

EISNERAMPER

**BROADWAY CARES/
EQUITY FIGHTS AIDS, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

EISNERAMPER
LLP



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, 2018 and 2017, 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

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 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 Broadway Cares/Equity Fights AIDS, Inc. as of September 30, 2018 and 2017, 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
New York, New York
May 14, 2019



BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Financial Position

	September 30,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 2,796,123	\$ 3,718,836
Contributions and other receivables	729,955	89,355
Prepaid expenses and other current assets	362,280	268,078
Inventory	308,805	201,267
Property and equipment, net	81,151	77,654
Security deposit	<u>84,173</u>	<u>84,173</u>
	<u>\$ 4,362,487</u>	<u>\$ 4,439,363</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 194,016	\$ 179,881
Grants payable		600,000
Event revenue received in advance	171,054	98,327
Accrued pension liability	<u>764,782</u>	<u>1,989,851</u>
	<u>1,129,852</u>	<u>2,868,059</u>
Commitments (Note G)		
NET ASSETS		
Unrestricted, net assets:		
Net assets from operations	2,091,814	726,697
Accrued postretirement benefit liability	<u>764,782</u>	<u>506,421</u>
	2,856,596	1,233,118
Temporarily restricted	<u>376,039</u>	<u>338,186</u>
	<u>3,232,635</u>	<u>1,571,304</u>
	<u>\$ 4,362,487</u>	<u>\$ 4,439,363</u>

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statements of Activities

	Year Ended September 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions	\$ 21,186,655	\$ 330,610	\$ 21,517,265	\$ 19,507,323	\$ 318,015	\$ 19,825,338
Special events (net of direct benefit to donors of \$625,788 and \$462,117 in 2018 and 2017, respectively)	2,594,074		2,594,074	2,606,411		2,606,411
Merchandise sales	382,099		382,099	401,163		401,163
Donated goods and services	119,177		119,177	195,430		195,430
Realized (losses) gains on sale of assets	(2,821)		(2,821)	1,704		1,704
Interest and other income	36,961		36,961	8,465		8,465
Total public support and revenue before net assets released from restrictions	24,316,145	330,610	24,646,755	22,720,496	318,015	23,038,511
Net assets released from restrictions	292,757	(292,757)	0	218,396	(218,396)	0
Total public support and revenue	24,608,902	37,853	24,646,755	22,938,892	99,619	23,038,511
Expenses:						
Program services:						
Grants	13,685,258		13,685,258	13,373,709		13,373,709
Other program services	5,240,050		5,240,050	5,382,326		5,382,326
Total program services	18,925,308		18,925,308	18,756,035		18,756,035
Supporting services:						
Management and general	1,762,546		1,762,546	1,879,251		1,879,251
Fund-raising	2,587,820		2,587,820	2,215,549		2,215,549
Total supporting services	4,350,366		4,350,366	4,094,800		4,094,800
Total expenses	23,275,674		23,275,674	22,850,835		22,850,835
Increase in net assets before other adjustments	1,333,228	37,853	1,371,081	88,057	99,619	187,676
Pension-related changes other than periodic cost	290,250		290,250	1,316,937		1,316,937
Change in net assets	1,623,478	37,853	1,661,331	1,404,994	99,619	1,504,613
Net assets (deficit) - beginning of year	1,233,118	338,186	1,571,304	(171,876)	238,567	66,691
Net assets - end of year	<u>\$ 2,856,596</u>	<u>\$ 376,039</u>	<u>\$ 3,232,635</u>	<u>\$ 1,233,118</u>	<u>\$ 338,186</u>	<u>\$ 1,571,304</u>

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Statement of Functional Expenses

Year Ended September 30, 2018

(with summarized financial information for 2017)

