



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

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

**FINANCIAL STATEMENTS
(Together with the Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Services and Advocacy for Gay, Lesbian, Bisexual and Transgender Elders, Inc. ("SAGE") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 principles 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 SAGE as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of SAGE as of and for the year ended June 30, 2017 were audited by other auditors whose report dated February 28, 2018 expressed an unmodified opinion on those financial statements.

Marks Paneth LLP

New York, NY
March 25, 2019

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,409,282	\$ 548,622
Cash held for Board-designated funds (Note 2B)	3,604,611	2,842,079
Total cash and cash equivalents (Notes 2C and 11)	5,013,893	3,390,701
Investments (Notes 2D, 2E, 3, and 4)	62,597	143,056
Contributions receivable (Notes 2F and 5)	1,358,960	973,161
Grants and contracts receivable (Note 2G)	2,468,231	2,100,055
Prepaid expenses and other assets	371,050	296,843
Total current assets	9,274,731	6,903,816
Non-current assets:		
Contributions receivable (Notes 2F and 5)	343,443	35,000
Security deposits	10,902	74,497
Deferred compensation assets (Notes 4 and 9)	148,109	142,268
Property and equipment, net (Notes 2H and 6)	10,871,224	11,298,964
TOTAL ASSETS	\$ 20,648,409	\$ 18,454,545
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 611,844	\$ 466,933
Deferred revenue (Note 2G)	-	37,500
Loan payable (Note 7)	205,829	198,523
Total current liabilities	817,673	702,956
Non-current liabilities:		
Loan payable (Note 7)	6,972,964	7,180,684
Security deposits	-	51,000
Deferred compensation (Notes 4 and 9)	148,109	142,268
Deferred rent (Note 2I)	13,774	6,975
TOTAL LIABILITIES	7,952,520	8,083,883
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted :		
Operating	1,768,036	2,667,422
Net investment in property and equipment	3,692,431	3,919,757
Board-designated (Note 2B)	3,604,611	2,842,079
Total unrestricted	9,065,078	9,429,258
Temporarily restricted (Notes 2B and 8)	3,630,811	941,404
TOTAL NET ASSETS	12,695,889	10,370,662
TOTAL LIABILITIES AND NET ASSETS	\$ 20,648,409	\$ 18,454,545

