

**RICHMOND GAY
COMMUNITY FOUNDATION
FINANCIAL STATEMENTS**

December 31, 2008

TABLE OF CONTENTS

| | |
|---|-------------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statement of Financial Position | 3-4 |
| Statement of Activities and Changes in Net Assets | 5 |
| Statement of Functional Expenses | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8-10 |



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Richmond Gay Community Foundation
Richmond, Virginia

We have audited the accompanying statement of financial position of Richmond Gay Community Foundation as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Foundation has kept its records and has prepared its financial statements for previous years on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenues and the related assets were recognized when received rather than when earned, and expenses were recognized when paid rather than when obligations were incurred. As described in Note 8 to the financial statements, the Foundation has adopted the accrual basis of accounting as of the beginning of the current year. Although appropriate adjustments have been made to net assets as of that date, it was not practicable to determine what adjustments would be necessary in the financial statements of the preceding year to retrospectively adjust results of operations and cash flows to conform with the accounting principles used in the current year.

As described in Note 2, the Foundation has not recorded the fair value of donated goods sold through its thrift store operation. In our opinion, accounting principles generally accepted in the United States of America require that the fair value of such donated goods be included in the statement of financial position and statement of activities. The effect of this departure from accounting principles generally accepted in the United States of America on the financial position, activities, and cash flows has not been determined.

3800 PATTERSON AVENUE • RICHMOND, VIRGINIA 23221-2000

PHONE (804) 358-1150 • FAX (804) 358-7116

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Richmond Gay Community Foundation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Wells, Coleman & Company, L.L.P.

August 24, 2009

RICHMOND GAY COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 28,156 | \$ - | \$ 28,156 |
| Cash - Board designated funds | <u>289,000</u> | <u>-</u> | <u>289,000</u> |
| Total cash | 317,156 | - | 317,156 |
| Grants receivable | <u>8,000</u> | <u>22,500</u> | <u>30,500</u> |
| Total current assets | <u>325,156</u> | <u>22,500</u> | <u>347,656</u> |
| Property and Equipment | | | |
| Land | 251,000 | - | 251,000 |
| Land improvements | 2,400 | - | 2,400 |
| Building | 1,617,732 | - | 1,617,732 |
| Automobiles | 32,450 | - | 32,450 |
| Furniture and fixtures | <u>92,246</u> | <u>-</u> | <u>92,246</u> |
| | 1,995,828 | - | 1,995,828 |
| Accumulated depreciation | <u>(109,986)</u> | <u>-</u> | <u>(109,986)</u> |
| Net property and equipment | <u>1,885,842</u> | <u>-</u> | <u>1,885,842</u> |
| Other Assets | | | |
| Real estate under renovation | 137,732 | - | 137,732 |
| Deposits | 940 | - | 940 |
| Loan costs, net of accumulated amortization of \$11,203 | <u>6,139</u> | <u>-</u> | <u>6,139</u> |
| Total other assets | <u>144,811</u> | <u>-</u> | <u>144,811</u> |
| | <u>\$ 2,355,809</u> | <u>\$ 22,500</u> | <u>\$ 2,378,309</u> |

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|---------------------|
| Current Liabilities | | | |
| Current portion of long-term debt | \$ 915,458 | \$ - | \$ 915,458 |
| Bingo prizes payable | 73,864 | - | 73,864 |
| Accounts payable | 23,287 | - | 23,287 |
| Accrued expenses | <u>25,072</u> | <u>-</u> | <u>25,072</u> |
| Total current liabilities | 1,037,681 | - | 1,037,681 |
| Long-Term Liabilities | | | |
| Long-term debt | <u>439,039</u> | <u>-</u> | <u>439,039</u> |
| Total liabilities | <u>1,476,720</u> | <u>-</u> | <u>1,476,720</u> |
| Net Assets | <u>879,089</u> | <u>22,500</u> | <u>901,589</u> |
| | <u>\$ 2,355,809</u> | <u>\$ 22,500</u> | <u>\$ 2,378,309</u> |

