

**SERVICES AND ADVOCACY FOR
GAY, LESBIAN, BISEXUAL AND
TRANSGENDER ELDERS, INC.**

**Financial Statements
For the Years Ended
June 30, 2017
and
June 30, 2016**

Independent Auditor's Report

To the Board of Directors of
Services and Advocacy for Gay, Lesbian,
Bisexual and Transgender Elders, Inc.

We have audited the accompanying financial statements of Services and Advocacy for Gay, Lesbian, Bisexual and Transgender Elders, Inc. which comprise the statement of financial position as of June 30, 2017 and June 30, 2016, 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 audits 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 Services and Advocacy for Gay, Lesbian, Bisexual and Transgender Elders, Inc. as of June 30, 2017 and June 30, 2016 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

February 28, 2018

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.**

Statement of Financial Position

Assets

	June 30	
	2017	2016
Assets		
Cash and cash equivalents	\$ 548,622	\$ 2,090,401
Cash held for Board-designated funds	2,842,079	2,540,311
Investments, fair value	143,056	312,738
Current portion of contributions receivable	973,161	1,482,283
Grants and contracts receivable	2,100,055	1,013,684
Prepaid expenses and other assets	296,843	223,962
Total current assets	6,903,816	7,663,379
Contributions receivable, net of current portion	35,000	275,000
Property and equipment, net	11,298,964	3,955,450
Security deposits held by landlords	23,497	128,992
Security deposit – tenant	51,000	51,000
Deferred compensation assets	142,268	110,418
Total assets	\$ 18,454,545	\$ 12,184,239

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 466,933	\$ 360,220
Deferred revenue	37,500	201,676
Current portion of loan payable	198,523	-
Total current liabilities	702,956	561,896
Loan payable, net of current portion	7,180,684	-
Security deposit - tenant	51,000	51,000
Deferred compensation liability	142,268	110,418
Deferred lease liability	6,975	55,931
Total liabilities	8,083,883	779,245

Net assets

Unrestricted		
Operating	6,587,179	6,183,885
Board-designated funds	2,842,079	2,540,311
Total unrestricted	9,429,258	8,724,196
Temporarily restricted	941,404	2,680,798
Total net assets	10,370,662	11,404,994
Total liabilities and net assets	\$ 18,454,545	\$ 12,184,239

See notes to financial statements.

SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.

