

EISNERAMPER

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Broadway Cares/Equity Fights AIDS, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Broadway Cares/Equity Fights AIDS, Inc. (the "Organization"), which are comprised of the statements of financial position as of September 30, 2017 and 2016, 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

The Organization's 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 from material misstatement, whether due to fraud or error.

Auditor's 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 audits 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 organization'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 organization'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 Broadway Cares/Equity Fights AIDS, Inc. as of September 30, 2017 and 2016, 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.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
April 4, 2018



BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Financial Position

	September 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 3,718,836	\$ 2,291,278
Contributions and other receivables	89,355	86,607
Prepaid expenses and other current assets	268,078	319,702
Inventory	201,267	247,141
Property and equipment, net	77,654	98,539
Security deposit	<u>84,173</u>	<u>84,173</u>
	<u>\$ 4,439,363</u>	<u>\$ 3,127,440</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 179,881	\$ 132,319
Grants payable	600,000	
Event revenue received in advance	98,327	116,442
Accrued pension liability	<u>1,989,851</u>	<u>2,811,988</u>
	<u>2,868,059</u>	<u>3,060,749</u>
Commitments (Note G)		
NET ASSETS		
Unrestricted, net assets (deficit) (Note H):		
Net assets from operations	726,697	638,640
Accrued postretirement benefit liability	<u>506,421</u>	<u>(810,516)</u>
	1,233,118	(171,876)
Temporarily restricted	<u>338,186</u>	<u>238,567</u>
	<u>1,571,304</u>	<u>66,691</u>
	<u>\$ 4,439,363</u>	<u>\$ 3,127,440</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Activities

	Year Ended September 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions	\$ 19,507,323	\$ 318,015	\$ 19,825,338	\$ 18,678,822	\$ 45,115	\$ 18,723,937
Special events (net of direct benefit to donors of \$462,117 and \$562,217 in 2017 and 2016, respectively)	2,606,411		2,606,411	2,109,717		2,109,717
Merchandise sales	401,163		401,163	482,169		482,169
Donated goods and services	195,430		195,430	251,527		251,527
Realized gains (losses) on sale of assets	1,704		1,704	(3,970)		(3,970)
Interest and other income	8,465		8,465	6,871		6,871
Total public support and revenue before net assets released from restrictions	22,720,496	318,015	23,038,511	21,525,136	45,115	21,570,251
Net assets released from restrictions	218,396	(218,396)	0	130,469	(130,469)	0
Total public support and revenue	22,938,892	99,619	23,038,511	21,655,605	(85,354)	21,570,251
Expenses:						
Program services:						
Grants	13,373,709		13,373,709	12,055,358		12,055,358
Other program services	5,382,326		5,382,326	5,340,713		5,340,713
Total program services	18,756,035		18,756,035	17,396,071		17,396,071
Supporting services:						
Management and general	1,879,251		1,879,251	1,589,449		1,589,449
Fund-raising	2,215,549		2,215,549	2,300,883		2,300,883
Total supporting services	4,094,800		4,094,800	3,890,332		3,890,332
Total expenses	22,850,835		22,850,835	21,286,403		21,286,403
Change in net assets before other adjustments	88,057	99,619	187,676	369,202	(85,354)	283,848
Pension-related changes other than periodic cost	1,316,937		1,316,937	(425,827)		(425,827)
Change in net assets	1,404,994	99,619	1,504,613	(56,625)	(85,354)	(141,979)
Net assets (deficit) - beginning of year	(171,876)	238,567	66,691	(115,251)	323,921	208,670
Net assets (deficit) - end of year	\$ 1,233,118	\$ 338,186	\$ 1,571,304	\$ (171,876)	\$ 238,567	\$ 66,691

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

**Statement of Functional Expenses
Year Ended September 30, 2017**

(with summarized financial information for 2016)

