



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

Years Ended June 30, 2019 and 2018

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 Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2019 AND 2018

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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 statements of financial position as of June 30, 2019 and 2018, 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 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 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 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 SAGE as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2O to the financial statements, during the year ended June 30, 2019, SAGE adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
February 25, 2020

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2C and 12)	\$ 2,475,385	\$ 5,013,893
Investments (Notes 2D, 2E, 4, and 5)	1,283,175	62,597
Contributions receivable, net (Notes 2F and 6)	1,411,350	1,358,960
Grants and contracts receivable (Note 2G)	3,226,366	2,468,231
Prepaid expenses and other assets	<u>566,151</u>	<u>371,050</u>
Total current assets	8,962,427	9,274,731
Non-current assets:		
Contributions receivable (Notes 2F and 6)	100,000	343,443
Security deposits	10,902	10,902
Deferred compensation assets (Notes 5 and 10)	180,124	148,109
Property and equipment, net (Notes 2H and 7)	<u>10,822,698</u>	<u>10,871,224</u>
TOTAL ASSETS	<u>\$ 20,076,151</u>	<u>\$ 20,648,409</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 714,421	\$ 611,844
Loan payable (Note 8)	<u>212,683</u>	<u>205,829</u>
Total current liabilities	927,104	817,673
Non-current liabilities:		
Loan payable, net (Note 8)	6,774,963	6,972,964
Deferred compensation (Notes 5 and 10)	180,124	148,109
Deferred rent (Note 2I)	<u>12,928</u>	<u>13,774</u>
TOTAL LIABILITIES	<u>7,895,119</u>	<u>7,952,520</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions :		
Operating	1,880,189	1,768,036
Net investment in property and equipment	3,835,052	3,692,431
Board-designated (Note 2B)	<u>2,566,579</u>	<u>3,604,611</u>
Total net assets without donor restrictions	8,281,820	9,065,078
With donor restrictions (Notes 2B and 9)	<u>3,899,212</u>	<u>3,630,811</u>
TOTAL NET ASSETS	<u>12,181,032</u>	<u>12,695,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,076,151</u>	<u>\$ 20,648,409</u>

The accompanying notes are an integral part of these financial statements.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
PUBLIC SUPPORT AND REVENUE:						
Government grants and contracts (Note 2G)	\$ 3,940,066	\$ -	\$ 3,940,066	\$ 4,046,161	\$ -	\$ 4,046,161
Contributions (Notes 2F and 2K)	3,976,422	2,765,972	6,742,394	2,481,770	4,085,184	6,566,954
Bequests (Note 2J)	715,421	-	715,421	1,516,821	-	1,516,821
Special events (net of direct expenses of \$516,750 and \$434,461, respectively) (Note 2K)	989,597	306,341	1,295,938	899,035	57,500	956,535
Partnership and membership dues	35,095	-	35,095	40,894	-	40,894
Program income and service fees	481,274	-	481,274	433,875	-	433,875
Investment return (Notes 2D and 4)	19,502	-	19,502	3,822	-	3,822
Other (Note 13)	184,931	-	184,931	172,731	-	172,731
Net assets released from restrictions (Notes 2B and 9)	2,803,912	(2,803,912)	-	1,453,277	(1,453,277)	-
TOTAL PUBLIC SUPPORT AND REVENUE	13,146,220	268,401	13,414,621	11,048,386	2,689,407	13,737,793
EXPENSES (Note 2M):						
Program services:						
Direct services	6,651,365	-	6,651,365	6,253,695	-	6,253,695
Public outreach	3,522,458	-	3,522,458	2,031,791	-	2,031,791
Total program services	10,173,823	-	10,173,823	8,285,486	-	8,285,486
Supporting services:						
Management and general	1,821,372	-	1,821,372	1,737,270	-	1,737,270
Fundraising	1,934,283	-	1,934,283	1,389,810	-	1,389,810
Total supporting services	3,755,655	-	3,755,655	3,127,080	-	3,127,080
TOTAL EXPENSES	13,929,478	-	13,929,478	11,412,566	-	11,412,566
CHANGE IN NET ASSETS	(783,258)	268,401	(514,857)	(364,180)	2,689,407	2,325,227
Net assets - beginning of year	9,065,078	3,630,811	12,695,889	9,429,258	941,404	10,370,662
NET ASSETS - END OF YEAR	\$ 8,281,820	\$ 3,899,212	\$ 12,181,032	\$ 9,065,078	\$ 3,630,811	\$ 12,695,889

