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

Financial Statements

Years Ended December 31, 2014 and 2013

(With Independent Accountant's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Kundinger, Corder & Engle, P.C.

Certified Public Accountants
475 Lincoln Street, Suite 200
Denver, Colorado 80203

Phone (303) 534-5953
Fax (303) 892-7776
www.kcedenver.com

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, 2014 and 2013, 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, 2014 and 2013, 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 19, 2015

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

Statement of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets:		
Cash and cash equivalents	$ 421,900	427,496
Contributions and grants receivable (note 2)	54,261	39,662
Endowment distributions receivable (note 6)	–	15,346
Capital campaign contributions receivable (note 3)	16,805	100,457
Investments (notes 4 and 5)	424,731	405,019
Prepaid expenses and other assets	31,156	37,467
Beneficial interest in assets held in endowment (notes 5, 6, and 9)	298,767	300,000
Property and equipment, net (note 7)	2,803,054	2,887,808
Total assets	$ 4,050,674	4,213,255
Liabilities:		
Accounts payable and accrued expenses	$ 45,596	46,336
Notes payable (note 8)	1,366,129	1,417,066
Total liabilities	1,411,725	1,463,402
Net Assets (note 9):		
Unrestricted:		
Undesignated	2,265,819	2,398,899
Board designated	28,454	28,454
Total unrestricted	2,294,273	2,427,353
Temporarily restricted	44,676	22,500
Permanently restricted	300,000	300,000
Total net assets	2,638,949	2,749,853
Commitments (notes 10, 11, and 13)		
Total liabilities and net assets	$ 4,050,674	4,213,255

See accompanying notes to financial statements.

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

Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 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 12)	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 9)	-	-	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 9)	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 Functional Expenses

Year Ended December 31, 2014

	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	$ 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 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	Manage-ment 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 Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (110,904)	(256,221)
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	1,233	-
Realized and unrealized gains on investments	(14,814)	(37,506)
Depreciaton expense	125,592	147,508
Contributions restricted for capital projects	-	(44,127)
(Increase) decrease in operating assets:		
Endowment distributions receivable	15,346	(10,400)
Contributions and grants receivable	(14,599)	(25,569)
Prepaid expenses and other assets	6,311	13,724
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(740)	(19,888)
Net cash provided by (used in) operating activities	7,425	(232,479)
Cash flows from investing activities:		
Purchases of property and equipment	(40,838)	(36,350)
Net sales (purchases) of investments	(4,898)	193,932
Net cash provided by (used in) investing activities	(45,736)	157,582
Cash flows from financing activities:		
Proceeds from capital campaign contributions	83,652	201,171
Payments on notes payable obligations	(50,937)	(48,229)
Net cash provided by financing activities	32,715	152,942
Net increase (decrease) in cash and cash equivalents	(5,596)	78,045
Cash and cash equivalents, beginning of year	427,496	349,451
Cash and cash equivalents, end of year	$ 421,900	427,496
Supplemental cash flow information:		
Interest paid	$ 58,176	60,813

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, 2013 and 2014, 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.

(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. During 2014, in-kind donations total $57,656, of which $16,625 is included with special event revenue and expense, and $6,000 is capitalized. During 2013, in-kind donations total $90,625, of which $11,000 is included with special event revenue and expense.

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, 2014 or 2013.

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, 2011.

(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 19, 2015 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:

	2014	2013
Contributions receivable – Colorado Gives Day	$ 16,634	15,235
Colorado Health Benefit Exchange grant	34,859	24,427
Office of Economic Development grant	2,768	-
Total contributions and grants receivable	$ 54,261	39,662

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, operate, and renovate a building. Capital campaign contributions receivable are expected to be collected as follows at December 31:

	2014
Receivable in less than one year	$ 8,422
Receivable in one to five years	9,500
Total contributions receivable	17,922
Less discount to net present value	(1,117)
Net contributions receivable	$ 16,805

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:

	2014	2013
Cash and cash equivalents	$ 14,043	164,620
Mutual funds:		
Domestic equity funds	211,737	83,415
Fixed income funds	134,787	69,926
International equity funds	18,062	13,609
Corporate bonds	46,102	73,449
Total investments	$ 424,731	405,019

(4) Investments, Continued

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

	2014	2013
Realized gains on investments	$ 5,233	7,634
Unrealized gains on investments	9,581	29,872
Interest and dividend income	6,973	8,138
Investment fees	(2,076)	(1,550)
Investment return	$ 19,711	44,094

(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.