Statement of Activities

	For the Year Ended June 30									
	2017					2016				
	Operating	Unrestricted Board- Designated	Total	Temporarily Restricted	Total	Operating	Unrestricted Board- Designated	Total	Temporarily Restricted	Total
Revenues and support										
Government grants and contracts	\$ 3,916,049	\$ -	\$3,916,049	\$ -	\$ 3,916,049	\$ 3,769,806	\$ -	\$3,769,806	\$ -	\$ 3,769,806
Contributions (in-kind \$492,023 in 2017 and \$502,053 in 2016)	2,468,426	-	2,468,426	1,203,113	3,671,539	1,629,458	-	1,629,458	3,335,795	4,965,253
Bequests	784,014	-	784,014	-	784,014	2,670,256	-	2,670,256	-	2,670,256
Special events										
Special event revenue (in-kind \$10,562 in 2017 and \$24,306 in 2016)	1,335,174	-	1,335,174	32,500	1,367,674	1,239,784	-	1,239,784	45,000	1,284,784
Less: Direct expenses	(564,109)	-	(564,109)	-	(564,109)	(456,076)	-	(456,076)	-	(456,076)
Partnership and membership dues	38,423	-	38,423	-	38,423	36,696	-	36,696	-	36,696
Program income and service fees	223,093	-	223,093	-	223,093	200,259	-	200,259	-	200,259
Investment returns	1,236	-	1,236	-	1,236	4,674	-	4,674	-	4,674
Other	9,811	-	9,811	-	9,811	46,129	-	46,129	-	46,129
Net assets released from restrictions	<u>2,975,007</u>	<u>-</u>	<u>2,975,007</u>	<u>(2,975,007)</u>	<u>-</u>	<u>2,814,025</u>	<u>-</u>	<u>2,814,025</u>	<u>(2,814,025)</u>	<u>-</u>
Total revenues and support	<u>11,187,124</u>	<u>-</u>	<u>11,187,124</u>	<u>(1,739,394)</u>	<u>9,447,730</u>	<u>11,955,011</u>	<u>-</u>	<u>11,955,011</u>	<u>566,770</u>	<u>12,521,781</u>
Expenses										
Program services										
Direct services	5,765,324	-	5,765,324	-	5,765,324	5,373,605	-	5,373,605	-	5,373,605
Public outreach	2,337,248	-	2,337,248	-	2,337,248	1,522,997	-	1,522,997	-	1,522,997
Total program services	<u>8,102,572</u>	<u>-</u>	<u>8,102,572</u>	<u>-</u>	<u>8,102,572</u>	<u>6,896,602</u>	<u>-</u>	<u>6,896,602</u>	<u>-</u>	<u>6,896,602</u>
Supporting services										
Management and general	957,907	-	957,907	-	957,907	1,150,528	-	1,150,528	-	1,150,528
Fundraising	1,421,583	-	1,421,583	-	1,421,583	1,102,521	-	1,102,521	-	1,102,521
Total supporting services	<u>2,379,490</u>	<u>-</u>	<u>2,379,490</u>	<u>-</u>	<u>2,379,490</u>	<u>2,253,049</u>	<u>-</u>	<u>2,253,049</u>	<u>-</u>	<u>2,253,049</u>
Total expenses	<u>10,482,062</u>	<u>-</u>	<u>10,482,062</u>	<u>-</u>	<u>10,482,062</u>	<u>9,149,651</u>	<u>-</u>	<u>9,149,651</u>	<u>-</u>	<u>9,149,651</u>
Increase (decrease) of revenues and support over expenses before transfer	705,062	-	705,062	(1,739,394)	(1,034,332)	2,805,360	-	2,805,360	566,770	3,372,130
Interfund transfer, net	<u>(301,768)</u>	<u>301,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,540,311)</u>	<u>2,540,311</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	403,294	301,768	705,062	(1,739,394)	(1,034,332)	265,049	2,540,311	2,805,360	566,770	3,372,130
Net assets, beginning of year	<u>6,183,885</u>	<u>2,540,311</u>	<u>8,724,196</u>	<u>2,680,798</u>	<u>11,404,994</u>	<u>5,918,836</u>	<u>-</u>	<u>5,918,836</u>	<u>2,114,028</u>	<u>8,032,864</u>
Net assets, end of year	<u>\$ 6,587,179</u>	<u>\$2,842,079</u>	<u>\$9,429,258</u>	<u>\$ 941,404</u>	<u>\$ 10,370,662</u>	<u>\$ 6,183,885</u>	<u>\$2,540,311</u>	<u>\$8,724,196</u>	<u>\$2,680,798</u>	<u>\$ 11,404,994</u>

See notes to financial statements.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Statement of Functional Expenses
For the Year Ended June 30, 2017
(with Summarized Totals for the Year Ended June 30, 2016)**

