

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND  
TRANSGENDER COMMUNITY CENTER**

**(A NON-PROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center**  
San Diego, California

Members of the Board:

We have audited the accompanying statements of financial position of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center as of June 30, 2010 and 2009, and the related statements of activities, statements of functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

Our audit was performed for the purposes of forming an opinion on the basic financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lichter, Yu & Associates  
Certified Public Accountants

Encino, California  
September 1, 2010

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2010	2009
<b>ASSETS</b>		
Cash	\$ 354,142	\$ 420,488
Accounts receivable	-	15,933
Grants receivable	295,342	262,589
Investments	4,663	1,089
<b>TOTAL CURRENT ASSETS</b>	<b>654,147</b>	<b>700,099</b>
Fixed assets (Net of accumulated depreciation of \$1,016,244 and \$807,973, respectively) (See note 7)	6,019,545	6,193,934
Intangible assets (Net) (See note 8)	9,390	10,389
Endowment funds (See note 11)	326,244	256,493
Prepaid expenses	4,910	16,598
<b>TOTAL ASSETS</b>	<b>\$ 7,014,236</b>	<b>\$ 7,177,513</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 8,867	\$ 10,536
Accrued expenses	208,746	219,347
Deferred revenue	-	12,500
Current portion, note payable	51,400	48,057
<b>TOTAL CURRENT LIABILITIES</b>	<b>269,013</b>	<b>290,440</b>
Accrued interest (See note 14)	151,352	151,352
Notes payable, net of current portion	5,771,369	5,822,769
<b>TOTAL LIABILITIES</b>	<b>6,191,734</b>	<b>6,264,561</b>
<b>NET ASSETS</b>		
Unrestricted	496,258	656,459
Permanently restricted	326,244	256,493
<b>TOTAL NET ASSETS</b>	<b>822,502</b>	<b>912,952</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,014,236</b>	<b>\$ 7,177,513</b>

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT						
Revenue:						
Grants	\$ 1,850,629	\$ -	\$ 1,850,629	\$ 1,822,506	\$ -	\$ 1,822,506
Fundraising events	231,565	-	231,565	183,453	-	183,453
Other income	29,680	-	29,680	116,349	-	116,349
Investment income (loss)	1,307	69,631	70,938	(146)	(19,610)	(19,756)
Interest and dividends	-	-	-	552	-	552
Public Support:						
Contributions and donations	1,438,775	120	1,438,895	1,791,971	-	1,791,971
Total revenue and public support	3,551,956	69,751	3,621,707	3,914,685	(19,610)	3,895,075
Expenses						
Program services	3,078,135	-	3,078,135	3,516,300	-	3,516,300
Supporting services	167,017	-	167,017	279,995	-	279,995
Fundraising	467,004	-	467,004	546,385	-	546,385
Total functional expenses	3,712,156	-	3,712,156	4,342,680	-	4,342,680
INCREASE (DECREASE) IN NET ASSETS	(160,200)	69,751	(90,449)	(427,995)	(19,610)	(447,605)
NET ASSETS - Beginning of year	656,459	256,493	912,952	1,084,454	276,103	1,360,557
NET ASSETS - End of year	\$ 496,258	\$ 326,244	\$ 822,502	\$ 656,459	\$ 256,493	\$ 912,952