	Program Services -			Year Ended September 30,	
	Grantmaking and Related Costs	Management and General	Fund-Raising	Total 2017	Total 2016
Salaries	\$ 2,226,322	\$ 710,783	\$ 591,322	\$ 3,528,427	\$ 3,539,562
Payroll taxes and employee benefits	1,209,034	385,438	322,446	1,916,918	1,605,699
Professional fees and consultants	36,692	78,706	46,110	161,508	189,180
Rent	485,833	155,109	129,040	769,982	744,339
Telephone	42,322	17,753	11,241	71,316	69,171
Printing, advertising and publicity	188,339	68,147	114,327	370,813	455,306
Postage and shipping	69,466	24,858	85,606	179,930	252,995
Conference and meetings	28,330	10,327	16,817	55,474	45,542
Mobilization and production costs	419,236		599,785	1,019,021	966,039
Merchandising expenses	305,149	16,266	69,025	390,440	386,372
Insurance	28,630	9,140	7,604	45,374	43,146
Dues and subscriptions	6,690	4,347	1,308	12,345	9,395
Security	13,825	16,018	16,776	46,619	39,275
Transportation and meals	26,211	21,929	55,171	103,311	109,830
Office supplies and expenses	28,600	150,084	18,672	197,356	220,174
Purchase of theater tickets		11,949	42,298	54,247	56,846
Repairs and maintenance		33,965		33,965	72,549
Credit card commissions	177,780	69,471	47,219	294,470	280,089
Corporate taxes and license fees	3,407	27,423	17,288	48,118	45,508
Online processing fees	85,670	27,351	22,754	135,775	54,178
Depreciation and amortization		39,623		39,623	38,432
Miscellaneous	790	564	740	2,094	7,418
	<u>5,382,326</u>	<u>1,879,251</u>	<u>2,215,549</u>	<u>9,447,126</u>	<u>9,231,045</u>
Grants provided	<u>13,373,709</u>			<u>13,373,709</u>	<u>12,055,358</u>
Total expenses before direct benefit to donors	<u>18,756,035</u>	<u>1,879,251</u>	<u>2,215,549</u>	<u>22,850,835</u>	<u>21,286,403</u>
Direct benefit to donors			<u>462,117</u>	<u>462,117</u>	<u>562,217</u>
Total expenses	<u>\$ 18,756,035</u>	<u>\$ 1,879,251</u>	<u>\$ 2,677,666</u>	<u>\$ 23,312,952</u>	<u>\$ 21,848,620</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

**Statement of Functional Expenses
Year Ended September 30, 2016**

	Program Services - Grantmaking and Related Costs	Management and General	Fund- Raising	Total Expenses
Salaries	\$ 2,311,477	\$ 604,131	\$ 623,954	\$ 3,539,562
Payroll taxes and employee benefits	1,032,101	292,951	280,647	1,605,699
Professional fees and consultants	44,088	67,165	77,927	189,180
Rent	486,083	127,044	131,212	744,339
Telephone	41,691	16,226	11,254	69,171
Printing, advertising and publicity	205,941	97,564	151,801	455,306
Postage and shipping	83,716	40,743	128,536	252,995
Conference and meetings	17,270	10,726	17,546	45,542
Mobilization and production costs	391,203	26,022	548,814	966,039
Merchandising expenses	308,257	15,318	62,797	386,372
Insurance	28,176	7,364	7,606	43,146
Dues and subscriptions	3,490	4,984	921	9,395
Security		14,023	25,252	39,275
Transportation and meals	31,430	19,940	58,460	109,830
Office supplies and expenses	97,405	77,565	45,204	220,174
Purchase of theater tickets	7,874	7,544	41,428	56,846
Repairs and maintenance	38,554	23,588	10,407	72,549
Credit card commissions	174,148	58,932	47,009	280,089
Corporate taxes and license fees	1,757	24,677	18,696	45,508
Online processing fees	36,052	14,132	3,994	54,178
Depreciation and amortization		38,432		38,432
Miscellaneous			7,418	7,418
	5,340,713	1,589,449	2,300,883	9,231,045
Grants provided	<u>12,055,358</u>			<u>12,055,358</u>
Total expenses before direct benefit to donors	17,396,071	1,589,449	2,300,883	21,286,403
Direct benefits to donors			<u>562,217</u>	<u>562,217</u>
Total expenses	<u>\$ 17,396,071</u>	<u>\$ 1,589,449</u>	<u>\$ 2,863,100</u>	<u>\$ 21,848,620</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.**Statements of Cash Flows**