	2017						2016	
	Program Services			Supporting Services			Total	
	Direct Services	Public Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Expenses								
Salaries and wages (PEO)	\$2,560,250	\$1,065,196	\$3,625,446	\$ 249,414	\$ 608,791	\$ 858,205	\$ 4,483,651	\$3,877,069
Payroll taxes and employee benefits (PEO)	589,929	245,441	835,370	57,458	140,277	197,735	1,033,105	893,092
Total salaries and related benefits	<u>3,150,179</u>	<u>1,310,637</u>	<u>4,460,816</u>	<u>306,872</u>	<u>749,068</u>	<u>1,055,940</u>	<u>5,516,756</u>	<u>4,770,161</u>
Other expenses								
Advertising	-	23,618	23,618	31,990	11,419	43,409	67,027	28,632
Bad debt	-	-	-	12,640	-	12,640	12,640	28,049
Consulting	1,186,027	412,596	1,598,623	303,051	185,337	488,388	2,087,011	1,918,118
Contributions	1,625	842	2,467	3,259	215	3,474	5,941	9,897
Depreciation	206,973	44,079	251,052	26,679	46,572	73,251	324,303	247,366
Dues and subscriptions	4,249	1,163	5,412	5,309	784	6,093	11,505	15,128
Equipment maintenance	14,619	4,204	18,823	1,022	2,214	3,236	22,059	12,792
Finance, bank charges and amortization	90,286	25,676	115,962	6,515	13,936	20,451	136,413	36,118
Food and entertainment	272,957	16,424	289,381	15,148	24,331	39,479	328,860	288,081
Individual respite, supplemental and other program	69,937	-	69,937	-	-	-	69,937	69,196
Insurance	30,737	8,841	39,578	2,147	4,655	6,802	46,380	40,637
Other	4,600	912	5,512	28,480	11,519	39,999	45,511	43,432
Postage, freight and courier	15,299	15,213	30,512	3,854	94,936	98,790	129,302	53,176
Printing	29,406	22,306	51,712	10,512	159,873	170,385	222,097	133,719
Professional fees	14,891	264,900	279,791	94,742	-	94,742	374,533	321,795
Repairs and maintenance	45,779	13,167	58,946	3,200	6,932	10,132	69,078	73,694
Software	9,778	28,820	38,598	25,167	28,155	53,322	91,920	59,049
Space rental, net	407,575	56,918	464,493	26,260	45,842	72,102	536,595	643,078
Staff training	4,140	500	4,640	1,568	545	2,113	6,753	13,184
Supplies and decorations	98,830	10,952	109,782	2,903	4,914	7,817	117,599	99,021
Telephone, fax and internet	20,192	5,808	26,000	1,411	3,058	4,469	30,469	29,816
Transportation	78,650	67,885	146,535	42,228	22,340	64,568	211,103	200,136
Workshops and conferences	8,595	1,787	10,382	2,950	4,938	7,888	18,270	15,376
Total other expenses	<u>2,615,145</u>	<u>1,026,611</u>	<u>3,641,756</u>	<u>651,035</u>	<u>672,515</u>	<u>1,323,550</u>	<u>4,965,306</u>	<u>4,379,490</u>
Total expenses	<u>\$5,765,324</u>	<u>\$2,337,248</u>	<u>\$8,102,572</u>	<u>\$ 957,907</u>	<u>\$1,421,583</u>	<u>\$2,379,490</u>	<u>\$10,482,062</u>	<u>\$9,149,651</u>

See notes to financial statements.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Statement of Functional Expenses
For the Year Ended June 30, 2016**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Direct Services</u>	<u>Public Outreach</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Expenses							
Salaries and wages (PEO)	\$2,205,213	\$ 894,230	\$3,099,443	\$ 181,233	\$ 596,393	\$ 777,626	\$3,877,069
Payroll taxes and employee benefits (PEO)	507,976	205,988	713,964	41,748	137,380	179,128	893,092
Total salaries and related benefits	<u>2,713,189</u>	<u>1,100,218</u>	<u>3,813,407</u>	<u>222,981</u>	<u>733,773</u>	<u>956,754</u>	<u>4,770,161</u>
Other expenses							
Advertising	705	11,629	12,334	15,224	1,074	16,298	28,632
Bad debt	-	-	-	28,049	-	28,049	28,049
Consulting	1,256,852	125,017	1,381,869	459,554	76,695	536,249	1,918,118
Contributions	250	5,600	5,850	3,897	150	4,047	9,897
Depreciation and amortization	211,680	14,454	226,134	7,941	13,291	21,232	247,366
Dues and subscriptions	3,823	559	4,382	4,578	6,168	10,746	15,128
Equipment maintenance	8,459	2,394	10,853	422	1,517	1,939	12,792
Finance and bank charges	23,885	6,758	30,643	1,191	4,284	5,475	36,118
Food and entertainment	229,435	9,962	239,397	23,323	25,361	48,684	288,081
Individual respite, supplemental and other program	69,196	-	69,196	-	-	-	69,196
Insurance	26,873	7,604	34,477	1,340	4,820	6,160	40,637
Other	3,652	548	4,200	28,887	10,345	39,232	43,432
Postage, freight and courier	14,893	3,103	17,996	1,993	33,187	35,180	53,176
Printing	40,089	16,524	56,613	14,856	62,250	77,106	133,719
Professional fees	54,600	27,300	81,900	239,895	-	239,895	321,795
Repairs and maintenance	48,733	13,789	62,522	2,431	8,741	11,172	73,694
Software	14,656	6,121	20,777	10,835	27,437	38,272	59,049
Space rental, net	481,174	73,427	554,601	33,090	55,387	88,477	643,078
Staff training	9,250	1,000	10,250	1,148	1,786	2,934	13,184
Supplies and decorations	81,926	14,474	96,400	-	2,621	2,621	99,021
Telephone, fax and internet	19,717	5,579	25,296	983	3,537	4,520	29,816
Transportation	54,074	70,404	124,478	46,606	29,052	75,658	200,136
Workshops and conferences	6,494	6,533	13,027	1,304	1,045	2,349	15,376
Total other expenses	<u>2,660,416</u>	<u>422,779</u>	<u>3,083,195</u>	<u>927,547</u>	<u>368,748</u>	<u>1,296,295</u>	<u>4,379,490</u>
Total expenses	<u>\$5,373,605</u>	<u>\$1,522,997</u>	<u>\$6,896,602</u>	<u>\$1,150,528</u>	<u>\$1,102,521</u>	<u>\$2,253,049</u>	<u>\$9,149,651</u>

