

**RICHMOND GAY COMMUNITY  
FOUNDATION**

**Financial Statements**

**December 31, 2011 and 2010**

*doing business as*

Gay Community Center of Richmond

Diversity Thrift

Diversity Bingo

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# Steve Walls & Associates, PLLC

■ Certified Public Accountant ■ Certified Fraud Examiner ■ Certified in Financial Forensics



## Independent Auditors' Report

To the Board of Directors  
Richmond Gay Community Foundation  
Richmond, Virginia

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of the Richmond Gay Community Foundation (hereafter "the Organization") as of December 31, 2011 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended (collectively hereafter "the financial statements"). These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Organization's financial statements as of and for the year ended December 31, 2010 were audited by other auditors whose report thereon dated September 26, 2011 expressed an unqualified opinion on those financial statements.

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.

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Richmond Gay Community Foundation as of December 31, 2011 and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Steve Walls & Associates, PLLC*

Glen Allen, Virginia  
November 6, 2012

**Richmond Gay Community Foundation**

**Statements of Financial Position**

**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 47,532	\$ 48,276
Cash - Board designated funds	157,282	190,717
<b>Total cash and cash equivalents</b>	<b>204,814</b>	<b>238,993</b>
Accounts receivable	4,301	15,545
Thrift store inventory	82,836	95,609
Grants receivable	2,000	4,000
<b>Total current assets</b>	<b>293,951</b>	<b>354,147</b>
Property and equipment, net	1,951,848	2,022,137
Other assets	13,771	14,631
<b>Total assets</b>	<b>\$ 2,259,570</b>	<b>\$ 2,390,915</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,770	\$ 83,880
Bingo prizes payable	26,533	69,709
Deposits held	2,525	7,500
Current portion of long-term debt	44,189	41,965
Current portion of leases payable	3,688	4,380
<b>Total current liabilities</b>	<b>98,705</b>	<b>207,434</b>
Long-term liabilities		
Long-term portion of debt	1,201,057	1,245,247
Long-term portion of leases payable	-	3,791
<b>Total long-term liabilities</b>	<b>1,201,057</b>	<b>1,249,038</b>
<b>Total liabilities</b>	<b>1,299,762</b>	<b>1,456,472</b>
Net assets		
Unrestricted	950,795	926,849
Temporarily restricted	9,013	7,594
<b>Total net assets</b>	<b>959,808</b>	<b>934,443</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,259,570</b>	<b>\$ 2,390,915</b>

See accompanying notes to financial statements.



**Richmond Gay Community Foundation**

**Statements of Activities and Changes in Net Assets**  
**Years ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
Revenues		
Sales of donated merchandise	\$ 711,600	\$ 638,007
Bingo revenues, net	196,913	162,740
Contributions	17,668	21,236
Events revenue, net	3,793	2,578
Interest income	425	930
Rental income - Bingo	45,874	84,460
Rental income - Billboard	39,008	25,912
Rental income - Other	8,015	4,847
Vending, net	5,526	13,519
Other income, net	3,678	24,567
Net assets released from temporary restrictions	7,594	10,928
<b>Total revenues</b>	<b>1,040,094</b>	<b>989,724</b>
Expenses		
Program services	832,802	826,727
Management and general	110,173	103,338
Fundraising	80,767	71,442
<b>Total expenses</b>	<b>1,023,742</b>	<b>1,001,507</b>
Temporarily restricted contributions	9,013	7,594
Change in net assets	25,365	(4,189)
Net assets, beginning of year	934,443	938,632
Net assets, end of year	<u>\$ 959,808</u>	<u>\$ 934,443</u>

See accompanying notes to financial statements.