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISexual AND TRANSGENDER ELDERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	Program Services			Supporting Services				
	Direct	Public	Total	Management		Total		
	Services	Outreach	Program	and	Fundraising	Supporting	Total	Total
			Services	General		Services	2019	2018
Salaries	\$ 3,077,451	\$ 1,185,604	\$ 4,263,055	\$ 282,303	\$ 684,444	\$ 966,747	\$ 5,229,802	\$ 4,814,193
Payroll taxes and employee benefits (Note 10)	811,607	312,053	1,123,660	74,302	180,046	254,348	1,378,008	1,195,498
Total salaries and related costs	3,889,058	1,497,657	5,386,715	356,605	864,490	1,221,095	6,607,810	6,009,691
Consulting (Note 2K)	874,938	650,599	1,525,537	261,706	411,114	672,820	2,198,357	1,929,208
Professional fees (Note 2K)	-	1,007,144	1,007,144	373,073	-	373,073	1,380,217	339,647
Occupancy (Note 11)	379,334	26,592	405,926	9,514	14,033	23,547	429,473	405,133
Food and entertainment	310,842	20	310,862	13,912	557,818	571,730	882,592	819,491
Printing	23,086	16,820	39,906	18,600	82,290	100,890	140,796	165,746
Transportation	103,394	79,783	183,177	142,420	62,525	204,945	388,122	251,047
Interest and bank charges (Note 8)	190,662	46,377	237,039	40,769	38,142	78,911	315,950	319,411
Postage, freight and courier	16,236	4,307	20,543	15,270	77,189	92,459	113,002	73,603
Supplies and decorations	103,890	8,993	112,883	4,870	4,086	8,956	121,839	148,777
Software	16,104	14,759	30,863	102,187	28,918	131,105	161,968	118,117
Individual, respite, supplemental and other program	189,936	-	189,936	4,927	-	4,927	194,863	52,862
Repairs and maintenance	55,595	15,470	71,065	3,669	7,967	11,636	82,701	77,227
Advertising (Note 2L)	13,773	37,824	51,597	7,073	197,033	204,106	255,703	44,110
Insurance	41,892	11,657	53,549	2,765	6,004	8,769	62,318	58,994
Telephone, fax, and internet	30,123	8,382	38,505	1,989	4,317	6,306	44,811	39,786
Equipment maintenance	14,918	4,151	19,069	986	2,138	3,124	22,193	23,187
Depreciation and amortization (Note 7)	356,156	49,408	405,564	29,352	42,812	72,164	477,728	482,567
Bad debt	-	-	-	309,107	-	309,107	309,107	364,659
Other	41,428	42,515	83,943	122,578	50,157	172,735	256,678	123,764
	6,651,365	3,522,458	10,173,823	1,821,372	2,451,033	4,272,405	14,446,228	11,847,027
Less: direct benefit to donors	-	-	-	-	(516,750)	(516,750)	(516,750)	(434,461)
TOTAL EXPENSES	\$ 6,651,365	\$ 3,522,458	\$ 10,173,823	\$ 1,821,372	\$ 1,934,283	\$ 3,755,655	\$ 13,929,478	\$ 11,412,566

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services			Supporting Services			
	Direct	Public	Total	Management		Total	
	Services	Outreach	Program	and	Fundraising	Supporting	Total
			Services	General		Services	
Salaries	\$ 2,656,302	\$ 1,102,804	\$ 3,759,106	\$ 447,936	\$ 607,151	\$ 1,055,087	\$ 4,814,193
Payroll taxes and employee benefits (Note 10)	657,370	272,917	930,287	114,956	150,255	265,211	1,195,498
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>
Consulting (Note 2K)	1,100,726	262,987	1,363,713	352,916	212,579	565,495	1,929,208
Professional fees (Note 2K)	53,887	13,886	67,773	265,012	6,862	271,874	339,647
Occupancy (Note 11)	354,201	28,191	382,392	10,193	12,548	22,741	405,133
Food and entertainment	320,428	8,703	329,131	1,408	488,952	490,360	819,491
Printing	30,982	9,729	40,711	10,823	114,212	125,035	165,746
Transportation	108,578	89,173	197,751	7,734	45,562	53,296	251,047
Interest and bank charges (Note 8)	182,592	56,801	239,393	44,362	35,656	80,018	319,411
Postage, freight and courier	20,246	15,873	36,119	3,834	33,650	37,484	73,603
Supplies and decorations	126,182	12,467	138,649	4,772	5,356	10,128	148,777
Software	77,032	21,238	98,270	9,352	10,495	19,847	118,117
Individual, respite, supplemental and other program	52,862	-	52,862	-	-	-	52,862
Repairs and maintenance	50,365	13,886	64,251	6,114	6,862	12,976	77,227
Advertising (Note 2L)	3,053	26,105	29,158	1,528	13,424	14,952	44,110
Insurance	38,474	10,607	49,081	4,671	5,242	9,913	58,994
Telephone, fax, and internet	25,947	7,154	33,101	3,150	3,535	6,685	39,786
Equipment maintenance	15,122	4,169	19,291	1,836	2,060	3,896	23,187
Depreciation and amortization (Note 7)	347,725	62,462	410,187	32,384	39,996	72,380	482,567
Bad debt	-	-	-	364,659	-	364,659	364,659
Other	31,621	12,639	44,260	49,630	29,874	79,504	123,764
	<u>6,253,695</u>	<u>2,031,791</u>	<u>8,285,486</u>	<u>1,737,270</u>	<u>1,824,271</u>	<u>3,561,541</u>	<u>11,847,027</u>
Less: direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434,461)</u>	<u>(434,461)</u>	<u>(434,461)</u>
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>