See notes to financial statements.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

Statement of Cash Flows

	June 30	
	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (1,034,332)	\$ 3,372,130
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Unrealized and realized loss on investments	4,003	2,882
Donated stocks	(182,007)	(52,948)
Proceeds from sale of donated stocks	182,007	52,948
Depreciation	324,303	247,366
Amortization	5,098	-
(Increase) decrease in assets		
Contributions receivable	749,122	(788,230)
Grants and contracts receivable	(1,086,371)	978,732
Prepaid expenses and other assets	(72,881)	12,927
Security deposits held by landlords	105,495	-
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	106,713	(317,493)
Deferred revenue	(164,176)	16,790
Deferred lease liability	(48,956)	(67,483)
Net cash provided by (used in) operating activities	(1,111,982)	3,457,621
Cash flows from investing activities		
Proceeds from sales of investments	165,679	112,703
Acquisition of property and equipment	(7,667,817)	(42,938)
Net cash provided by (used in) investing activities	(7,502,138)	69,765
Cash flows from financing activities		
Proceeds from loan payable	7,799,000	-
Repayments of loan payable	(42,550)	-
Closing costs	(382,341)	-
Proceeds from line of credit	-	400,000
Repayment of line of credit	-	(400,000)
Capital lease payments	-	(7,117)
Net cash provided by (used in) financing activities	7,374,109	(7,117)
Net increase (decrease) in cash and cash equivalents	(1,240,011)	3,520,269
Cash and cash equivalents, beginning of year	4,630,712	1,110,443
Cash and cash equivalents, end of year	\$ 3,390,701	\$ 4,630,712
Consists of:		
Operating	\$ 548,622	\$ 2,090,401
Board-designated funds	2,842,079	2,540,311
Total	\$ 3,390,701	\$ 4,630,712
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 76,454	\$ 9,410

See notes to financial statements

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements
June 30, 2017 and June 30, 2016**

Note 1 – Nature of organization

Services and Advocacy for GLBT Elders (“SAGE”) is the country's largest and oldest organization dedicated to improving the lives of lesbian, gay, bisexual and transgender (LGBT) older adults. Founded in 1978 and headquartered in New York City, SAGE is a national organization that offers supportive services and consumer resources for LGBT older adults and their caregivers, advocates for public policy changes that address the needs of LGBT older people, and provides training for aging providers and LGBT organizations, largely through its National Resource Center on LGBT Aging. With offices in New York City, Washington, D.C., Chicago and Los Angeles, SAGE coordinates a growing network of 29 local SAGE affiliates in 21 states and the District of Columbia.

SAGE is a member of and fiscal sponsor for the Diverse Elders Coalition, a partnership of national organizations committed to addressing the profound challenges facing older people of color and LGBT elders.