**Richmond Gay Community Foundation**

**Statement of Functional Expenses**

**Year ended December 31, 2011**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 392,395	\$ 48,966	\$ 44,400	\$ 485,761
Payroll taxes	35,749	4,521	4,126	44,396
Employee benefits	57,873	11,136	7,754	76,763
<b>Total salaries and related expenses</b>	<b>486,017</b>	<b>64,623</b>	<b>56,280</b>	<b>606,920</b>
Advertising	3,262	60	20	3,342
Bank charges	19,389	570	(10)	19,949
Conferences and meetings	1,098	1,846	-	2,944
Copying and printing	861	-	263	1,124
Depreciation and amortization	41,044	6,224	3,112	50,380
Fundraising event expenses	-	-	7,634	7,634
Grants and contributions	25,350	-	-	25,350
Insurance	12,579	1,206	603	14,388
Interest	62,036	7,953	3,567	73,556
Maintenance and repair	35,837	4,481	2,043	42,361
Other	2,674	2,087	(99)	4,662
Postage and delivery	441	238	264	943
Professional fees	13,048	5,264	-	18,312
Rent	20,504	-	-	20,504
Supplies	4,298	584	278	5,160
Taxes and licenses	13,901	5,928	702	20,531
Utilities	73,562	9,000	6,110	88,672
Vehicle	16,901	109	-	17,010
<b>Total functional expenses</b>	<b>\$ 832,802</b>	<b>\$ 110,173</b>	<b>\$ 80,767</b>	<b>\$ 1,023,742</b>

See accompanying notes to financial statements.

**Richmond Gay Community Foundation**

**Statement of Functional Expenses**

**Year ended December 31, 2010**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 384,720	\$ 48,620	\$ 42,184	\$ 475,524
Payroll taxes	30,747	3,714	2,898	37,359
Employee benefits	38,853	4,412	5,592	48,857
<b>Total salaries and related expenses</b>	<b>454,320</b>	<b>56,746</b>	<b>50,674</b>	<b>561,740</b>
Advertising	5,947	387	595	6,929
Bank charges	17,900	457	43	18,400
Conferences and meetings	110	362	225	697
Copying and printing	3,594	173	1,240	5,007
Depreciation and amortization	22,947	3,000	3,000	28,947
Fundraising event expenses	345	-	516	861
Grants and contributions	51,300	-	-	51,300
Insurance	15,375	2,926	721	19,022
Interest	61,244	7,343	3,558	72,145
Loss on disposal of fixed assets	2,175	-	-	2,175
Maintenance and repair	43,370	4,783	2,656	50,809
Other	4,758	216	550	5,524
Postage and delivery	220	260	405	885
Professional fees	15,049	6,547	77	21,673
Rent	5,520	-	-	5,520
Supplies	8,579	1,557	654	10,790
Taxes and licenses	10,540	5,490	890	16,920
Utilities	85,525	8,680	5,589	99,794
Vehicle	17,909	4,411	49	22,369
<b>Total functional expenses</b>	<b>\$ 826,727</b>	<b>\$ 103,338</b>	<b>\$ 71,442</b>	<b>\$ 1,001,507</b>

See accompanying notes to financial statements.



**Richmond Gay Community Foundation**

**Statements of Cash Flows**

**Years ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
Cash Flows From Operating Activities		
Change in net assets	\$ 25,365	\$ (4,189)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	84,513	68,535
Loss on sale of property and equipment	-	2,175
(Increase) decrease in operating assets:		
Thrift store inventory	12,773	(16,769)
Accounts receivable	11,244	(15,545)
Grants receivable	2,000	2,000
Other assets	(1,864)	(2,678)
Increase (decrease) in operating liabilities:		
Bingo prizes payable	(43,176)	8,330
Deposits	(4,975)	2,000
Grants payable	-	(25,900)
Accounts payable and accrued expenses	(62,110)	36,014
<b>Net cash provided by operating activities</b>	<u>23,770</u>	<u>53,973</u>
Cash Flows From Investing Activities		
Proceeds from sales of property and equipment	-	1,051
Purchases of property and equipment	(11,500)	(47,290)
<b>Net cash used by investing activities</b>	<u>(11,500)</u>	<u>(46,239)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(41,965)	(39,674)
Principal payments on leases payable	(4,484)	(3,690)
<b>Net cash used by financing activities</b>	<u>(46,449)</u>	<u>(43,364)</u>
<b>Decrease in cash and cash equivalents</b>	(34,179)	(35,630)
Cash and cash equivalents, beginning of year	238,993	274,623
Cash and cash equivalents, end of year	<u>\$ 204,814</u>	<u>\$ 238,993</u>

See accompanying notes to financial statements.