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>For the Year Ended June 30, 2018</u>			<u>For the Year Ended June 30, 2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>
PUBLIC SUPPORT AND REVENUE:						
Government grants and contracts (Note 2G)	\$ 4,046,161	\$ -	\$ 4,046,161	\$ 3,916,049	\$ -	\$ 3,916,049
Contributions (Note 2F and 2K)	2,481,770	4,085,184	6,566,954	2,468,426	1,203,113	3,671,539
Bequests (Note 2J)	1,516,821	-	1,516,821	784,014	-	784,014
Special events (net of direct expenses of \$434,461 and \$564,109, respectively) (Note 2K)	899,035	57,500	956,535	771,065	32,500	803,565
Partnership and membership dues	40,894	-	40,894	38,423	-	38,423
Program income and service fees	433,875	-	433,875	223,093	-	223,093
Investment return (Notes 2D and 3)	3,822	-	3,822	1,236	-	1,236
Other (Note 12)	172,731	-	172,731	9,811	-	9,811
Net assets released from restrictions (Notes 2B and 8)	1,453,277	(1,453,277)	-	2,975,007	(2,975,007)	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>11,048,386</u>	<u>2,689,407</u>	<u>13,737,793</u>	<u>11,187,124</u>	<u>(1,739,394)</u>	<u>9,447,730</u>
EXPENSES (Note 2M):						
Program services:						
Direct services	6,253,695	-	6,253,695	5,765,324	-	5,765,324
Public outreach	2,031,791	-	2,031,791	2,337,248	-	2,337,248
Total program services	<u>8,285,486</u>	<u>-</u>	<u>8,285,486</u>	<u>8,102,572</u>	<u>-</u>	<u>8,102,572</u>
Supporting services:						
Management and general	1,737,270	-	1,737,270	957,907	-	957,907
Fundraising	1,389,810	-	1,389,810	1,421,583	-	1,421,583
Total supporting services	<u>3,127,080</u>	<u>-</u>	<u>3,127,080</u>	<u>2,379,490</u>	<u>-</u>	<u>2,379,490</u>
TOTAL EXPENSES	<u>11,412,566</u>	<u>-</u>	<u>11,412,566</u>	<u>10,482,062</u>	<u>-</u>	<u>10,482,062</u>
CHANGE IN NET ASSETS	(364,180)	2,689,407	2,325,227	705,062	(1,739,394)	(1,034,332)
Net assets - beginning of year	<u>9,429,258</u>	<u>941,404</u>	<u>10,370,662</u>	<u>8,724,196</u>	<u>2,680,798</u>	<u>11,404,994</u>
NET ASSETS - END OF YEAR	<u>\$ 9,065,078</u>	<u>\$ 3,630,811</u>	<u>\$ 12,695,889</u>	<u>\$ 9,429,258</u>	<u>\$ 941,404</u>	<u>\$ 10,370,662</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	Program Services			Supporting Services				Total 2017
	Direct Services	Public Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	
Salaries	\$ 2,656,302	\$ 1,102,804	\$ 3,759,106	\$ 447,936	\$ 607,151	\$ 1,055,087	\$ 4,814,193	\$ 4,483,651
Payroll taxes and employee benefits (Note 9)	657,370	272,917	930,287	114,956	150,255	265,211	1,195,498	1,033,105
Total salaries and related costs	<u>3,313,672</u>	<u>1,375,721</u>	<u>4,689,393</u>	<u>562,892</u>	<u>757,406</u>	<u>1,320,298</u>	<u>6,009,691</u>	<u>5,516,756</u>
Consulting (Note 2K)	1,100,726	262,987	1,363,713	352,916	212,579	565,495	1,929,208	2,087,011
Professional fees (Note 2K)	53,887	13,886	67,773	265,012	6,862	271,874	339,647	374,533
Occupancy (Note 10)	354,201	28,191	382,392	10,193	12,548	22,741	405,133	536,595
Food and entertainment	320,428	8,703	329,131	1,408	54,491	55,899	385,030	328,860
Printing	30,982	9,729	40,711	10,823	114,212	125,035	165,746	222,097
Transportation	108,578	89,173	197,751	7,734	45,562	53,296	251,047	211,103
Interest and bank charges (Note 7)	182,592	56,801	239,393	44,362	35,656	80,018	319,411	136,413
Postage, freight and courier	20,246	15,873	36,119	3,834	33,650	37,484	73,603	129,302
Supplies and decorations	126,182	12,467	138,649	4,772	5,356	10,128	148,777	117,599
Software	77,032	21,238	98,270	9,352	10,495	19,847	118,117	91,920
Individual, respite, supplemental and other program	52,862	-	52,862	-	-	-	52,862	69,937
Repairs and maintenance	50,365	13,886	64,251	6,114	6,862	12,976	77,227	69,078
Advertising (Note 2L)	3,053	26,105	29,158	1,528	13,424	14,952	44,110	67,027
Insurance	38,474	10,607	49,081	4,671	5,242	9,913	58,994	46,380
Telephone, fax, and internet	25,947	7,154	33,101	3,150	3,535	6,685	39,786	30,469
Equipment maintenance	15,122	4,169	19,291	1,836	2,060	3,896	23,187	22,059
Depreciation and amortization (Note 6)	347,725	62,462	410,187	32,384	39,996	72,380	482,567	324,303
Bad debt	-	-	-	364,659	-	364,659	364,659	12,640
Other	31,621	12,639	44,260	49,630	29,874	79,504	123,764	87,980
TOTAL EXPENSES	<u>\$ 6,253,695</u>	<u>\$ 2,031,791</u>	<u>\$ 8,285,486</u>	<u>\$ 1,737,270</u>	<u>\$ 1,389,810</u>	<u>\$ 3,127,080</u>	<u>\$ 11,412,566</u>	<u>\$ 10,482,062</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services			Supporting Services			Total
	Direct Services	Public Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,560,250	\$ 1,065,196	\$ 3,625,446	\$ 249,414	\$ 608,791	\$ 858,205	\$ 4,483,651
Payroll taxes and employee benefits (Note 9)	589,929	245,441	835,370	57,458	140,277	197,735	1,033,105
Total salaries and related costs	<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>
Consulting	1,186,027	412,596	1,598,623	303,051	185,337	488,388	2,087,011
Professional fees	14,891	264,900	279,791	94,742	-	94,742	374,533
Occupancy (Note 10)	407,575	56,918	464,493	26,260	45,842	72,102	536,595
Food and entertainment	272,957	16,424	289,381	15,148	24,331	39,479	328,860
Printing	29,406	22,306	51,712	10,512	159,873	170,385	222,097
Transportation	78,650	67,885	146,535	42,228	22,340	64,568	211,103
Interest and bank charges (Note 7)	90,286	25,676	115,962	6,515	13,936	20,451	136,413
Postage, freight and courier	15,299	15,213	30,512	3,854	94,936	98,790	129,302
Supplies and decorations	98,830	10,952	109,782	2,903	4,914	7,817	117,599
Software	9,778	28,820	38,598	25,167	28,155	53,322	91,920
Individual, respite, supplemental and other program	69,937	-	69,937	-	-	-	69,937
Repairs and maintenance	45,779	13,167	58,946	3,200	6,932	10,132	69,078
Advertising (Note 2L)	-	23,618	23,618	31,990	11,419	43,409	67,027
Insurance	30,737	8,841	39,578	2,147	4,655	6,802	46,380
Telephone, fax, and internet	20,192	5,808	26,000	1,411	3,058	4,469	30,469
Equipment maintenance	14,619	4,204	18,823	1,022	2,214	3,236	22,059
Depreciation and amortization (Note 6)	206,973	44,079	251,052	26,679	46,572	73,251	324,303
Bad debt	-	-	-	12,640	-	12,640	12,640
Other	23,209	5,204	28,413	41,566	18,001	59,567	87,980
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>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,325,227	\$ (1,034,332)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	482,567	324,303
Noncash interest expense	15,293	5,098
Bad debt	364,659	12,640
Unrealized and realized loss on investments	2,847	4,003
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(694,242)	749,122
Grants and contracts receivable	(732,835)	(1,099,011)
Prepaid expenses and other current assets	(74,207)	(72,881)
Security deposits	12,595	105,495
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	144,911	106,713
Deferred revenue	(37,500)	(164,176)
Deferred rent	6,799	(48,956)
Net Cash Provided by (Used in) Operating Activities	1,816,114	(1,111,982)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(115,494)	-
Proceeds from sales of investment	193,106	165,679
Purchases of property and equipment	(54,827)	(7,667,817)
Net Cash Provided by (Used in) Investing Activities	22,785	(7,502,138)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	-	7,416,659
Repayment of loan payable	(215,707)	(42,550)
Net Cash (Used in) Provided by Financing Activities	(215,707)	7,374,109
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,623,192	(1,240,011)
Cash and Cash Equivalents - beginning of year	3,390,701	4,630,712
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,013,893	\$ 3,390,701
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 277,493	\$ 76,454