(5) Fair Value Measurements, Continued

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, 2014:

Description	Fair Value	(Level 1)	(Level 2)	(Level 3)
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	46,102	46,102	-	-
Total	$ 424,731	424,731	-	-
Beneficial interest in assets held in endowment	$ 298,767	-	298,767	-

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	-	-
Mutual funds:				
Domestic equity funds	83,415	83,415	-	-
Fixed income funds	69,926	69,926	-	-
International equity funds	13,609	13,609	-	-
Corporate bonds	73,449	73,449	-	-
Total	$ 405,019	405,019	-	-
Beneficial interest in assets held in endowment	$ 300,000	-	300,000	-

(5) Fair Value Measurements, Continued

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.

(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."

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, 2014 and 2013, the fair value of the Fund was $298,767 and $300,000, respectively. Income earned during 2014 and 2013 totaled $7,698 and $51,111, respectively. Distributions from the fund during 2014 and 2013 totaled $8,931 and $51,111, respectively, of which $0 and $15,346, respectively, is included in endowment distributions and receivable in the accompanying statement of financial position.

(7) Property and Equipment

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

	2014	2013
Land	$ 328,100	328,100
Building and improvements	2,713,171	2,707,541
Furniture and fixtures	161,171	147,840
Office equipment	144,270	131,526
	3,346,712	3,315,007
Accumulated depreciation	(543,658)	(427,199)
Property and equipment, net	$ 2,803,054	2,887,808

(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:

	Principal	Interest	Total
2015	$ 43,547	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
2019	51,695	40,710	92,405
Thereafter	918,709	301,243	1,219,952
Total	$ 1,156,238	525,739	1,681,977

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.

(8) Notes Payable, Continued

Future payments on the loan are as follows:

	Principal	Interest	Total
2015	$ 10,522	6,116	16,638
2016	10,843	5,795	16,638
2017	11,173	5,465	16,638
2018	11,513	5,125	16,638
Thereafter	165,840	4,004	169,844
Total	$ 209,891	26,505	236,396

Total interest expense paid on both notes during 2014 and 2013 was $58,176 and $60,813, respectively.

(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, 2014 and 2013, 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:

	2014	2013
Services and Advocacy for GLBT Elders	$ -	18,000
Future operations	6,000	4,500
Naturally occurring retirement community	30,520	-
E.D. support group	8,156	-
Total temporarily restricted net assets	$ 44,676	22,500

Net assets released during 2014 and 2013 because the program or event restrictions were met totaled $27,224 and $112,596, 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.*

(9) Net Assets, Continued

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 2014 and 2013 were $7,698 and $51,110, respectively. The amount included in net assets released from restriction in 2014 and 2013 were $8,931 and $51,110, respectively.

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, 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Beneficial interest in assets held in endowment	$ (1,233)	-	300,000

(9) Net Assets, Continued

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
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
Investment return, net	-	-	7,698
Reclassifications of underwater funds	(1,233)	-	1,233
Appropriated for expenditure	-	-	(8,931)
Endowment net assets, December 31, 2014	$ (1,233)	-	300,000

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, 2014, there was one fund with such deficiencies totaling $1,233.

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:

2015	$ 4,923
2016	3,096
2017	1,806
Total	$ 9,825

The Center's rent expense for operating leases in 2014 and 2013 totaled $31,129 and $36,010, respectively.

(11) 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 2014 and 2013 totaled $3,780 and $3,595, respectively.

(12) Pridefest

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

	2014	2013
Ticket and booth fees	$ 632,387	544,127
Sponsorships	251,000	208,300
Total	$ 883,387	752,427

In addition, the Center received donated goods and services during 2014 and 2013 valued at $34,191 and $79,125, 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, 2014, the Center has complied with all requirements of the agreement and no amounts are owed under this liability.