RICHMOND GAY COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| Revenues | | | |
| Sales of donated merchandise | \$ 513,616 | \$ - | \$ 513,616 |
| Bingo revenue, net of expenses | 368,456 | - | 368,456 |
| Concession revenue, net of expenses | (3,141) | - | (3,141) |
| Contributions | 30,999 | - | 30,999 |
| Events revenue, net of expenses | 4,559 | - | 4,559 |
| Interest income | 260 | - | 260 |
| Other income | 57,654 | - | 57,654 |
| Net assets released from restrictions | <u>77,500</u> | <u>(77,500)</u> | <u>-</u> |
| Total revenues | <u>1,049,903</u> | <u>(77,500)</u> | <u>972,403</u> |
| Expenses | | | |
| Program services | 862,803 | - | 862,803 |
| Management and general | 87,200 | - | 87,200 |
| Fundraising | <u>83,941</u> | <u>-</u> | <u>83,941</u> |
| Total expenses | <u>1,033,944</u> | <u>-</u> | <u>1,033,944</u> |
| Unrelated Business Income Taxes | <u>2,935</u> | <u>-</u> | <u>2,935</u> |
| Change in net assets | <u>13,024</u> | <u>(77,500)</u> | <u>(64,476)</u> |
| Net Assets, beginning of year, as previously stated | 897,497 | - | 897,497 |
| Prior period adjustments | <u>(31,432)</u> | <u>100,000</u> | <u>68,568</u> |
| Net Assets, beginning of year, restated | <u>866,065</u> | <u>100,000</u> | <u>966,065</u> |
| Net Assets, end of year | <u>\$ 879,089</u> | <u>\$ 22,500</u> | <u>\$ 901,589</u> |

See accompanying notes to financial statements.

RICHMOND GAY COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|-------------------------|----------------------------|
| Salaries | \$ 347,542 | \$ 27,378 | \$ 24,715 | \$ 399,635 |
| Payroll taxes | 34,310 | 2,094 | 1,891 | 38,295 |
| Employee benefits | <u>30,181</u> | <u>3,054</u> | <u>2,514</u> | <u>35,749</u> |
| Total salaries and related expenses | 412,033 | 32,526 | 29,120 | 473,679 |
| Grants | 85,395 | - | - | 85,395 |
| Advertising | 15,953 | - | - | 15,953 |
| Copying and printing | 1,161 | 215 | 776 | 2,152 |
| Postage and shipping | 526 | 59 | - | 585 |
| Supplies | 24,718 | 2,748 | - | 27,466 |
| Insurance | 9,372 | 1,041 | - | 10,413 |
| Interest expense | 79,278 | 8,809 | - | 88,087 |
| Conferences and meetings | 469 | 52 | - | 521 |
| Taxes and licenses | 28,447 | 3,161 | - | 31,608 |
| Professional fees | 17,591 | 17,591 | - | 35,182 |
| Consulting fees | - | - | 49,545 | 49,545 |
| Mailings | - | - | 4,500 | 4,500 |
| Bank charges | 11,755 | 1,306 | - | 13,061 |
| Maintenance and repair | 31,792 | 3,533 | - | 35,325 |
| Utilities | 82,419 | 9,158 | - | 91,577 |
| Vehicle | 35,781 | 3,976 | - | 39,757 |
| Volunteers | 182 | - | - | 182 |
| Depreciation and amortization | 19,424 | 2,302 | - | 21,726 |
| Other | <u>6,507</u> | <u>723</u> | <u>-</u> | <u>7,230</u> |
| Total expenses | <u>\$ 862,803</u> | <u>\$ 87,200</u> | <u>\$ 83,941</u> | <u>\$ 1,033,944</u> |

See accompanying notes to financial statements.

RICHMOND GAY COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

Cash Flows from Operating Activities

| | |
|---|---------------|
| Change in net assets | \$ (64,476) |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities | |
| Depreciation and amortization | 59,389 |
| (Increase) decrease in operating assets | |
| Grants receivable | 69,500 |
| Increase (decrease) in operating liabilities | |
| Accounts payable | 1,213 |
| Bingo prizes payable | 49,105 |
| Accrued expenses | <u>15,364</u> |

Net cash and cash equivalents provided by operating activities

130,095

Cash Flows from Investing Activities

| | |
|--|-----------------|
| Proceeds from legal settlement related to building acquisition | 271,032 |
| Purchase of property and equipment | <u>(55,833)</u> |

Net cash and cash equivalents provided by investing activities

215,199

Cash Flows from Financing Activities

| | |
|-------------------------------------|-----------------|
| Principal payments on notes payable | <u>(75,702)</u> |
|-------------------------------------|-----------------|

Net cash and cash equivalents used by financing activities

(75,702)

Increase in cash and cash equivalents

269,592

Cash and Cash Equivalents, beginning of year

47,564

Cash and Cash Equivalents, end of year

\$ 317,156

Supplementary Disclosures of Cash Flow Information

| | |
|--|-----------|
| Cash paid during the year for interest | \$ 88,087 |
| Cash paid during the year for income taxes | \$ 2,415 |

See accompanying notes to financial statements.