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<b>2010</b>			
	<u>Programs &amp; Services</u>	<u>Management</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries, Payroll Taxes and Benefits	\$ 1,751,332	\$ 40,762	\$ 186,536	\$ 1,978,629
Accounting and Audit	20,482	471	1,870	22,823
Bank Fees	23,620	21,984	329	45,934
Bingo Supplies	-	-	20	20
Building Repair and Maintenance	26,806	541	1,724	29,071
Cleaning	8,415	280	844	9,539
Client Service	86,943	949	543	88,435
Communication	47,775	1,223	4,720	53,717
Consultants	198,553	7,844	9,827	216,224
Planning Council	19,336	-	-	19,336
Depreciation and Amortization	137,227	70,714	1,699	209,640
Equipment Repair and Rental	149	6	19	174
Equipment Purchased	9,555	-	-	9,555
Fundraising Events	101,179	-	187,377	288,556
Insurance	39,580	1,035	2,555	43,170
Interest Expense - Other	-	-	-	-
Interest Expense - Mortgage	116,386	4,128	12,480	132,994
Legal	1,826	3,007	-	4,833
Loan Fees	-	-	-	-
Miscellaneous	6,845	9,454	2,816	19,116
Postage	1,766	104	5,693	7,562
Printing	23,224	561	27,279	51,064
Property Taxes	2,634	10	31	2,675
Public Relations and Advertising	29,822	142	9,758	39,722
Rent	62,086	(375)	329	62,040
Staff Development/ Training	9,377	859	578	10,814
Supplies	24,215	1,149	3,249	28,614
Travel	2,561	64	330	2,955
Utilities	58,799	1,244	4,827	64,870
Volunteer & Donor Appreciation	1,394	861	1,568	3,824
Grant Allocation	266,250	-	-	266,250
	<u>266,250</u>	<u>-</u>	<u>-</u>	<u>266,250</u>
Total Expense	\$ <u>3,078,135</u>	\$ <u>167,017</u>	\$ <u>467,004</u>	\$ <u>3,712,156</u>

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<b>2009</b>			
	<u>Programs &amp; Services</u>	<u>Management</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries, Payroll Taxes and Benefits	\$ 2,031,563	\$ 149,604	\$ 246,264	\$ 2,427,431
Accounting and Audit	18,820	1,300	1,985	22,105
Bank Fees	23,803	15,014	963	39,780
Bingo Supplies	-	-	14,751	14,751
Building Repair and Maintenance	34,554	1,619	2,463	38,636
Cleaning	16,032	1,506	2,109	19,647
Client Service	91,315	371	1,256	92,942
Communication	31,211	2,121	4,088	37,420
Consultants	275,978	8,558	9,667	294,203
Planning Council	11,925	-	-	11,925
Depreciation and Amortization	105,611	51,667	291	157,570
Equipment Repair and Rental	4,000	1,019	176	5,195
Equipment Purchased	7,824	-	-	7,824
Fundraising Events	86,464	-	184,382	270,846
Insurance	64,800	8,807	1,874	75,481
Interest Expense - Other	(84,864)	-	-	(84,864)
Interest Expense - Mortgage	97,066	15,540	23,563	136,169
Legal	3,393	2,127	-	5,519
Loan Fees	-	2,774	-	2,774
Miscellaneous	33,835	11,832	5,651	51,318
Postage	2,610	250	6,289	9,149
Printing	29,412	1,463	23,713	54,588
Property Taxes	2,547	50	47	2,644
Public Relations and Advertising	20,609	846	160	21,615
Rent	133,051	(6,360)	118	126,809
Staff Development/ Training	11,767	250	549	12,566
Supplies	38,625	1,987	4,115	44,727
Travel	4,237	123	174	4,534
Utilities	68,570	4,431	6,484	79,485
Volunteer & Donor Appreciation	11,541	3,097	5,252	19,890
Grant Allocation	340,000	-	-	340,000
<b>Total Expense</b>	<b>\$ 3,516,300</b>	<b>\$ 279,995</b>	<b>\$ 546,385</b>	<b>\$ 4,342,680</b>

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors and grants	\$ 3,522,447	\$ 4,085,669
Cash paid to employees and suppliers	(3,503,098)	(4,267,730)
Interest received	-	552
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>19,349</b>	<b>(181,509)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of building improvements	(29,268)	(1,338)
Proceed from sale of investments	-	122,025
Purchase of investments	(3,574)	-
Purchase of property and equipment	(4,796)	(78,263)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(37,638)</b>	<b>42,424</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment on notes payable	(48,057)	(44,928)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(48,057)</b>	<b>(44,928)</b>
<b>NET DECREASE IN CASH</b>	(66,346)	(184,013)
CASH at beginning of period	420,488	604,501
CASH at end of period	\$ 354,142	\$ 420,488
<b>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (90,449)	\$ (447,605)
Adjustments to reconcile decrease in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	209,640	157,570
Unrealized investment loss (income)	(70,938)	19,593
Decrease (Increase) in:		
Accounts receivable	15,933	39,908
Grants receivable	(32,753)	119,145
Prepaid expenses	11,688	309
Increase (Decrease) in:		
Accounts payable and accrued expenses	(12,272)	(82,929)
Deferred revenue	(12,500)	12,500
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 18,349</b>	<b>\$ (181,509)</b>