	Year Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,504,613	\$ (141,979)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,623	38,432
Donated investments	(119,946)	(69,577)
Proceeds from sales of donated investments	121,650	65,607
Realized (gains) losses on sale of donated investments	(1,704)	3,970
Changes in:		
Contributions and other receivables	(2,748)	4,012
Prepaid expenses and other current assets	51,624	162
Inventory	45,874	(11,823)
Accounts payable and accrued expenses	47,562	(191,736)
Grants payable	600,000	(540,000)
Event revenue received in advance	(18,115)	(15,512)
Accrued pension liability	(822,137)	808,858
Net cash provided by (used in) operating activities	<u>1,446,296</u>	<u>(49,586)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(18,738)</u>	<u>(14,038)</u>
Net cash used in investing activities	<u>(18,738)</u>	<u>(14,038)</u>
Net change in cash and cash equivalents	1,427,558	(63,624)
Cash and cash equivalents, beginning of year	<u>2,291,278</u>	<u>2,354,902</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,718,836</u></u>	<u><u>\$ 2,291,278</u></u>
Supplemental disclosure of cash flow information:		
Noncash donations of goods and services	\$ 195,430	\$ 251,527

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

Broadway Cares/Equity Fights AIDS, Inc. (the "Organization"), a not-for-profit entity formed in 1988 in the State of New York, raises money to provide grants to (i) organizations providing assistance for healthcare to those individuals in the entertainment industry who are affected by critical health issues, including but not limited to HIV/AIDS, and (ii) organizations and programs nationwide and internationally that provide care and services to people living with HIV/AIDS. The Organization also facilitates the fund-raising capabilities of the theater community to address and support an urgent crisis or need, as directed by the Board of Trustees.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

[5] Contributions and other receivables:

These receivables consist of contributions and payments owed from fund-raising events. The amounts are expected to be fully collectible within the next fiscal-year; accordingly, no allowance for doubtful amounts has been established.

[6] Inventory:

Inventory consists of merchandise available for sale and is valued at the lower of cost or market at the fiscal year-end. Certain items have been contributed to inventory and have been recorded at their approximate fair values at the dates of contribution. Obsolete inventory is written off as necessary.

[7] Grants payable:

Grants are recognized as obligations at the time of approval. Grants approved but unpaid as of year-end are reported as liabilities in the accompanying statements of financial position. There were grants payable of \$600,000 as of September 30, 2017; however, there were no grants payable as of September 30, 2016. All grants are schedule to be paid within the subsequent 12 months.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Property and equipment:

Property and equipment are reported at their costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation less accumulated depreciation. The Organization capitalizes those assets the cost of which exceeds \$2,000 and that have a useful life of five years or more. Depreciation of furniture, fixtures, and equipment is provided using the straight-line method over estimated useful life of five years, and leasehold improvements are amortized using the straight-line method over the term of the underlying lease.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[9] Accrued vacation:

Accrued vacation represents the Organization's obligation for the cost of unused employee vacation time that would be payable in the event that all employees left the Organization; the obligation is recalculated every year. As of September 30, 2017 and 2016, the accrued vacation obligation was approximately \$35,000 and \$41,000, respectively, and was reported as a part of accounts payable and accrued expenses in the statements of financial position.

[10] Event revenue received in advance:

The revenue from advance ticket sales related to a future year's event is deferred and recognized as income in the year in which the performance is held.

[11] Net assets:

The net assets of the Organization and the changes therein are classified and reported as follows:

(i) *Unrestricted:*

- (a) Net assets from operations represent those resources that are not subject to donor restrictions.
- (b) Accrued postretirement benefit liability are those net assets that are held for the purpose of funding the 403(b) plan in future years.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that have been restricted by donors and grantors for specified program-related activities or for use in specific time periods. The release from restrictions results from the satisfaction of the restricted purposes specified by the donors or grantors or the passing of time. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Revenue recognition:

(i) Contributions:

Contributions are recorded as revenue upon the receipt of cash or other assets, or of unconditional pledges based on their fair market value on the date of donation. Contributions are considered available for unrestricted use unless specifically restricted by the donor. It is the Organization's policy to sell donated investments upon receipt.