SAGE Crotona, LLC (the “Company”), a limited liability company formed by SAGE, was organized in April 2017 in the State of New York. SAGE is the sole member of the Company. The principal business activity of the Company is to lease office space in the Bronx, New York. As of January 11, 2018, the Company has no activities and has not entered into any lease agreements.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements of SAGE have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. In addition, SAGE reports its information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted

Unrestricted net assets consist of two funds: operating and Board-designated funds. The operating fund is neither permanently restricted nor temporarily restricted by donor-imposed stipulations and is available for the general operations of SAGE. During the fiscal 2016, in connection with the substantial bequest revenue, SAGE established the Board-designated funds. During the fiscal 2017, SAGE transferred \$301,768, net from the operating fund to the Board-designated funds.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 2 - Summary of significant accounting policies (continued)

Board-designated funds

The Board-designated funds consists of the following four funds:

Working Capital Reserve

The Working Capital Reserve is intended to provide cash needed to ensure SAGE is able to maintain a “minimum cash on hand” target in its annual operating account. This reserve offsets short-term negative cash flow, when expenditures from the annual operating account temporarily outpace cash receipts.

Operating Reserve

The Operating Reserve is intended to be an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

Building and Capital Asset Reserve

The Building and Capital Asset Reserve is intended to provide a ready source of funds for repair or acquisition of buildings, leasehold improvements and furniture, fixtures, and equipment, necessary for the effective operation of the organization and programs.

Strategic Plan and Opportunity Reserve

The Strategic Plan and Opportunity Reserve is intended to provide funds to meet initiatives under the strategic plan or special targets of opportunity or need that furthers the mission of the organization. The Strategic Plan and Opportunity Reserve is also intended as a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity and enhance revenue.

As of June 30, 2017, the following represents the balances in the Board-designated funds net assets:

	Balance at <u>June 30, 2016</u>	Additions (Deductions)	Balance at <u>June 30, 2017</u>
Working Capital Reserve	\$ 893,691	\$ -	\$ 893,691
Operating Reserve	696,845	340,536	1,037,381
Building and Capital Asset Reserve	200,000	-	200,000
Strategic Plan and Opportunity Reserve	749,775	(38,768)	711,007
Total	<u>\$ 2,540,311</u>	<u>\$ 301,768</u>	<u>\$ 2,842,079</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 2 - Summary of significant accounting policies (continued)

Temporarily restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor-imposed stipulations that will be met either by actions of SAGE and/or the passage of time.

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted

Permanently restricted net assets include funds that have been restricted by donors to be held in perpetuity. As of June 30, 2017 and June 30, 2016, SAGE has no permanently restricted net assets.

Cash equivalents

SAGE considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Investment policy and objective

Investments in U.S. Government and Agency securities and corporate bonds are measured at fair value in the accompanying statement of financial position. Realized gains and losses (net of investment expenses) and unrealized gains and losses are reported in the statement of activities as investment returns as an increases or decreases in net assets.

The principal objective of SAGE's Investment Policy is to achieve favorable investment returns with limited exposure to undue risk. This objective is to be accomplished in a manner consistent with SAGE's operational needs, accepted fiduciary responsibility and prudent recognition of the safety of principal. The specific objectives and guidelines for each category of funds are as follows:

- A) Operating Funds: Operating Funds shall be invested with the twin objectives of preserving assets to cover operating expenses and realizing earnings in a way that allows for immediate liquidity to meet SAGE's ongoing programmatic and operational needs.
- B) Endowed Funds: Endowed Funds, if any, shall be invested with the objective of preserving and enhancing the purchasing power of the Funds' assets while realizing appropriate investment income and ensuring that liquidity requirements can be met.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

Notes to Financial Statements (continued)

June 30, 2017 and June 30, 2016

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy giving the highest priority to quoted market prices in active markets (Level 1), the next priority (Level 2) to observable inputs other than Level 1 prices, such as quoted prices of similar assets, and the lowest priority to unobservable data (Level 3). Accounting principles generally accepted in the United States of America require fair value measurements to be separately disclosed by level within the fair value hierarchy. At June 30, 2017 and June 30, 2016, SAGE's investments have all been classified in the highest level of hierarchy (Level 1), their quoted prices are in active markets for identical assets.