See Accompanying Notes and Auditor's Report

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

Note 1 - General Information

The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center) is a California non-profit corporation, organized March 8, 1974 under the Non-Profit Public Benefit Corporation Law for charitable purposes. The Center operated as The Center for Social Services until an amendment for name change was approved by the Secretary of State on July 25, 2002.

The Center's mission is to enhance and sustain the health and well-being of the lesbian, gay, bisexual, transgender, and HIV communities by providing activities, programs and services that create community, empower community members, provide essential resources, advocate for our civil and human rights, and embrace, support and promote our cultural diversity. The Center accomplishes its mission by providing over 40 programs and services, including:

- Behavioral Health Services, providing workshops, crisis counseling, information and referral, an intern training program, and professional counseling in individual, couple, family, and group formats. Specializations include HIV, relationship violence, and transgender counseling.
- Latino/a Services, offering our LGBT Latino community members a welcoming and culturally and linguistically proficient space that allows them to accept and embrace all of who they are, including their culture, traditions, language, spirituality, and sexual and gender identities.
- Sunburst Youth Housing Project, San Diego County's first permanent supportive housing program for young adults, ages 18 to 24. YHP provides permanent affordable housing to homeless and/or disabled youth as well as a host of supportive services, including case management, employment development, education completion, mental health counseling, and life skills training.
- The Hillcrest Youth Center, which is San Diego County's only drop-in and recreational facility dedicated to the needs of LGBT and HIV-positive youth. HYC provides a safe and welcoming space where youth can receive educational assistance, attend support groups, learn about essential life skills in numerous workshops, and participate in leadership development activities.
- The Women's Resource Center, connecting LBT women to needed health, legal, and community resources and creating social, cultural, and educational opportunities for women within a safe, female-friendly environment. WRC is committed to improving the quality of health care and support available to uninsured or underinsured women.
- The 50 and Better Club, serving members in the LGBT community who are age 50 and better through ongoing classes, workshops, educational seminars, and social activities. The 50 and Better Club seeks to decrease isolation and increase the sense of connection to the community for one of our most vulnerable and underserved groups.
- Discussion and Support Groups, the longest-running programs at The Center, providing coming out, discussion, and support groups for our entire community.
- Family Matters, which offers support and educational opportunities for parents and prospective parents, playgroups and social opportunities for families throughout San Diego County. Equally important as its full range of programming, Family Matters provides all children growing up in LGBT-headed families a place to see other families like theirs. That recognition, along with the support and affirming environment Family Matters offers our families, is vitally important to the development of our children.



**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

In addition, The Center maintains a public policy program that works to accomplish the following objectives:

- Educate the general public on LGBT and other human rights issues.
- Organize and educate the LGBT community to effectively educate public policy makers on LGBT and other human rights issues.
- Establish effective collaborations with other human rights organizations to achieve full human and civil rights for all people and to provide essential social and legal resources to the LGBT and allied communities.
- Provide voter registration and education.

Finally, The Center provides low-cost and no-cost meeting space to over 100 other groups each month.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

In accordance with FASB Accounting Standards Codification FASB ASC 958-210-45, formerly known as Statement of Financial Accounting Standards (“SFAS”) No. 117, Financial Statements for Not-for-Profit Organizations. Under the provision of FASB ASC 958-210-45, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the project and changes therein are classified as follows:

Unrestricted Net Assets - Assets which have not been restricted for a specific time period. These assets may have been designated by a foundation to be used for a specific purpose through the intention of the donor.

Temporarily Restricted Net Assets - Assets due to variance powers are not subject to purpose restrictions, but may have been limited for use by donors for a specific time period.

Permanently Restricted Net Assets - Assets for which the donor contribution does not allow principal invasions in the gift instrument, and the governing documents of a foundation do not provide for the invasion of corpus.