(ii) Special events:

The Organization conducts special events for which the use of a host Broadway theater may be donated and the performers and support staff donate their time. A portion of the gross proceeds paid by the attendees represents payment for the direct cost of the benefits received by the attendees at the event. In the absence of a verifiable objective means to demonstrate otherwise, the fair value of entertainment provided at these special events is measured at the actual cost to the Organization. Such special-event income is reported net of the direct cost of the event that is attributable to the benefit that the donors receive.

(iii) Merchandise sales:

The Organization operates a retail outreach program that sells AIDS-awareness red-ribbon items; items crafted by workshops sheltered for people living with AIDS; general Broadway-show-related memorabilia, and various other collector items. Sales are conducted via a printed catalog and on-line through the Organization's website.

(iv) Care-Tix sales:

The Organization has access to available seats at Broadway and Off-Broadway shows, which are sold to the general public generally for double the face value of the ticket, resulting in the recording of 50% of the ticket price as a contribution to the Organization. In the accompanying financial statements, the amount reported in contributions is net of the actual cost of the tickets.

[13] Advertising costs:

The Organization expenses the cost of advertising as incurred.

[14] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and of functional expenses. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect costs have been functionalized on the basis of time allocation.

[15] Volunteers:

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time does not meet the criteria for recognition of contributed services required under U.S. GAAP and, accordingly, is not included in the accompanying financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Income tax uncertainties:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of unrelated business taxable income ("UBTI") attributable to certain of its merchandise sales. Because the Organization has always recorded the potential liability for this tax, when applicable, and because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the financial statements.

[17] Upcoming accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. Management is currently evaluating the effect that this new guidance will have on the Organization's financial statements and related disclosures.

[18] Reclassification:

Certain information included in the prior-year's financial statements has been reclassified to conform to the current-year's financial-statement presentation.

[19] Subsequent events:

We have evaluated subsequent events through April 4, 2018, the date the financial statements were available to be issued.

NOTE B - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Office furniture and fixtures	\$ 170,713	\$ 155,467
Equipment	130,264	130,264
Leasehold improvements	<u>167,435</u>	<u>163,943</u>
	468,412	449,674
Less: accumulated depreciation and amortization	<u>(390,758)</u>	<u>(351,135)</u>
	<u>\$ 77,654</u>	<u>\$ 98,539</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Revolucion Latina	\$ 81,319	\$ 50,914
Green Alliance	101,595	71,693
Broadway Serves	<u>155,272</u>	<u>115,960</u>
	<u>\$ 338,186</u>	<u>\$ 238,567</u>

During each fiscal year, net assets were released from restrictions as the following donor restrictions were satisfied:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Revolucion Latina	\$ 118,944	\$ 31,295
Green Alliance	88,708	
Broadway Serves	10,744	
Broadway Impact	<u> </u>	<u>99,174</u>
	<u>\$ 218,396</u>	<u>\$ 130,469</u>

NOTE D - DONATED GOODS AND SERVICES

For recognition of donated goods and services in the Organization's financial statements, such goods or services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the accompanying statements of activities.

During fiscal-years 2017 and 2016, the Organization received donated goods and services as follows:

	<u>Year Ended</u> <u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Donated goods - airline tickets	\$ 125,000	\$ 150,000
Donated services - advertising	<u>70,430</u>	<u>101,527</u>
Total donated goods and services	<u>\$ 195,430</u>	<u>\$ 251,527</u>

During fiscal-years 2017 and 2016, the Organization received donated auction items for experiences and autographed memorabilia, for which there are no readily determinable fair market values. These contributions were recorded within these financial statements at the values for which they were sold during the auction process.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE E - RELATED-PARTY TRANSACTIONS

A member of the Board of Trustees is a principal owner of the press agency used by the Organization. Fees paid for services and expense reimbursements to the press agency were \$23,923 and \$37,821 for fiscal-years 2017 and 2016, respectively.