Property and equipment

Furniture, equipment and leasehold improvements are stated at cost, or if donated, at approximately fair value. Expenditures for less than \$2,000 and a useful life of less than one year, are expensed and charged to repairs and maintenance. Major repairs and betterments that increase the useful lives of respective assets are capitalized. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective assets which range from 5 to 30 years or the life of the lease (for leasehold improvements), whichever is shorter.

Grants, contracts receivable and contributions receivable

Grants, contracts and contributions receivable are stated at unpaid balances, less allowances for doubtful accounts. SAGE provides for losses on such receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual or other agreed upon terms. It is SAGE's policy to charge off uncollectible grants, contracts and unconditional promises receivables when management determines the receivables will not be collected.

As of June 30, 2017 and June 30, 2016, SAGE has not provided for an allowance for doubtful accounts for receivables that may not be collectible. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Government grants and contracts

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as contract advances and are reported as deferred revenue in the statement of financial position.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016

Note 2 - Summary of significant accounting policies (continued)

Support

SAGE records contributions and grants, both cash and in-kind, when an unconditional promise to receive such assets is received from a donor. Bequests and wills are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined. Contributions and grants are recorded at fair value of the assets received and are classified as either unrestricted or temporarily restricted, depending on whether the donor has imposed a restriction on the use of such assets.

SAGE receives funding by certain New York State and New York City government agencies. Any significant reduction in the level or loss of funding from these government agencies may have an adverse effect on SAGE's operations. Contributions of long-lived assets or donations restricted to the purchase of long-lived assets are reported as unrestricted net assets when the long-lived assets are placed in service by SAGE.

Contributions and grants receivable, if any, that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate determined in the year in which the contribution originates. Amortization of the discount, if any, is included in contribution revenue. For the fiscal years ended June 30, 2017 and 2016, there were no discounts recorded.

In-kind contributions

In-kind contributions are estimated at their fair value and reported as both support and expenses in the period in which they are used. In-kind contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SAGE.

For the years ended June 30, 2017 and June 30, 2016, SAGE received the following contributed services and materials:

	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
Donated consultant fees	\$ 163,000	\$ 437,069
Donated legal services – professional fees	294,764	42,215
Volunteer wages – salaries and wages	3,735	9,514
Donated web advertising	25,528	13,255
Donated food	4,996	-
Sub total	<u>492,023</u>	<u>502,053</u>
Donated items – special events	10,562	24,306
Total	<u>\$ 502,585</u>	<u>\$ 526,329</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 2 - Summary of significant accounting policies (continued)

Additional donated services

SAGE receives donated services rendered by volunteers who have donated significant amounts of their time to SAGE's activities. These services do not meet the criteria to be recorded and have not been included in the financial statements.

Functional expense allocations

The costs of providing the various programs and other activities of SAGE have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

Concentrations of credit risk

SAGE's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. SAGE places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, cash balances were in excess of the FDIC insurance limit. However, SAGE has not experienced any losses in these accounts to date. SAGE invests in U.S. government and agency obligations and corporate bonds. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair values of the investments reported in the statement of financial position at June 30, 2017. SAGE's receivables consists of grants, contracts and contributions from donors and government agencies. SAGE's management monitors the collectability of the receivables. As a result, SAGE believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and receivables.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Subsequent events

SAGE has evaluated events and transactions for potential recognition or disclosure through February 28, 2018, which is the date the financial statements were available to be issued.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 3 – Contributions receivable

Contributions receivable are promises to make donations to SAGE. It is SAGE's policy to discount its receivables to their present value for contributions due in greater than one year. SAGE determined the present value for contributions due in greater than one year was not materially different from their pledged value. As a result, SAGE did not discount their receivables to present value during June 30, 2017 and June 30, 2016. Contributions receivable are expected to be received as follows:

	June 30	
	2017	2016
Due within one year	\$ 973,161	\$ 1,482,283
Due in one to five years	35,000	275,000
Total	\$ 1,008,161	\$ 1,757,283

Note 4 - Grants and contracts receivable

Grants and contracts receivable consist primarily of amounts due under Federal, New York State and New York City government agency contracts, which are expected to be collected within one year. Reimbursement under government contracts is subject to audit by the various government agencies. The effect of potential audit disallowances, if any, is not reflected in these financial statements.