The accompanying notes are an integral part of these financial statements.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (514,857)	\$ 2,325,227
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	477,728	482,567
Noncash interest expense	15,294	15,293
Bad debt	309,107	364,659
Unrealized and realized (gain) loss on investments	(10,105)	2,847
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions receivable	5,144	(694,242)
Grants and contracts receivable	(881,333)	(732,835)
Prepaid expenses and other assets	(195,101)	(74,207)
Security deposits	-	12,595
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	102,577	144,911
Deferred revenue	-	(37,500)
Deferred rent	(846)	6,799
Net Cash (Used in) Provided by Operating Activities	<u>(692,392)</u>	<u>1,816,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,210,473)	(115,494)
Proceeds from sales of investment	-	193,106
Purchases of property and equipment	(429,202)	(54,827)
Net Cash (Used in) Provided by Investing Activities	<u>(1,639,675)</u>	<u>22,785</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loan payable	(206,441)	(215,707)
Net Cash Used in Financing Activities	<u>(206,441)</u>	<u>(215,707)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,538,508)	1,623,192
Cash and Cash Equivalents - beginning of year	<u>5,013,893</u>	<u>3,390,701</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,475,385</u>	<u>\$ 5,013,893</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 269,574</u>	<u>\$ 277,493</u>

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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:

- Net assets without donor restrictions - These represent the portion of net assets of SAGE that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor.
- Net assets with donor restrictions - These consist of 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 and donor-restricted endowment funds. When stipulations end or are fulfilled or endowment earnings are appropriated, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions.

SAGE maintains four Board-designated funds which are included with net assets without donor restrictions. 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, 2019 AND 2018**

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, the balances in Board-designated funds are as follows:

	<u>2019</u>	<u>2018</u>
Working capital reserve	\$ 250,000	\$ 894,327
Operating reserve	1,148,343	1,037,540
Building and capital asset reserve	200,000	200,000
Strategic plan and opportunity reserve	<u>968,236</u>	<u>1,472,744</u>
	<u>\$ 2,566,579</u>	<u>\$ 3,604,611</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 5.

F. *Contributions and Contributions Receivable*

Contributions are recorded as increases in net assets without donor restrictions and net assets with donor restrictions 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, 2019 and 2018, SAGE determined that an allowance of \$50,000 and \$0 was necessary for its contributions receivable.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 a 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, 2019 and 2018, SAGE received donated legal services amounting to \$1,307,547 and \$386,868, 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, 2019 and 2018, amounted to \$255,703 and \$44,110, 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. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort, as well as occupancy, utilities, depreciation, and interest expense, which are allocated based on square footage estimates.

**SERVICES AND ADVOCACY FOR GAY, LESBIAN,
BISEXUAL AND TRANSGENDER ELDERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. *Change in Accounting Principle*

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquidity of resources and functional expense allocation. These changes had no impact on the change in net assets for the year ended June 30, 2018. Net assets as of June 30, 2018 were renamed to conform to the current year presentation.

P. *Reclassification*

Certain line items in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES

SAGE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SAGE considers all expenditures related to its ongoing programs and supporting services to be general expenditures.

As more fully described in Note 2B, SAGE has four Board-designated funds which are not available for general use. Additionally, as further described in Note 11C, SAGE has access to a \$750,000 line of credit which can be used for general operations.

Financial assets available for general expenditure within one year from the statement of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30, 2019:

Cash	\$ 2,475,385
Investments	1,283,175
Contributions receivable, net	1,511,350
Grants and contracts receivable	<u>3,226,366</u>
Total financial assets	8,496,276
Less: Board-designated net assets	(2,566,579)
Less: Donor-restricted net assets	<u>(3,899,212)</u>
	<u>\$ 2,030,485</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
U.S. government and agency securities	\$ 27,979	\$ 62,597
Certificates of deposit	<u>1,255,196</u>	<u>-</u>
	<u>\$ 1,283,175</u>	<u>\$ 62,597</u>

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NOTE 4 – INVESTMENTS (Continued)

Investment return consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 9,547	\$ 6,819
Unrealized and realized gain (loss)	10,105	(2,847)
Less: investment fees	(150)	(150)
	<u>\$ 19,502</u>	<u>\$ 3,822</u>

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

NOTE 5 – 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.