## Richmond Gay Community Foundation

### Notes to Financial Statements

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#### Note 1—Purpose of the Organization

The Richmond Gay Community Foundation ("the Organization") is a non-profit corporation established under the laws of the Commonwealth of Virginia. The Organization is a nonpartisan organization with the purpose of improving the lives of lesbian, gay, bisexual, and transgender people. The Organization conducts its operations as the Gay Community Center of Richmond and raises funds through the operation of a thrift shop (dba Diversity Thrift) and bingo games (dba Diversity Bingo) at its facilities in Richmond, Virginia.

#### Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation: The Organization's financial statements follow the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not maintain permanently restricted net assets. As of December 31, 2011 and 2010, the Organization maintained \$9,013 and \$7,594, respectively, in temporarily restricted net assets to be used for program purposes and capital improvements, respectively.

Inventory: The Organization receives contributions of goods (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Accounting principles generally accepted in the United States of America require that contributions received be recognized as revenues in the period received and as assets or decreases of liabilities or expenses depending on the form of the benefits received. Contributions are measured at their estimated fair value.

The Organization believes that the inventory of contributed goods does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, inventory quantities are valued at year-end and the difference between year-end inventory valuations is shown on the statement of activities as a change in year-end inventory valuation.

Income Taxes: As evidenced by its tax determination letter dated April 26, 2004, the Organization is exempt from Federal income tax under Sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code. The Association files Form 990, *Return of Organization Exempt from Income Taxes*, on an annual basis, and is subject to unrelated business income taxes on certain rental activities. For the years ended December 31, 2011 and 2010, the Organization incurred gross income tax expense of \$2,739 and \$9,110, respectively, for those activities. The Organization is also eligible for the Small Business Health Care Tax Credit as enacted by the Patient Protection and Affordable Care Act. For the years ended December 31, 2011 and 2010, the Organization's tax credit amounted to \$6,208 and \$3,776, respectively. For purposes of the statements of cash flows, the Organization paid \$3,685 and \$197, respectively, in taxes during the years ended December 31, 2011 and 2010.



## Richmond Gay Community Foundation

### Notes to Financial Statements

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#### Note 2—Summary of Significant Accounting Policies (continued)

Income Taxes (continued): With limited exceptions, the Association's Form 990 is open to examination by the Internal Revenue Service for its 2008 through 2011 tax years. In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements.

Cash and Cash Equivalents: The Organization 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 Organization's cash and cash equivalents to fund building renovations and for operating contingencies. These funds are unrestricted and the designation is made solely at the discretion of the Organization's Board. In addition, the Organization's bingo activities are regulated by the Virginia Department of Agriculture and Consumer Services – Division of Charitable Gaming which requires that bingo proceeds be maintained in separate accounts and be sufficient to fund outstanding jackpot awards; as such, as of December 31, 2011 and 2010, \$26,642 and \$29,605 of the Organization's cash and cash equivalents were segregated for such purposes.

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. Useful lives range from 3 to 40 years. Depreciation expense for the years ended December 31, 2011 and 2010 was \$81,590 and \$65,612, respectively. A portion of this expense is allocated to bingo revenues on the statements of activities.

Advertising Costs: Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2011 and 2010 were \$3,342 and \$6,929, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### Note 3—Property and Equipment

The Organization's property and equipment as of December 31, 2011 and 2010 was as follows:

	2011	2010
Land	\$ 251,000	\$ 251,000
Land improvements	8,053	2,400
Building and building improvements	1,833,423	1,823,553
Leasehold improvements	25,209	25,209
Automobile	29,450	29,450
Furniture and fixtures	100,585	118,275
	2,247,720	2,249,887
Less: accumulated depreciation and amortization	(295,872)	(227,750)
Net property and equipment	<u>\$ 1,951,848</u>	<u>\$ 2,022,137</u>

## Richmond Gay Community Foundation

### Notes to Financial Statements

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#### Note 3—Property and Equipment (continued)

During the year ended December 31, 2011 the Organization disposed of fully depreciated property and equipment with an original cost of \$13,468. For real estate tax purposes, the Organization qualifies for a rehabilitation credit from the City of Richmond which amounted to \$11,572 for 2011 and 2010.