	Program Services -			Year Ended September 30,	
	Grantmaking and Related Costs	Management and General	Fund-Raising	Total 2018	Total 2017
Salaries	\$ 2,392,598	\$ 722,444	\$ 706,434	\$ 3,821,476	\$ 3,528,427
Payroll taxes and employee benefits	933,839	286,030	269,075	1,488,944	1,916,918
Professional fees and consultants	56,741	81,472	58,748	196,961	161,508
Rent	512,174	154,651	151,224	818,049	769,982
Telephone	46,607	15,503	13,761	75,871	71,316
Printing, advertising and publicity	148,867	61,172	98,390	308,429	370,813
Postage and shipping	66,707	37,078	92,115	195,900	179,930
Conference and meetings	37,673	13,770	34,029	85,472	55,474
Mobilization and production costs	363,325		672,331	1,035,656	1,019,021
Merchandising expenses	230,675	30,410	89,602	350,687	390,440
Insurance	27,328	8,252	8,069	43,649	45,374
Dues and subscriptions	11,240	3,253	1,596	16,089	12,345
Security		14,593	17,325	31,918	46,619
Transportation and meals	29,094	30,220	71,199	130,513	103,311
Office supplies and expenses	85,407	87,869	48,855	222,131	197,356
Purchase of theater tickets	2,714	16,013	156,595	175,322	54,247
Repairs and maintenance		20,755		20,755	33,965
Credit card commissions	235,095	82,338	69,413	386,846	294,470
Corporate taxes and license fees	3,186	29,988	12,433	45,607	48,118
Online processing fees	55,103	16,638	16,270	88,011	135,775
Depreciation and amortization		36,708		36,708	39,623
Miscellaneous	1,677	13,389	356	15,422	2,094
	<u>5,240,050</u>	<u>1,762,546</u>	<u>2,587,820</u>	<u>9,590,416</u>	<u>9,477,126</u>
Grants provided	<u>13,685,258</u>			<u>13,685,258</u>	<u>13,373,709</u>
Total expenses before direct benefit to donors	<u>18,925,308</u>	<u>1,762,546</u>	<u>2,587,820</u>	<u>23,275,674</u>	<u>22,850,835</u>
Direct benefit to donors			<u>625,788</u>	<u>625,788</u>	<u>462,117</u>
Total expenses	<u>\$ 18,925,308</u>	<u>\$ 1,762,546</u>	<u>\$ 3,213,608</u>	<u>\$ 23,901,462</u>	<u>\$ 23,312,952</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

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

	Program Services - Grantmaking and Related Costs	Management and General	Fund- Raising	Total Expenses
Salaries	\$ 2,226,322	\$ 710,783	\$ 591,322	\$ 3,528,427
Payroll taxes and employee benefits	1,209,034	385,438	322,446	1,916,918
Professional fees and consultants	36,692	78,706	46,110	161,508
Rent	485,833	155,109	129,040	769,982
Telephone	42,322	17,753	11,241	71,316
Printing, advertising and publicity	188,339	68,147	114,327	370,813
Postage and shipping	69,466	24,858	85,606	179,930
Conference and meetings	28,330	10,327	16,817	55,474
Mobilization and production costs	419,236		599,785	1,019,021
Merchandising expenses	305,149	16,266	69,025	390,440
Insurance	28,630	9,140	7,604	45,374
Dues and subscriptions	6,690	4,347	1,308	12,345
Security	13,825	16,018	16,776	46,619
Transportation and meals	26,211	21,929	55,171	103,311
Office supplies and expenses	28,600	150,084	18,672	197,356
Purchase of theater tickets		11,949	42,298	54,247
Repairs and maintenance		33,965		33,965
Credit card commissions	177,780	69,471	47,219	294,470
Corporate taxes and license fees	3,407	27,423	17,288	48,118
Online processing fees	85,670	27,351	22,754	135,775
Depreciation and amortization		39,623		39,623
Miscellaneous	<u>790</u>	<u>564</u>	<u>740</u>	<u>2,094</u>
	5,382,326	1,879,251	2,215,549	9,477,126
Grants provided	<u>13,373,709</u>			<u>13,373,709</u>
Total expenses before direct benefit to donors	18,756,035	1,879,251	2,215,549	22,850,835
Direct benefits to donors			<u>462,117</u>	<u>462,117</u>
Total expenses	<u>\$ 18,756,035</u>	<u>\$ 1,879,251</u>	<u>\$ 2,677,666</u>	<u>\$ 23,312,952</u>

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

	Year Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 1,661,331	\$ 1,504,613
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	36,708	39,623
Donated investments	(165,632)	(119,946)
Proceeds from sales of donated investments	159,287	121,650
Realized losses (gains) on sale of donated investments	2,821	(1,704)
Changes in:		
Contributions and other receivables	(640,600)	(2,748)
Prepaid expenses and other current assets	(94,202)	51,624
Inventory	(107,538)	45,874
Accounts payable and accrued expenses	14,135	47,562
Grants payable	(600,000)	600,000
Event revenue received in advance	72,727	(18,115)
Accrued pension liability	(1,225,069)	(822,137)
Net cash (used in) provided by operating activities	<u>(886,032)</u>	<u>1,446,296</u>
Cash flows from investing activities:		
Proceeds from sale of securities	3,524	
Purchases of property and equipment	(40,205)	(18,738)
Net cash used in investing activities	<u>(36,681)</u>	<u>(18,738)</u>
Change in cash and cash equivalents	(922,713)	1,427,558
Cash and cash equivalents - beginning of year	<u>3,718,836</u>	<u>2,291,278</u>
Cash and cash equivalents - end of year	\$ <u>2,796,123</u>	\$ <u>3,718,836</u>
Supplemental disclosure of cash flow information:		
Noncash donations of goods and services	<u>\$ 119,177</u>	<u>\$ 195,430</u>

See notes to financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2018 and 2017

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 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 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 statements of financial position. Grants payable totaled \$600,000 as of September 30, 2017, and were paid during fiscal-year 2018. Accordingly, as of September 30, 2018, there were no grants payable.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2018 and 2017

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

[8] Property and equipment:

Property and equipment are stated 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 as assets those items of property and equipment that both have a cost of \$2,000 or more and useful lives greater than five years; whereas the costs of minor repairs and maintenance are expensed as incurred. 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, 2018 and 2017, 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, 2018 and 2017, the accrued vacation obligation was approximately \$38,000 and \$35,000, respectively, and was reported as a part of accounts payable and accrued expenses in the accompanying 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, 2018 and 2017

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. Such special-event income is reported net of the direct cost of the event that is attributable to the benefit that the donors receive. 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.

