Printing and postage	21,692	1,724	6,549	3,245	1,400	3,506	38,116	375	21,333	21,708	59,824
Communications	15,077	3,138	11,716	4,831	6,011	5,288	46,061	5,323	7,711	13,034	59,095
Donated goods and services	73,500	–	1,500	–	3,500	15,500	94,000	–	1,000	1,000	95,000
Total functional expenses	778,068	122,867	239,034	105,599	104,048	80,994	1,430,610	201,815	311,548	513,363	1,943,973
Less expenses included with revenue in the statement of activities:											
Special events expense	–	–	–	–	–	–	–	–	(18,959)	(18,959)	(18,959)
Total expenses before depreciation	778,068	122,867	239,034	105,599	104,048	80,994	1,430,610	201,815	292,589	494,404	1,925,014
Depreciation	18,327	10,030	39,741	14,982	126	14,981	98,187	10,152	10,505	20,657	118,844
Total expenses	$ 796,395	132,897	278,775	120,581	104,174	95,975	1,528,797	211,967	303,094	515,061	2,043,858

See accompanying notes to financial statements.

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

Statement of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ (256,221)	(293,523)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in beneficial interest in assets held in endowment	-	11,492
Realized and unrealized gains on investments	(37,506)	(31,281)
Depreciaton expense	147,508	118,844
Loss on disposal of furniture and equipment	-	5,057
Contributions restricted for capital projects	(44,127)	(109,254)
(Increase) decrease in operating assets:		
Endowment distributions receivable	(10,400)	-
Contributions and grants receivable	(25,569)	30,961
Prepaid expenses and other assets	13,724	(20,406)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(19,888)	12,018
Net cash (used in) provided by operating activities	(232,479)	(276,092)
Cash flows from investing activities:		
Purchases of property and equipment	(36,350)	(81,709)
Net sales (purchases) of investments	193,932	(189,997)
Net cash provided by (used in) investing activities	157,582	(271,706)
Cash flows from financing activities:		
Proceeds from capital campaign contributions	201,171	313,739
Proceeds from issuance of debt	-	1,235,758
Payments on notes payable obligations	(48,229)	(1,440,307)
Net cash used in financing activities	152,942	109,190
Net increase (decrease) in cash and cash equivalents	78,045	(438,608)
Cash and cash equivalents, beginning of year	349,451	788,059
Cash and cash equivalents, end of year	$ 427,496	349,451
Supplemental cash flow information:		
Interest paid	$ 60,813	78,187

See accompanying notes to financial statements.

(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.

(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, 2012 and 2013, 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 4. 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.

(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.

(1) Summary of Significant Accounting Policies, Continued

(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 by purchased by the Center. In-kind consisted of the following for the years ended December 31:

	2013	2012
Donated goods	$ 53,500	82,500
Donated services	37,125	12,500
	$ 90,625	95,000

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, 2013 or 2012.

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, 2010.

(1) Summary of Significant Accounting Policies, Continued

(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 20, 2014 and this is the date through which subsequent events were evaluated.

(o) Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification had no effect on the change in net assets.

(2) Contributions and Grants Receivable

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

	2013	2012
Contributions receivable – Colorado Gives Day	$ 15,235	14,093
Colorado Health Benefit Exchange grant	24,427	-
Total contributions and grants receivable	$ 39,662	14,093

All outstanding amounts were subsequently received.

(3) Capital Campaign Contributions Receivable

The Center embarked on a capital campaign in 2009 to raise funds to purchase and renovate a building. Proceeds from the campaign were restricted for the purchase, operations, and renovation of the building. Capital campaign contributions receivable are expected to be collected as follows at December 31:

	2013	2012
Receivable in less than one year	$ 83,801	167,884
Receivable in one to five years	17,773	90,734
Total contributions receivable	101,574	258,618
Less discount to net present value	(1,117)	(1,117)
Net contributions receivable	$ 100,457	257,501

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1%. 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:

	2013	2012
Cash and cash equivalents	$ 164,620	16,162
Certificates of deposit	-	200,083
Domestic equity funds	83,415	150,075
International equity funds	13,609	40,231
Real estate investment fund	-	7,954
Corporate bonds	73,449	54,050
Total return bond fund	69,926	92,890
Total investments	$ 405,019	561,445

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

	2013	2012
Realized gains on investments	$ 7,634	9,700
Unrealized gains on investments	29,872	18,171
Interest and dividend income	8,138	10,954
Investment fees	(1,550)	(1,383)
Investment return	$ 44,094	37,442

(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.