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Services and Advocacy for Gay, Lesbian, Bisexual and Transgender Elders, Inc. ("SAGE") is the country's largest and oldest organization dedicated to improving the lives of LGBT older adults. Founded in 1978 and headquartered in New York City, SAGE is a national organization that offers supportive services and 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 LGBT organizations and agencies providing services to older adults, largely through SAGECare and its National Resource Center on LGBT Aging. With staff in New York City, Washington DC, Chicago, Los Angeles, Miami and several other cities, SAGE coordinates a growing network of 30 local SAGE affiliates across 22 states and Puerto Rico.

SAGE is a not-for-profit organization incorporated under the laws of the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

SAGE's financial statements have been prepared on the accrual basis of accounting. SAGE adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. *Net Assets*

SAGE maintains its net assets under the following classes:

- Unrestricted – represents the portion of net assets of SAGE that are not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.
- Temporarily restricted – net assets resulting from contributions and other inflows of assets whose use by SAGE is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of SAGE pursuant to those stipulations. When such stipulations end or are fulfilled, temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions.
- Permanently restricted – net assets with donor-imposed restrictions on the purpose of the gifts specifying they be maintained in perpetuity. Currently, SAGE does not have permanently restricted net assets.

SAGE maintains four Board-designated funds which are included with unrestricted net assets. The four funds are as follows:

- 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 operating account. This reserve offsets short-term negative cash flow.
- 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 SAGE and its programs.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Net Assets (Continued)*

- 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 SAGE. 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, 2018 and 2017, the balances in Board-designated funds are as follows:

	<u>2018</u>	<u>2017</u>
Working capital reserve	\$ 894,327	\$ 893,691
Operating reserve	1,037,540	1,037,381
Building and capital asset reserve	200,000	200,000
Strategic plan and opportunity reserve	<u>1,472,744</u>	<u>711,007</u>
	<u>\$ 3,604,611</u>	<u>\$ 2,842,079</u>

C. *Cash and Cash Equivalents*

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

D. *Investments*

Investments are stated at fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned.