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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates, and those might be material.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or fewer are considered to be cash equivalent.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Investments

Marketable securities are valued at quoted market prices on the stated valuation date in the statement of financial position with any unrealized gains and losses reported in the statement of activities.

Contributions and Pledges

Contributions and pledges are recorded as unrestricted (both undesignated and designated for specific purposes), temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions when received or unconditionally promised. Restricted net assets are reclassified to unrestricted net assets when donor restrictions expire. This occurs when a donor stipulated time restriction ends or a donor stipulated purpose restriction is accomplished. Such reclassifications are reported as net assets released from donor restrictions. As of June 30, 2010 and June 30, 2009, no pledges were recorded.

Donated Goods and Services

Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Donated goods and services are recorded at estimated fair market value on the date of the gift. Contributed auxiliary services are not reflected in the financial statements. The Center pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist The Center.

Fixed Assets

Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures and equipment over 3 to 10 years and buildings over 31 to 40 years

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in a manner management believes to be reasonable and appropriate.

Income Taxes

The Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, under 509(a) of the Internal Revenue Code, The Center is not a private foundation. Further, The Center has no unrelated business taxable income arising from its activities that are subject to taxation.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Endowment Fund

The Center has adopted SFAS No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others." SFAS No. 136 establishes accounting guidance for certain charitable transactions where an entity makes a contribution by transferring assets to a not-for profit organization or charitable trust that accepts the assets and agrees to transfer these assets to another entity specified by the donor. The adoption of SFAS 136 did not have a material impact on The Center's financial position.

Note 3 - Government Grants

The Center has met the requirements of various government grants. Independent Auditor's Reports were issued on (1) the internal control structure based on an audit of financial statements performed in accordance with government auditing standards, and (2) compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Note 4 - Cash

The Center maintains its cash balances at Bank of America and Wells Fargo Bank located in San Diego, California and Columbus Bank located in Columbus, Georgia. As of June 30, 2010, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2010 and 2009, The Center's uninsured portion of the balances held at the banks aggregated to \$31,282 and \$14,553, respectively. No reserve has been made on the financial statements for any possible loss due to any financial institution failure. The Center's management believes that the financial institutions holding its cash balances are financially secure.

Note 5 - Credit Risk

Since financial institutions generally have no responsibility with respect to deposits in transit and outstanding checks, in the event of a financial institution failure, the financial institutions will not honor deposits in transit and outstanding checks. The actual risk [the bank's liability to its customer (i.e., The Center)] arising from cash deposits at such entities equals the balances reported by them, exclusive of the customer's deposits in transit and outstanding checks (i.e., a month end bank statement balance).

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 6 - Investments

In accordance with FASB Accounting Standards Codification 958-320-25, formerly known as SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in securities are recorded at market value. As of June 30, 2010 and 2009, investments consisted of a wide variety of common stocks of U.S corporations and certificates of deposit. The national and international economies are weakening and probably will not recover in the near term. The eventual total impact to the securities market is currently unknown. There is no guarantee of the current report values or the future reported values that might arise from future fluctuations. Any future losses arising from market changes, or otherwise, will have a negative impact on the value of The Center's investments.

Investments were comprised of the following at June 30, 2010 and 2009:

<b>June 30, 2010</b>		
<b>Type of Investments</b>	<b>Cost</b>	<b>Fair Market Value</b>
Corporate equities and funds	\$ 4,356	\$ 4,663
<b>Total</b>	<b>\$ 4,356</b>	<b>\$ 4,663</b>
<b>June 30, 2009</b>		
<b>Type of Investments</b>	<b>Cost</b>	<b>Fair Market Value</b>
Corporate equities and funds	\$ 1,089	\$ 1,089
<b>Total</b>	<b>\$ 1,089</b>	<b>\$ 1,089</b>

Note 7 - Fixed Assets

Fixed assets consist of the following:

	June 30,	
	2010	2009
Furniture and Equipment	\$ 120,264	\$ 115,468
Building Improvements	2,341,771	2,312,685
Buildings and Land	4,573,755	4,573,755
	7,035,790	7,001,908
Accumulated Depreciation	(1,016,244)	(807,973)
	<b>\$ 6,019,545</b>	<b>\$ 6,193,934</b>