For fiscal-years 2017 and 2016, grants of approximately \$5,572,500 and \$4,650,550, respectively, were made to not-for-profit organizations that have board members in common with the Organization's Board of Trustees.

NOTE F - RETIREMENT BENEFITS

The Organization has a defined-benefit retirement plan formed under Internal Revenue Code Section 403(b) that covers all employees who meet certain length-of-service requirements. Vesting of the Organization's contributions occurs after the completion of five years of service.

At each fiscal year-end, the plan's funded status, accrued benefit cost, and other underlying data were as follows:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Accumulated benefit obligation	<u>\$ (5,658,589)</u>	<u>\$ (5,843,444)</u>
Projected benefit obligation	<u>\$ (5,658,589)</u>	<u>\$ (5,843,444)</u>
Fair value of plan assets	<u>3,668,738</u>	<u>3,031,456</u>
Funded status (obligation in excess of assets)	<u>\$ (1,989,851)</u>	<u>\$ (2,811,988)</u>
Accrued benefit cost reported in the statements of financial position	<u>\$ (1,989,851)</u>	<u>\$ (2,811,988)</u>
Changes in retirement benefits other than included in operating expenses	<u>\$ 1,316,937</u>	<u>\$ (425,827)</u>
Net periodic pension cost included the following components:		
Service cost benefits earned during the period	\$ 351,635	\$ 264,310
Interest cost on projected benefit obligation	223,462	212,178
Amortization of accumulated loss	171,595	145,547
Actual return on assets	(235,786)	65,038
Net asset loss (gain) deferred during period	26,310	(261,626)
Amortization of prior service cost	<u>(42,416)</u>	<u>(42,416)</u>
Net periodic pension costs	<u>\$ 494,800</u>	<u>\$ 383,031</u>
Weighted-average assumptions:		
Discount rate	4.19%	3.85%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%
Employer contributions	<u>\$ 475,000</u>	<u>\$ 272,000</u>
Benefits paid	<u>\$ (73,504)</u>	<u>\$ (20,400)</u>

A contribution of \$500,000 was made to the plan by the Organization subsequent to September 30, 2017.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE F - RETIREMENT BENEFITS (CONTINUED)

As of January 1, 2016, the Board amended the defined benefit pension plan. This amendment resulted in the conversion to a 1.5% unit accrual plan and benefits accrued prior to December 31, 2015 were preserved. The amended plan is based on a projected cost to the Organization of approximately 7% of eligible payroll each year.

At each fiscal year-end, plan assets were invested as follows:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Money-market funds	1%	1%
Equity securities	38	39
Fixed-income funds	<u>61</u>	<u>60</u>
Total	<u>100%</u>	<u>100%</u>

Based on expected future service, the benefit distributions expected to be paid in future fiscal-years are:

<u>Year Ending September 30,</u>	<u>Expected Benefit Distributions</u>
2018	\$ 134,000
2019	133,000
2020	231,000
2021	251,000
2022	246,000
2023 - 2027	1,492,000

NOTE G - COMMITMENTS

[1] Operating leases:

The Organization rents office space under an operating lease agreement that expires on August 31, 2021. The lease requires minimum lease payments plus escalation charges. Rent expense for fiscal-years 2017 and 2016 was approximately \$603,000 and \$581,000, respectively. The estimated future minimum annual obligations under this lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 619,379
2019	637,960
2020	657,099
2021	618,864

[2] Other contracts:

In the normal course of business, the Organization enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2017 and 2016

NOTE H - DEFICIT IN UNRESTRICTED NET ASSETS

The deficit in prior year's unrestricted net assets was due largely to the Organization's accumulated postretirement benefit obligations. The Organization had sufficient resources to meet these obligations, and no longer had a deficit as of September 30, 2017.

NOTE I - CREDIT RISK

The Organization maintains its cash and cash equivalents in amounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant risk of loss due to the failure of these banking institutions.