E. *Fair Value Measurements*

Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Contributions and Contributions Receivable*

Contributions are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give that is unconditional or when substantially all conditions have been met. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If material to the financial statements, the discounts on those amounts are computed using risk-based interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

SAGE's management evaluates the need for an allowance for doubtful accounts applicable to its contributions receivable. Management's estimate is based on a combination of factors such as creditworthiness of donors, a review of individual accounts outstanding, the aged basis of the receivables, current economic conditions and historical experience. As of June 30, 2018 and 2017, SAGE determined that no allowance was necessary for its contributions receivable.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Government Grants and Contracts*

SAGE records receivables and revenue when earned based on established rates or contracts for services provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, SAGE records advances from government funders as deferred revenue.

H. *Property and Equipment*

Property and equipment purchases above \$2,000 that SAGE retains title to and with useful life of at least one year are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Property and equipment is depreciated on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the life of the lease.

I. *Deferred Rent*

The difference between rental payments due under leases and rent expense calculated on the straight-line basis is reflected as deferred rent on the accompanying statements of financial position.

J. *Legacies and Bequests*

Legacies and bequests are recognized as revenue when SAGE is notified that actual or potential disputes are resolved and funds are forthcoming. Accordingly, bequests are accrued when the will has been passed through probate, and legal counsel has confirmed amounts held on behalf of SAGE.

K. *Donated Services*

Donated services are reported as contributions when the services create or enhance nonfinancial assets, require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist SAGE. These services have not been recorded in the financial statements as they do not meet the criteria outlined above.

For the years ended June 30, 2018 and 2017, SAGE received donated services amounting to \$386,868 and \$492,023, respectively, which are recorded as both revenue and expense in the accompanying financial statements.

L. *Advertising and Marketing*

Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2018 and 2017, amounted to \$44,110 and \$67,027, respectively.

M. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on usage or other equitable bases established by management.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires SAGE's 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

O. *Reclassification*

Certain line items in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2017.

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
U.S. government and agency securities	\$ 62,597	\$ 138,029
Corporate bonds	-	5,027
	<u>\$ 62,597</u>	<u>\$ 143,056</u>

Investment return for the years ended June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 6,819	\$ 5,389
Unrealized and realized loss	(2,847)	(4,003)
Less: investment fees	<u>(150)</u>	<u>(150)</u>
	<u>\$ 3,822</u>	<u>\$ 1,236</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

NOTE 4 – FAIR VALUE MEASUREMENTS

In determining fair value, SAGE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

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NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in U.S. government and agency securities, corporate bonds and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2018 and 2017, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2018 are classified as Level 1 in the table as follows:

	<u>Level 1 - 2018</u>	<u>Level 1 - 2017</u>
ASSETS CARRIED AT FAIR VALUE:		
Investments:		
U.S. government and agency securities	\$ 62,597	\$ 143,056
Deferred compensation plan assets:		
Mutual funds	<u>148,109</u>	<u>142,268</u>
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 210,706</u>	<u>\$ 285,324</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 1,358,960	\$ 973,161
One to five years	<u>343,443</u>	<u>35,000</u>
	<u>\$ 1,702,403</u>	<u>\$ 1,008,161</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Building and improvements	\$ 12,105,367	\$ 12,101,667	30 years
Leasehold improvements	468,176	458,566	10 years
Furniture and equipment	647,384	605,867	5 years
Software	<u>855,300</u>	<u>855,300</u>	5 years
	14,076,227	14,021,400	
Less: Accumulated depreciation and amortization	<u>(3,205,003)</u>	<u>(2,722,436)</u>	
	<u>\$ 10,871,224</u>	<u>\$ 11,298,964</u>	

For the years ended June 30, 2018 and 2017, depreciation and amortization expense amounted to \$482,567 and \$324,303, respectively.

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NOTE 7 – LOAN PAYABLE

In February 2017, in connection with the purchase of office space in New York, New York, SAGE entered into a bond purchase and continuing covenants agreement in the amount of \$7,799,000. The issued bonds were purchased by a bank and the proceeds were loaned to SAGE. The loan bears interest at a fixed rate of 3.57% and matures on February 1, 2047. The loan is secured by a mortgage on the purchased property.

