

**QUEER CULTURAL CENTER
(A NON-PROFIT CORPORATION)
FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT**

FOR THE YEAR ENDED JUNE 30, 2016

Tang & Lee, LLP
Certified Public Accountants

QUEER CULTURAL CENTER

FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Queer Cultural Center
San Francisco, California

We have reviewed the accompanying financial statements of **Queer Cultural Center** (the Center) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Tang & Lee, LLP

Burlingame, California
December 6, 2016

QUEER CULTURALCENTER
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
(Unaudited)

| | <u>Unrestricted</u> | <u>Total 2016</u> | <u>(Summarized) 2015</u> |
|--|---------------------|-----------------------|------------------------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 98,229 | \$ 98,229 | \$ 97,855 |
| Grants receivable | 160,693 | 160,693 | 148,350 |
| Prepaid expenses | 2,543 | 2,543 | - |
| Total current assets | <u>261,465</u> | <u>261,465</u> | <u>246,205</u> |
| TOTAL ASSETS | <u>261,465</u> | <u>261,465</u> | <u>246,205</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| LIABILITES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 47,783 | 47,783 | 28,774 |
| Deferred revenue | 60,000 | 60,000 | 60,000 |
| Total current liabilities | <u>107,783</u> | <u>107,783</u> | <u>88,774</u> |
| TOTAL LIABILITIES | <u>107,783</u> | <u>107,783</u> | <u>88,774</u> |
| NET ASSETS | | | |
| Unrestricted | <u>153,682</u> | <u>153,682</u> | <u>157,431</u> |
| Total net assets | <u>153,682</u> | <u>153,682</u> | <u>157,431</u> |
| TOTAL LIABLILITES AND NET ASSETS | <u>\$ 261,465</u> | <u>\$ 261,465</u> | <u>\$ 246,205</u> |

See accompanying notes and independent accountants' review report.

QUEER CULTURAL CENTER
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
(Unaudited)

| | <u>Unrestricted</u> | Total <u>2016</u> | (Summarized) <u>2015</u> |
|---------------------------------------|---------------------|----------------------|-----------------------------|
| SUPPORT AND REVENUES | | | |
| Grants | \$ 232,506 | \$ 232,506 | \$ 102,820 |
| Foundation and Donations | 213,819 | 213,819 | 195,361 |
| Earned Income | 177,601 | 177,601 | 166,565 |
| Net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> |
| Total support and revenues | <u>623,926</u> | <u>623,926</u> | <u>464,746</u> |
| EXPENSES | | | |
| Program services | 497,352 | 497,352 | 361,211 |
| Management and general | 48,403 | 48,403 | 36,182 |
| Fundraising | <u>81,920</u> | <u>81,920</u> | <u>53,056</u> |
| Total expenses | <u>627,675</u> | <u>627,675</u> | <u>450,449</u> |
| CHANGE IN NET ASSETS | (3,749) | (3,749) | 14,297 |
| NET ASSETS | | | |
| Beginning of the year | <u>157,431</u> | <u>157,431</u> | <u>143,134</u> |
| End of the year | <u>\$ 153,682</u> | <u>\$ 153,682</u> | <u>\$ 157,431</u> |

See accompanying notes and independent accountants' review report.

QUEER CULTURALCENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(Unaudited)

| | <u>2016</u> | (Summarized) <u>2015</u> |
|---|----------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase/(Decrease) in net assets | \$ (3,749) | \$ 14,297 |
| Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (12,343) | (43,730) |
| Prepaid expenses | (2,543) | - |
| Increase (decrease) in: | | |
| Accounts payable | 19,009 | 17,837 |
| Deferred revenue | - | (1,442) |
| | <u>374</u> | <u>(13,038)</u> |
| Net cash provided (used) by operating activities | 374 | (13,038) |
| CASH FLOW FROM INVESTING ACTIVITIES | <u>-</u> | <u>-</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | <u>-</u> | <u>-</u> |
| NET INCREASE/(DECREASE) IN CASH | <u>374</u> | <u>(13,038)</u> |
| CASH | | |
| Beginning of year | <u>97,855</u> | <u>110,893</u> |
| End of year | <u>\$ 98,229</u> | <u>\$ 97,855</u> |

Cash paid for interests: 0

Cash paid for taxes: 0

See accompanying notes and independent accountants' review report.

QUEER CULTURALCENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(Unaudited)

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total 2016</u> | <u>(Summarized) 2015</u> |
|---------------------------|-----------------------------|-------------------------------------|----------------------|-----------------------|------------------------------|
| Expenses: | | | | | |
| Independent contractors | 158,029 | 38,403 | 81,920 | 278,352 | \$ 209,076 |
| Advertising and marketing | 15,349 | - | - | 15,349 | 3,219 |
| Office and other supplies | 2,407 | 4,906 | - | 7,313 | 3,623 |
| Rent | 32,377 | - | - | 32,377 | 8,332 |
| Printing | 5,838 | - | - | 5,838 | - |
| Internet and website | 42,840 | - | - | 42,840 | 39,976 |
| Artist fees | 207,603 | - | - | 207,603 | 153,982 |
| Fiscal sponsorship | 8,317 | - | - | 8,317 | 6,508 |
| Program expenses | 500 | - | - | 500 | 1,200 |
| Production | 24,092 | - | - | 24,092 | 20,712 |
| Insurance | - | 4,819 | - | 4,819 | 3,632 |
| Bank/merchant fees | - | 275 | - | 275 | 189 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 497,352</u> | <u>\$ 48,403</u> | <u>\$ 81,920</u> | <u>\$ 627,675</u> | <u>\$ 450,449</u> |

See accompanying notes and independent accountants' review report.