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 8 - Intangible Assets

Intangible assets are amortized using the straight-line method over the life of the intangible asset or its useful life, whichever is less. The Center has determined the life of the assets are fifteen years. As of June 30, 2010 and 2009 intangible assets consist of the following:

	2010	2009
AIDS Walk San Diego	\$ 5,000	\$ 5,000
Family Matters	10,000	10,000
	15,000	15,000
Less accumulated amortization	(5,610)	(4,611)
	\$ 9,390	\$ 10,389

Note 9 - Compensated Absences

All regular full-time and part-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment and prorated by full-time equivalency. The rates of accrual for full-time employees are as follows:

<u>Months of Employment</u>	<u>Monthly Accrual Rate (Hours)</u>	<u>Vacation Accrual CAP</u>
0-12	6.68	120 Hours
13-24	10	180 Hours
25 or more	13.34	240 Hours

Once an employee has reached his or her vacation accrual cap, no additional time will be accrued until some vacation time is used. The date of hire will be considered the anniversary date for vacation purposes. Upon termination, employees are paid for any accumulated unpaid vacation leave. As of June 30, 2010 and 2009, vacation liability exists in the amount of \$128,977 and \$127,889, respectively.

Note 10 - Lease Obligations

The Center leases office space under operating leases at four locations in the San Diego metropolitan area. Some of these leases are month-to-month and some are for extended periods of time. Rental expense for these leases consisted of \$62,040 and \$126,809 for the years ended June 30, 2010 and 2009, respectively. As of June 30, 2010, The Center has future minimum lease obligations as follows:

June 30,	
2011	\$ 29,395
2012	23,025
2013	23,925
2014	2,000
Total	\$ 78,345

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 11 – Endowment Funds

During the fiscal year ended June 30, 2004, The Center established endowment funds from permanently restricted contributions received from donors. The primary purpose of the funds are to support and assist The Center in enhancing and sustaining the health and well-being of the lesbian, gay, bisexual, transgender, and HIV communities by funding The Center. Only the earnings from the endowment fund shall be distributed exclusively to support and assist The Center and its needs.

As of June 30, 2010 and 2009, the balance of the endowment fund with the San Diego Foundation was \$320,960 and \$251,285, respectively, and the balance of the endowment fund at the San Diego Human Dignity Foundation was \$5,284 and \$5,208, respectively.

Note 12 – AIDS Walk San Diego (AWSD)

As of June 30, 2010, The Center received \$505,466 in donations and grants to support the annual AIDS Walk San Diego event that takes place in September. The Center used these funds to pay \$229,445 in expenses related to the event and then contributed \$266,250 to several non-profit organizations providing HIV/AIDS related services. The \$9,771 surplus was added to The Center's AIDS Walk reserve funds.

Note 13 – Notes Payable

The Centre Street Building Loan

In October 1998, The Center purchased a building in the amount of \$900,000 to be used as its primary location for program and support services. The building was purchased with a mortgage payable to Wells Fargo Bank for \$675,000, subsequently refinanced on August 28, 2001 in the amount of \$1,161,880. This mortgage was subsequently refinanced for \$1,270,000 on September 20, 2002 and again subsequently refinanced for \$2,200,000 with Bank of America on August 5, 2004. The terms of the current note payable is interest at 6.75% per annum, monthly payments of \$15,088 until August 15, 2014 when the final payment of approximately \$1,721,341 is due. The mortgage note is a first trust deed secured by the Centre Street building. As of June 30, 2010, The Center had an aggregate outstanding balance of \$1,944,023.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 13 – Notes Payable (Continued)

Youth Housing Loans

On October 18, 2005, The Center secured permanent financing for the acquisition and rehabilitation of the Sunburst Apartments, located at 1640 Broadway, San Diego CA 92101. Permanent financing came in the form of loans from the Centre City Development Corporation (CCDC), the San Diego Housing Commission (SDHC), the County of San Diego Department of Housing and Community Development (HCD), The Center's General Fund (Private Loan), and a \$50,000 equity position provided by The Center.