Note 5 - Investments

The following is a summary of investments held by SAGE as of June 30:

	Level	2017		2016	
		Cost	Fair Value	Cost	Fair Value
U.S. government and Agency securities	1	\$ 137,421	\$ 138,029	\$ 291,062	\$ 288,958
Corporate bonds	1	5,014	5,027	23,346	23,780
Total		\$ 142,435	\$ 143,056	\$ 314,408	\$ 312,738
Unrealized gain (loss)			\$ 621		\$ (1,670)

Investment returns for the years ended June 30, 2017 and June 30, 2016 consist of the following:

	2017	2016
Interest and dividends	\$ 5,389	\$ 7,706
Realized (loss) on the sale of investments	(6,294)	(57)
Change in unrealized value of investments	2,291	(2,825)
Total investment returns	1,386	4,824
Less investment fees	(150)	(150)
Net investment returns	\$ 1,236	\$ 4,674

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.**

Notes to Financial Statements (continued)

June 30, 2017 and June 30, 2016

Note 6 - Property and equipment

Property and equipment consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Commercial cooperative space (6 th and 15 th Floors)	\$ 12,101,667	\$ 4,479,496
Leasehold improvements	458,566	458,566
Furniture and equipment	605,867	560,221
Software	<u>855,300</u>	<u>855,300</u>
Sub-total	14,021,400	6,353,583
Less: accumulated depreciation and amortization	<u>2,722,436</u>	<u>2,398,133</u>
Net property and equipment	<u>\$ 11,298,964</u>	<u>\$ 3,955,450</u>

Note 7 – Loan payable

During February 2017, in connection with the purchase of the 6th floor of the Seventh Avenue condominium in New York, New York, SAGE entered into a bond purchase and continuing covenants agreement in the amount of \$7,799,000. In connection therewith, a New York not-for-profit corporation has agreed to issue its \$7,799,000 Mortgage Revenue Bonds (the “Bonds”) and upon SAGE’s request, a bank has agreed to purchase the Bonds. The proceeds of the Bonds were loaned to SAGE pursuant to a loan agreement (the “Loan”). The Loan requires monthly payments of \$39,668, applicable first to interest at a fixed rate of 3.57% per annum and the balance to the reduction of principal. The Loan is set to mature on February 1, 2042. As security for the Loan, SAGE executed a mortgage on the purchased property and is required to maintain certain negative covenants as disclosed in the Loan agreement.

A summary of the required annual principal payments on the Loan as of June 30, 2017 is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 198,523
2019	205,829
2020	212,683
2021	221,232
2022	229,374
2023 and thereafter	<u>6,688,809</u>
Sub total	7,756,450
Less: closing costs	<u>(377,243)</u>
Total long-term debt	7,379,207
Less: current maturities	<u>(198,523)</u>
Long-term debt, net of of current maturities	<u>\$ 7,180,684</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 8 - Lines of credit

SAGE has a Loan Management Account (“LMA”) available up to a certain percentage, as outlined in the LMA agreement, of the pledged value of SAGE’s investment account and cash holdings, maintained at the same financial institutions. The amounts borrowed under the LMA bear interest at LIBOR plus 3.875% per annum. As of June 30, 2017, there was no outstanding balance on this LMA.

SAGE has a revolving line of credit for \$750,000 with a financial institution. The line of credit matured on December 16, 2017. SAGE is in the process of renewing this line of credit. Amounts borrowed under the line of credit are evidenced by a promissory note and bear interest at LIBOR plus 3.00% per annum. As of June 30, 2017, there was no outstanding balance on this line of credit.