QUEER CULTURAL CENTER
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – NATURE OF ORGANIZATION

Organization

Founded in 1993, Queer Cultural Center (the Center) is a multidisciplinary arts presenting organization that conducts artistic and interpretive programs exploring queer identity issues. The programs promote the careers of Lesbian, Gay, Bisexual and Transgender artists, foster the growth of queer arts organizations and serve queer and non-queer audiences alike. The Center's staff are comprised of individuals who are either contract based or are volunteers. The Center receives small and various grants from the City and County of San Francisco and other private foundations.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Accounting and Presentation

The financial statements have been prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification 958, *Not-for-Profit Entities*.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Center as a whole and to present net assets and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income producing assets. The only limits on the use of unrestricted net assets are the board limits resulting from the nature of the Center and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into the Center in the course of its operations.

Temporarily and Permanently Restricted Net Assets – Temporary restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. At June 30, 2016, the Center did not have any temporarily or permanently restricted net assets.

QUEER CULTURAL CENTER
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

2) Revenue Recognition

Grants, sponsorships and contributions received are recorded as unrestricted support unless they are received with donor stipulations that limit the use of that support. Ticket sales are recognized as revenue after completion of the event. A substantial number of unpaid volunteers have made significant contributions of their time to the Center conducting fundraising activities. When such contributed services meet the criteria for recognition required under U.S. generally accepted accounting principles, they are included in the financial statements. No amounts have been reflected in the financial statements for contributed services at June 30, 2016.

3) Use of Estimates

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

4) Functional Expense Allocations

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are directly identifiable with any other specific function but provide for the overall support and direction of the Center.

5) 2015 Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's reviewed financial statements for the year ended June 30, 2015 from which the summarized information was derived.

QUEER CULTURAL CENTER
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B-SIGNIFICANT ACCOUNTING POLICIES (Continued)

6) Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held with banks, highly liquid money market funds and other short-term investments with original maturities of 90 days or less.

7) Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Center carries commercial insurance.

8) Fair Value Measurements

The Center's financial instruments include cash and cash equivalents, grants receivable, and accounts payable. The carrying amounts of these items are a reasonable estimate of their fair values.

The Center measure fair value in accordance with the FASB Codification as ASC 820. ASC 820 which applies to all financial instruments that are being measured and reported on a fair value basis.

ASC 820 defines fair value as 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. ASC 820 establishes a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1- Inputs are quoted market prices (unadjusted) in active markets for identical assets or Liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2- Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar asset or liabilities.

QUEER CULTURAL CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Level 3- Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discontinued cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

The Center's financial assets measured at fair value on a recurring basis at June 30, 2016 are classified within Level 1 of the fair value hierarchy.

NOTE C - CONTINGENT LIABILITIES FROM GRANT EXPENDITURES

Conditions contained within the various contracts awarded to the Center are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audits under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with established criteria that govern them. In such cases, the Center could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE D – INCOME TAX STATUS

The Center is a nonprofit organization exempt from income tax under section 501 (c) (3) of the U.S. Internal Revenue Code and the applicable code section of the State of California Revenue and Taxation Code.

Uncertain tax positions- The Center's present policy is to evaluate all tax positions based on either having substantial authority for a tax position taken on a return or where substantial authority does not exist, then the Center discloses the tax treatment of the item and ensures that there is a reasonable basis for treatment. The Center has not taken tax positions for any years open under the various statutes of limitations that required disclosure, because they were not supported by substantial authority. The Center believes that most if not all of its positions supported by substantial authority would meet the recognition standard of FASB ASC 740. The Center has evaluated any tax positions with respect to the "measurement" standard of FASB ASC 740 and is unable to determine the amount, if any, that would be required to be treated as "uncertain" under that standard. The Center's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

QUEER CULTURAL CENTER
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE E – CASH IN BANK

At June 30, 2016, the Center’s cash on hand was \$ 98,229. All of which was insured by the Federal Deposit Insurance Corporation.

NOTE F – GRANTS RECEIVABLE

At June 30, 2016, grants receivable consisted of the following:

| | |
|--|------------------|
| California Art Council | \$6,148 |
| San Francisco Art Commission | 50,625 |
| Office of Economic & Workforce Development | 50,000 |
| Other | <u>53,920</u> |
| Total | <u>\$160,693</u> |

The Center has not accrued any losses or allowances for uncollectible receivables as it is the opinion of management that it is highly probable that all receivables will be collected.

NOTE G – RELATED PARTY TRANSACTIONS

Three members of the Board of Directors are compensated with total amount of \$149,831 to provide artistic, internet and fundraising and financial management services.

NOTE H – DEFERRED REVENUE

The Organization entered into a grant agreement with Doris Duke Charitable Foundation. The Fund provides a grant of \$67,500, which will be used to support the 2016 Queer Arts Summit and general operation to cover the period October 1, 2013 through March 31, 2016. As of June 30, 2016, total deferred revenue is \$60,000.

NOTE I – SUBSEQUENT EVENTS

The management of the Center have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2016 through December 6, 2016, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure in accordance to FASB ASC 855-10-20.