(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 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 statements of activities and statements of functional expenses. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Natural expenses attributable to more than one functional expense category are allocated by management based on time and effort.

[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 financial statements.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2018 and 2017

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 change:

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 amends 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. The Organization will adopt this pronouncement for fiscal-year 2019.

[18] Subsequent events:

The Organization evaluated subsequent events through May 14, 2019, the date on which 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>2018</u>	<u>2017</u>
Office furniture and fixtures	\$ 189,618	\$ 170,713
Equipment	151,564	130,264
Leasehold improvements	<u>167,435</u>	<u>167,435</u>
	508,617	468,412
Less: accumulated depreciation and amortization	<u>(427,466)</u>	<u>(390,758)</u>
	<u>\$ 81,151</u>	<u>\$ 77,654</u>

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2018 and 2017

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revolution Latina	\$ 58,747	\$ 81,319
Green Alliance	120,810	101,595
Broadway Serves	<u>196,482</u>	<u>155,272</u>
	<u>\$ 376,039</u>	<u>\$ 338,186</u>

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

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revolution Latina	\$ 169,036	\$ 118,944
Green Alliance	114,731	88,708
Broadway Serves	<u>8,990</u>	<u>10,744</u>
	<u>\$ 292,757</u>	<u>\$ 218,396</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 statements of activities.

During fiscal-years 2018 and 2017, the Organization received donated goods and services as follows:

	<u>Year Ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Donated goods - airline tickets	\$ 85,000	\$ 125,000
Donated services - advertising	<u>34,177</u>	<u>70,430</u>
Total donated goods and services	<u>\$ 119,177</u>	<u>\$ 195,430</u>

During fiscal-years 2018 and 2017, 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, 2018 and 2017

NOTE E - RELATED-PARTY TRANSACTIONS

- [1] 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 \$16,945 and \$23,923 for fiscal-years 2018 and 2017, respectively.
- [2] For fiscal-years 2018 and 2017, grants of approximately \$5,896,575 and \$5,572,500, 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:

	September 30,	
	2018	2017
Accumulated benefit obligation	<u>\$ (5,873,252)</u>	<u>\$ (5,658,589)</u>
Projected benefit obligation	<u>\$ (5,873,252)</u>	<u>\$ (5,658,589)</u>
Fair value of plan assets	<u>5,108,470</u>	<u>3,668,738</u>
Funded status (obligation in excess of assets)	<u>\$ (764,782)</u>	<u>\$ (1,989,851)</u>
Accrued benefit cost reported in the statements of financial position	<u>\$ (764,782)</u>	<u>\$ (1,989,851)</u>
Changes in retirement benefits other than included in operating expenses	<u>\$ 290,250</u>	<u>\$ 1,316,937</u>
Net periodic pension cost included the following components:		
Service cost benefits earned during the period	\$ 345,795	\$ 351,635
Interest cost on projected benefit obligation	234,478	223,462
Amortization of net loss	129,793	171,595
Actual return on assets	(163,153)	(235,786)
Net asset (gain) loss deferred during period	(89,316)	26,310
Amortization of prior service cost	<u>(42,416)</u>	<u>(42,416)</u>
Net periodic pension costs	<u>\$ 415,181</u>	<u>\$ 494,800</u>
Weighted-average assumptions:		
Discount rate	4.54%	4.19%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%
Employer contributions	<u>\$ 1,350,000</u>	<u>\$ 475,000</u>
Benefits paid	<u>\$ (73,421)</u>	<u>\$ (73,504)</u>

There is no required funding for 2019. The Organization has made a contribution of \$300,000 to the plan subsequent to September 30, 2018.

BROADWAY CARES/EQUITY FIGHTS AIDS, INC.

Notes to Financial Statements September 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Money-market funds	5%	1%
Equity securities	35	38
Fixed-income funds	<u>60</u>	<u>61</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>
2019	\$ 137,000
2020	236,000
2021	255,000
2022	251,000
2023	276,000
2024 - 2028	1,677,000

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 2018 and 2017 was approximately \$614,000 and \$603,000, respectively. The estimated future minimum annual obligations under this lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
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, 2018 and 2017**

NOTE H - 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.

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