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

Investments in U.S. government and agency securities and certificates of deposit 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, 2019 and 2018, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2019 are classified as Level 1 in the table as follows:

	<u>Level 1 - 2019</u>	<u>Level 1 - 2018</u>
ASSETS CARRIED AT FAIR VALUE:		
Investments:		
U.S. government and agency securities	\$ 27,979	\$ 62,597
Certificates of deposit	1,255,196	-
Deferred compensation plan assets:		
Mutual funds	<u>180,124</u>	<u>148,109</u>
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 1,463,299</u>	<u>\$ 210,706</u>

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NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,411,350	\$ 1,358,960
One to five years	<u>100,000</u>	<u>343,443</u>
	<u>\$ 1,511,350</u>	<u>\$ 1,702,403</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Building and improvements	\$ 12,105,367	\$ 12,105,367	30 years
Leasehold improvements	468,176	468,176	10 years
Furniture and equipment	686,537	647,384	5 years
Software	855,300	855,300	5 years
Construction in progress	<u>390,049</u>	<u>-</u>	5 years
	14,505,429	14,076,227	
Less: Accumulated depreciation and amortization	<u>(3,682,731)</u>	<u>(3,205,003)</u>	
	<u>\$ 10,822,698</u>	<u>\$ 10,871,224</u>	

For the years ended June 30, 2019 and 2018, depreciation and amortization expense amounted to \$477,728 and \$482,567, respectively. As of June 30, 2019, construction in progress represents the construction of the Stonewall House. The estimated cost to complete this project will be approximately \$2.6 million.

NOTE 8 – 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>2019</u>	<u>2018</u>
Loan payable	\$ 7,334,302	\$ 7,540,743
Less: deferred financing costs	<u>(346,656)</u>	<u>(361,950)</u>
	<u>\$ 6,987,646</u>	<u>\$ 7,178,793</u>

Future annual principal payments for the years ending after June 30, 2019, are as follows:

2020	\$ 212,683
2021	221,232
2022	229,374
2023	237,815
2024	245,938
Thereafter	<u>6,187,260</u>
	<u>\$ 7,334,302</u>

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NOTE 8 – LOAN PAYABLE (Continued)

Interest expense, including amortization of deferred financing costs, amounted to \$284,868 and \$292,786 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Housing	\$ 1,965,834	\$ 2,012,500
Advocacy	625,000	479,167
Care management	15,000	200,418
Restricted for use in future periods	730,168	541,434
Other	<u>563,210</u>	<u>397,292</u>
	<u>\$ 3,899,212</u>	<u>\$ 3,630,811</u>

Net assets released from restrictions amounted to \$2,803,912 and \$1,453,277 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 – 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, 2019 and 2018, SAGE contributed such matching contributions amounting to \$133,934 and \$130,469, respectively.
- B. SAGE has a 457(b) deferred compensation plan covering a key management employee. The plan's assets and liabilities are reflected on the accompanying statements of financial position as deferred compensation assets and deferred compensation liability.

NOTE 11 – 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:

2020	\$ 57,223
2021	58,653
2022	60,120
2023	<u>20,204</u>
	<u>\$ 196,200</u>

Total rent expenses for SAGE amounted to \$391,705 and \$350,035 for the years ended June 30, 2019 and 2018, respectively, and are included in occupancy on the accompanying statements of functional expenses.

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NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2019 and 2018, and at February 25, 2020, there were no borrowings.

D. *Other Contingencies*

From time to time, there may be various claims arising in the normal conduct of SAGE’s business. Management and legal counsel believe the ultimate resolution of these claims will not have a material impact on the financial position and changes in net assets of SAGE.

E. *Income Tax*

SAGE believes it has no uncertain income tax positions as of June 30, 2019 and 2018, 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 12 – 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 \$2.3 million and \$4.1 million as of June 30, 2019 and 2018, respectively.

NOTE 13 – RELATED-PARTY TRANSACTIONS

In 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 HELP Crotona Park Managing Member LLC (“Managing Member LLC”) to manage the development of a seven-story mixed use building including a community center (the “Project”), eligible for Internal Revenue Code Section 42 federal low-income housing tax credits. The Project’s beneficial owner is an unrelated third-party, HELP Crotona Park LLC (the “Owner”). Managing Member LLC has a .005% interest in the Owner. SAGE Crotona owns fifteen percent of Managing Member LLC, and accordingly, has not consolidated the operations of Managing Member 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 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 25, 2020, the date the financial statements were available to be issued.