Note 9 - Temporarily restricted net assets

Temporarily restricted net assets activities for the years ended June 30, 2017 and June 30, 2016 are as follows:

	Balance at June 30, <u>2016</u>	<u>Contributions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, <u>2017</u>
Core programs and time	\$ 2,680,798	\$ 1,235,613	\$ (2,975,007)	\$ 941,404
	Balance at June 30, <u>2015</u>	<u>Contributions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, <u>2016</u>
Core programs and time	\$ 2,114,028	\$ 3,380,795	\$ (2,814,025)	\$2,680,798

Note 10 - Contributions

Contributions reported on the statement of activities for the years ended June 30, 2017 and June 30, 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Foundations	\$ 1,282,784	\$ 3,057,500
Corporations	694,208	333,643
Individuals	1,202,524	1,072,057
In-kind	492,023	502,053
Total	<u>\$ 3,671,539</u>	<u>\$ 4,965,253</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 11 - Retirement plans

401(k) plan

SAGE participates in the PEO's 401(k) plan to provide a defined contribution plan to its qualified employees. The plan covers all employees of SAGE. Employees may make contributions to the plan up to a maximum amount allowed by the Internal Revenue Code. Additionally, SAGE will make matching contributions of 4% of the employees' total compensation. The expense related to the plan for the fiscal years ended June 30, 2017 and June 30, 2016 was \$117,587 and \$94,391, respectively. The plan utilizes ADP Total source for recordkeeping and administrative services.

457(b) Deferred Compensation Plan

SAGE has a 457(b) Deferred Compensation Plan with a key management employee. For the years ended June 30, 2017 and June 30, 2016, contributions charged to operations for these plans were \$18,000 for each year.

The 457(b) Deferred Compensation Plan, which are represented by investments in various fixed income and equity mutual funds, amounted to \$142,268 and \$110,418 at June 30, 2017 and June 30, 2016, respectively. For assets measured at fair value on a recurring basis, as of June 30, 2017, accounting standards requires quantitative disclosures about the fair value measurement separately for each major class of assets. The 457(b) Deferred Compensation Plan's assets, consisting of publicly traded mutual funds, have been classified in the highest level of hierarchy (Level 1). Their quoted prices are in active markets for identical assets.

Note 12 - Commitments

SAGE occupies several facilities in the City of New York under commercial leases expiring at various times through October 31, 2022. In addition to the minimum base rent, SAGE is also responsible for certain escalation costs as outlined in the various lease agreements. SAGE also occupies additional space in Chicago, Washington, DC and Los Angeles on a month-to-month basis. As of June 30, 2017 and June 30, 2016, security deposits held by various landlords totaled \$23,497 and \$128,992, respectively.

Future minimum payments pursuant to all leases are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2018	\$ 140,110
2019	132,721
2020	127,947
2021	60,533
2022	62,000
2023	<u>20,832</u>
Total	<u>\$ 544,143</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.**

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 12 – Commitments (continued)

Rental sub-lease

SAGE has a sub-lease agreement with a tenant with an effective date commencing on December 1, 2015 and expiring on August 31, 2017. The sub-lease requires monthly payments of \$11,557 for the first twelve months and \$11,903 for the remaining months. Rental income for the fiscal years ended June 30, 2017 and 2016 was \$141,106 and \$133,430, respectively. This amount is netted against space rental expense on the statement of functional expenses. The future minimum rental collection pursuant to the sub-lease for the 2018 fiscal year is \$23,806.

Net rent expense for the years ended June 30, 2017 and June 30, 2016 amounted to \$536,595 and \$643,078, respectively. In accordance with generally accepted accounting principles, lease payments are recognized on a straight-line basis over the life of the lease rather than in accordance with the actual lease payments. The difference is reflected as a deferred lease liability which represents the adjustment to future years' rents as a method of using the straight-line method. As a result of several concession periods and acceleration clauses in the various lease agreements, a deferred rent liability of \$6,975 and \$55,931 has been recorded in the statement of financial position as of June 30, 2017 and June 30, 2016, respectively.

Employment agreements

SAGE has an employment agreement with a key employee through June 30, 2020, subject to certain termination provisions.

Note 13 - Employment management agreement

SAGE has an employment management agreement with a Professional Employer Organization ("PEO") that provides a comprehensive personnel management system encompassing a broad range of services, including benefits and payroll administration, health, worker's compensation insurance programs, personnel records management, employer liability management, etc.

Note 14 - Tax status

SAGE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, SAGE is a Section 509(a) organization as defined in the Code, and is, therefore, not a private foundation and qualifies for the maximum charitable contribution deduction for donors.