The loan payable amounted to the following as of June 30:

	<u>2018</u>	<u>2017</u>
Loan payable	\$ 7,540,743	\$ 7,756,450
Less: deferred financing costs	<u>(361,950)</u>	<u>(377,243)</u>
	<u>\$ 7,178,793</u>	<u>\$ 7,379,207</u>

Future annual principal payments for the years ending after June 30, 2018, are as follows:

2019	\$ 205,829
2020	212,683
2021	221,232
2022	229,374
2023	237,815
Thereafter	<u>6,433,810</u>
	<u>\$ 7,540,743</u>

Interest expense, including amortization of deferred financing costs, amounted to \$292,786 and \$81,552 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Housing	\$ 2,012,500	\$ 147,824
Advocacy	479,167	263,036
Care management	200,418	196,250
Restricted for use in future periods	541,434	90,000
Other	<u>397,292</u>	<u>244,294</u>
	<u>\$ 3,630,811</u>	<u>\$ 941,404</u>

Net assets released from restrictions amounted to \$1,453,277 and \$2,975,007 for the years ended June 30, 2018 and 2017, respectively.

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NOTE 9 – RETIREMENT PLANS

- A. SAGE participates in the 401(k) plan of their professional employer organization. The plan covers all SAGE employees. Employees may contribute to the plan up to the amount allowed by the Internal Revenue Code. SAGE may make matching contributions of up to four percent of the employees' total compensation. During the years ended June 30, 2018 and 2017, SAGE contributed such matching contributions amounting to \$130,469 and \$117,587, respectively.
- B. SAGE has a 457(b) deferred compensation plan covering a key management employee. For the years ended June 30, 2018 and 2017, contributions to this plan amounted to \$0 and \$18,000, respectively. The plan's assets and liabilities are reflected on the accompanying statements of financial position as deferred compensation assets and deferred compensation liability.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to SAGE's contractual relationships with funding sources, outside governmental agencies have the right to examine its book and records relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. ***Space Rental***

SAGE has entered into a lease for commercial space in New York City ending in October 2022. Future minimum lease payments required under the lease are as follows:

2019	\$	55,127
2020		57,223
2021		58,653
2022		60,120
2023		20,204
		<u>\$ 251,327</u>

Total expenses related to this lease amounted to \$350,035 and \$481,015 for the years ended June 30, 2018 and 2017, respectively, and are included in occupancy on the accompanying statements of functional expenses.

C. ***Line of Credit***

SAGE has a revolving line of credit with a bank in the amount of \$750,000 which expires in March 2020. The line is unsecured and bears interest at a rate equal to the London InterBank Offered Rate ("LIBOR") plus 3.184%. As of June 30, 2018 and 2017, and at March 25, 2019, there were no borrowings.

D. ***Income Tax***

SAGE believes it has no uncertain income tax positions as of June 30, 2018 and 2017, in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject SAGE to a concentration of credit risk include cash accounts at one bank that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$4.1 million and \$3.1 million as of June 30, 2018 and 2017, respectively.

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NOTE 12 – RELATED-PARTY TRANSACTIONS

On November 2017, SAGE formed SAGE Crotona, LLC (“SAGE Crotona”) to act as the developer and social service provider for a planned housing development. SAGE is the sole member of SAGE Crotona.

SAGE Crotona entered into a Development Agreement and an Operating Agreement in which SAGE Crotona and another organization formed a Limited Liability Company (“LLC”) to manage the development of a seven-story mixed use building including a community center (the “Project”), eligible for IRC Section 42 federal low-income housing tax credits. The Project’s beneficial owner is an unrelated third-party, HELP Crotona Park LLC (the “Owner”). The LLC has a .005% interest in the Owner. SAGE Crotona owns fifteen percent of the LLC, and accordingly, has not consolidated the operations of the LLC into its financial statements. During the year ended June 30, 2018, SAGE Crotona earned development fees of \$15,225 which were recognized as other revenue in the accompanying statements of activities. Upon completion of the Project, the community center will be leased to SAGE Crotona for 15 years pursuant to a lease agreement executed on November 15, 2017. At the end of the 15-year lease term, SAGE Crotona will have the option to renew the lease or purchase the community center space.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 25, 2019, the date the financial statements were available to be issued.