RICHMOND GAY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. Purpose of the Foundation

Richmond Gay Community Foundation is a nonprofit corporation established under the laws of the Commonwealth of Virginia. It is a nonpartisan organization with the purpose of improving the lives of lesbian, gay, bisexual, and transgender people through funding and education. The Foundation raises funds through the operation of a thrift shop and bingo games at its facilities in Richmond, Virginia.

2. Summary of Significant Accounting Policies

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under those provisions, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be filled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the Foundation maintain them permanently. The donors of such assets permit the Foundation to use the income earned on the assets.

Acquisition and Sale of Donated Goods: The Foundation does not record the fair value of goods donated to its thrift shop for the purpose of determining the value of contributions received, inventory of thrift store merchandise, or the cost of sales of thrift store merchandise sold. Revenue from the sale of thrift store merchandise is recorded upon the sale of the related goods.

Income Taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to unrelated business income taxes on certain rental activities, including rental of space within its building. Tax liabilities arising from these activities have been accrued as of December 31, 2008.

Cash and Cash Equivalents: The Foundation considers all investments with a maturity of three months or less when purchased to be cash equivalents. The Board has designated a portion of the Foundation's cash and cash equivalents to fund building renovations. These funds are unrestricted and the designation is made solely at the discretion of the Foundation's Board.

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the useful lives of the assets. During 2007, management identified idle equipment with a book value of approximately \$11,600 which is being held for sale. Depreciation has not been recognized on this asset.

RICHMOND GAY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

2. Summary of Significant Accounting Policies - Continued

Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

3. Long-Term Debt

Long-term debt consists of the following:

| | |
|---|------------|
| Note payable, bank, due monthly at \$5,423 including interest at 4.99%, until May 2009, at which time the unpaid balance is due in full, plus all accrued or unpaid interest. Loan is secured by a deed of trust on real estate and all assets of the Foundation. | \$ 526,030 |
|---|------------|

| | |
|---|---------|
| Note payable, bank, due monthly at \$3,731 including interest at 6.81%, until May 2009, at which time the unpaid balance is due in full, plus all accrued or unpaid interest. Loan is secured by a deed of trust on real estate and all assets of the Foundation. | 369,384 |
|---|---------|

| | |
|---|---------|
| Note payable, bank, due monthly at \$4,479, including interest at 7.49%, until August 2010, at which time the unpaid balance is due in full, plus all accrued or unpaid interest. Loan is secured by a deed of trust on real estate and all assets of the the Foundation. | 459,083 |
|---|---------|

| | |
|-----------------|--------------------------------------|
| Current portion | <u>1,354,497</u> <u>(915,458)</u> |
| | <u>\$ 439,039</u> |

Long-term debt repayment requirements in the succeeding years are as follows:

| | |
|------|------------|
| 2009 | \$ 915,458 |
| 2010 | \$ 439,039 |

RICHMOND GAY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

4. Income Taxes

The Foundation is exempt from income taxes on revenues generated from its tax-exempt functions pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation receives revenue through the rental of its real estate to other organizations. This revenue is subject to unrelated business income tax. Total unrelated business income tax expense for 2008 totaling \$2,935 is included in accrued expenses in the statement of financial position.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of grants receivable for which the grantors have designated to be expended for facility renovations.

6. Contributed Services

A significant number of unpaid volunteers have made contributions of their time to aid the Foundation in its activities. The value of this contributed time is not reflected in these statements.

7. Concentration of Credit Risk

At various times during the year, the Foundation had cash balances on deposit with banks in excess of federally insured limits.

8. Prior Period Adjustment

Beginning net assets have been restated to include the effect of converting the Foundation's basis for reporting from the cash basis to the accrual method of accounting. This change was made at the discretion of the Foundation's Board in order to better meet the needs of the users of the financial statements, including prospective donors.

9. Subsequent Events

Subsequent to the date of the financial statements, the Foundation refinanced all of its debt outstanding at December 31, 2008. The new loan obligation totals \$1,358,117 and requires payments of \$9,443 including interest at 5.55% per annum. The note is secured by a deed of trust covering real estate owned by the Foundation. The note is payable in full on February 15, 2014.