#### Note 4—Indebtedness

The Organization's indebtedness as of December 31, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Note payable to bank, due monthly at \$9,444, including interest at 5.55%, until February 2014, at which time the unpaid balance is due in full, plus all accrued or unpaid interest. Secured by a deed of trust on real estate and funds on deposit with the bank	\$ 1,245,246	\$ 1,287,212
Less: current portion	<u>(44,189)</u>	<u>(41,965)</u>
	<u>\$ 1,201,057</u>	<u>\$ 1,245,247</u>

For purposes of the statements of cash flows, interest payments amounted to \$71,357 and \$70,478 for the years ended December 31, 2011 and 2010 respectively.

Long-term debt repayment requirements are as follows:

<u>Years Ending December 31:</u>	<u>Amount</u>
2012	\$ 44,189
2013	46,940
2014	<u>1,154,118</u>
Total	<u>\$ 1,245,247</u>

Collateral for the aforementioned indebtedness includes the Organization's land, land improvements, building and building improvements (see Note 3). In 2009, the Organization incurred loan fees in the amount of \$14,616 which are being amortized over the life of the loan (5 years) using the straight-line method. Amortization expense for these loan fees amounted to \$2,923 for each of the years ended December 31, 2011 and 2010.



## **Richmond Gay Community Foundation**

### **Notes to Financial Statements**

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#### **Note 5—Capital Leases**

The Organization has acquired equipment under the provisions of long-term leases with original terms of three years. For financial reporting purposes, the present value of minimum lease payments relating to the equipment has been capitalized.

All capitalized leases mature in 2012. Future minimum lease payments under these non-cancellable leases are \$3,990 of which \$282 represents future interest.

For purposes of the statements of cash flows, the Organization paid \$931 and \$1,667, respectively, in interest on the aforementioned leases during the years ended December 31, 2011 and 2010.

Collateral for the aforementioned capital leases includes equipment with a net book value at December 31, 2011 of \$8,501.

#### **Note 6—Operating Lease**

Rent expense for the Organization's thrift store in the Fan District of Richmond for the years ended December 31, 2011 (twelve months) and 2010 (four months) was \$20,504 and \$5,520, respectively. The Organization's lease for this space expired on September 30, 2012 and was not renewed.

#### **Note 7—Contributed Services**

The Organization is the grateful recipient of significant services by unpaid volunteers who have made invaluable contributions of their time and talents to aid the Organization in its mission. Predominantly, volunteers provide services in the Organization's thrift store operation, its bingo operation or as Board or committee members. As the value of such services is not subject to accurate measurement, pursuant to ASC Topic 958-605, *Revenue Recognition*, of the Codification, the value of these contributed services is not reflected in the accompanying financial statements.

#### **Note 8—Concentrations of Credit Risk**

At various times during the year, the Organization has cash balances on deposit with its commercial bank in excess of federally insured limits.

#### **Note 9—Related Party Transactions**

During 2010, an entity owned by the spouse of a Board member was contracted by the Organization to provide construction services for the Organization's satellite thrift store and was compensated \$4,609 for such services. The Organization is of the belief that these services were acquired at or below prevailing market rates.

## **Richmond Gay Community Foundation**

### **Notes to Financial Statements**

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#### **Note 10—Subsequent Events**

Management has evaluated events occurring subsequent to the date of the financial statements through November 6, 2012, the date which the financial statements were available for issuance, that would require adjustment to, or disclosure in, the financial statements and has determined that there are no events warranting adjustment or disclosure.

#### **Note 11—Reclassifications**

Certain amounts in the accompanying 2010 financial statements have been reclassified to conform to presentations adopted in 2011. These reclassifications had no effect on previously reported change in net assets.