(5) Fair Value Measurements, Continued

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 following table summarizes the Center's investments by the above fair value hierarchy levels as of December 31, 2013:

Description	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	$ 164,620	164,620	-	-
Domestic equity funds	83,415	83,415	-	-
International equity funds	13,609	13,609	-	-
Corporate bonds	73,449	73,449	-	-
Total return bond fund	69,926	69,926	-	-
Total	$ 405,019	405,019	-	-
Beneficial interest in assets held in endowment	$ 300,000	-	300,000	-

(5) Fair Value Measurements, Continued

The following table summarizes the Center's investments by the above fair value hierarchy levels as of December 31, 2012:

Description	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	$ 16,162	16,162	-	-
Certificates of deposit	200,083	200,083	-	-
Domestic equity funds	150,075	150,075	-	-
International equity funds	40,231	40,231	-	-
Real estate investment fund	7,954	7,954	-	-
Corporate bonds	54,050	54,050	-	-
Total return bond fund	92,890	92,890	-	-
Total	$ 561,445	561,445	-	-
Beneficial interest in assets held in endowment	$ 300,000	-	300,000	-

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 5). 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.

(6) Beneficial Interest in Assets Held in Endowment

The Center has established 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."

(6) Beneficial Interest in Assets Held in Endowment, Continued

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, 2013 and 2012, the fair value of the Fund was $300,000. Income earned and distributed to the Center during 2013 and 2012 totaled $51,111 and $37,317, respectively, of which $15,346 and $4,946, respectively, is included in endowment distributions and receivable in the accompanying statement of financial position.

(7) Cash Held for Others

During 2012 and a portion of 2013, the Center provided administrative and fiscal sponsorship services for the Gay and Gray in the West Conference, a not-for-profit organization. In return, the Center received event-specific grants and other event-generated revenue to cover direct expenses incurred by the Center. During 2013, the funds were distributed at the discretion of the organization as a donation to the Center.

(8) Property and Equipment

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

	2013	2012
Land	$ 328,100	328,100
Building and improvements	2,707,541	2,707,541
Furniture and fixtures	147,840	147,840
Office equipment	131,526	104,309
	3,315,007	3,287,790
Accumulated depreciation	(427,199)	(288,824)
Property and equipment, net	$ 2,887,808	2,998,966

(9) 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.

(9) Notes Payable, Continued

Future payments on the loan are as follows:

	Principal	Interest	Total
2014	$ 41,717	50,688	92,405
2015	43,546	48,858	92,405
2016	45,321	47,084	92,405
2017	47,443	44,962	92,405
2018	49,523	42,882	92,405
Thereafter	970,412	341,953	1,312,364
Total	$ 1,197,962	576,427	1,774,389

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:

	Principal	Interest	Total
2014	$ 10,212	6,426	16,638
2015	10,523	6,115	16,638
2016	10,843	5,795	16,638
2017	11,173	5,465	16,638
2018	11,513	5,125	16,638
Thereafter	164,840	4,005	168,845
Total	$ 219,104	32,931	252,035

Total interest expense paid on both notes during 2013 and 2012 was $60,813 and $78,187, respectively.

(10) 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, 2013 and 2012, the balance of the board designated reserve was $28,454 and $232,641, respectively, and consisted of cash and cash equivalents.

(10) Net Assets, Continued

Temporarily Restricted Net Assets

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

	2013	2012
Fort Collins location - future operations	$ -	64,684
Leadership Through Pride	-	28,912
Services and Advocacy for GLBT Elders	18,000	12,500
Denver location - future operations	4,500	1,500
Pridefest	-	5,000
Total temporarily restricted net assets	$ 22,500	112,596

Net assets released during 2013 and 2012 because the program or event restrictions were met totaled $112,596 and $216,680, 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. Earnings on the endowment fund in 2013 and 2012 were $51,110 and $37,317, respectively, and this is the amount included in net assets released from restriction.

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

(10) Net Assets, Continued

Endowment net assets consisted of the following at December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Beneficial interest in assets held in endowment	$ -	-	300,000

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, December 31, 2011	$ -	-	300,000
Investment return, net	-	-	37,317
Appropriated for expenditure	-	-	(37,317)
Endowment net assets, December 31, 2012	-	-	300,000
Investment return, net	-	-	51,111
Appropriated for expenditure	-	-	(51,111)
Endowment net assets, December 31, 2013	$ -	-	300,000

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.

(11) 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:

2014	$ 18,012
2015	4,923
2016	3,096
2017	1,806
Total	$ 27,837

The Center's rent expense for operating leases in 2013 and 2012 totaled $36,010 and $34,568, respectively.

(12) Retirement Plan

Employees working at least 20 hours per week are eligible for the Center's 403(b) retirement plan upon hire. Employee and employer contributions are fully vested at the time of contribution. The Center matches 50% of all eligible employee contributions up to 1% of salary. Retirement benefits expense for the Plan in 2013 and 2012 totaled $3,595 and $3,960, respectively.

(13) Pridefest

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

	2013	2012
Ticket and booth fees	$ 544,127	513,501
Sponsorships	208,300	224,213
Total	$ 752,427	737,714

In addition, the Center received donated goods and services during 2013 and 2012 valued at $79,125 and $73,500, 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.

(14) 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, 2013, the Center has complied with all requirements of the agreement and no amounts are owed under this liability.