Centre City Development Corporation Loan

On October 18, 2005, The Center entered into a mortgage and security agreement with Centre City Development Corporation Loan ("CCDC"), in the amount of \$2,544,746. The terms of the note include interest at 3% per annum with payment of principal and interest deferred and due on November 1, 2060. In March 2007, CCDC agreed to provide \$230,000 of additional funds for the purposes of repaying The Center for its contribution of funds to the rehabilitation of the building of \$120,000 and to cover the HUD-required loan flood insurance for the next ten years in the amount of \$110,000. The note is secured by the apartment building. As a condition of the loan agreement with CCDC, The Center is required to operate the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a qualifying disability and are either homeless or at-risk of becoming homeless. Further, of the 23 units at the Sunburst Apartments, 8 of the apartments must be occupied by persons whose incomes are no greater than 30% of the Area Median Income (AMI), as published and adjusted annually by HUD. The remaining 15 units must be occupied by persons whose incomes are no greater than 50% AMI. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early. Based upon a clarification letter provided by CCDC, dated April 27, 2009, accrued interest for this loan is not recorded, as CCDC considers this loan forgivable at maturity as long as The Center meets all other terms and conditions of the loan described above.

San Diego Housing Commission

On October 18, 2005, The Center entered into a mortgage and security agreement with San Diego Housing Commission ("SDHC"), in the amount of \$934,000. The terms of the note include interest at 3% per annum with principal and interest payments deferred and due on October 18, 2060. The note is secured by the apartment building. As a condition of the loan agreement with SDHC, The Center is required to operate the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a qualifying disability and are either homeless or at-risk of becoming homeless. Further, of the 23 units at the Sunburst Apartments, 8 of the apartments must be occupied by persons whose incomes are no greater than 30% of the Area Median Income (AMI), as published and adjusted annually by HUD. The remaining 15 units must be occupied by persons whose incomes are no greater than 50% AMI. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early. The interest was subsequently reduced to 0% in July 2010, see Note 18.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009**

Note 13 – Notes Payable (Continued)

San Diego County Department of Housing & Community Development

On October 18, 2005, The Center entered into a mortgage and security agreement San Diego County Department of Housing & Community Development (“HCD”) in the amount of \$400,000. The terms of the note include interest at 3% per annum with principal and interest payments deferred and due on October 18, 2060. The note is secured by the apartment building. As a condition of the loan agreement with HCD, The Center is required to operate 3 apartments at the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a confirmed diagnosis of HIV or AIDS and incomes no greater than 50% of the Area Median Income (AMI), as published and adjusted annually by HUD. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early.

The Center’s General Fund Loan

On October 18, 2005, The Center loaned \$193,680 from its general fund for 8 years bearing interest at 6.33% per annum for the Youth Housing Project.

As of June 30, 2010 and 2009, total loans outstanding were classified as follows:

	<u>2010</u>	<u>2009</u>
Current portion	\$ 51,400	\$ 48,057
Long term portion	<u>5,771,369</u>	<u>5,822,769</u>
Total due	<u>\$ 5,822,769</u>	<u>\$ 5,870,826</u>

A five year maturity of these loans is as follows as of June 30, 2010:

<u>June 30,</u>	
2010	\$ 51,400
2011	54,979
2012	58,807
2013	62,901
Thereafter	<u>5,594,682</u>
	<u>\$ 5,822,769</u>

Note 14 – Accrued Interest

In accordance with the terms of the notes with SDHC and HCD referenced in note 13, The Center accrued interest of 3% per annum for the interest payment that is deferred and due on October 18, 2060.

Total amount accrued for interest as of June 30, 2010 and 2009 was \$151,352.



**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 15 – Community Development Block Grant

On December 7, 2001, The Center entered into an agreement with the City of San Diego for a Community Development Block Grant (CDBG). This agreement was later expanded in March 2003, August 2003, March 2004, July 2004, October 2004, and July 2005 for a total grant value of \$1,496,742. The general purpose of the CDBG was to remodel and improve The Center's existing facility at 3909 Centre Street, San Diego, California.

Terms of the Agreement require The Center to: (1) file annual Summary of Information reports by August 1st of each year the organization is eligible for funds, (2) comply with various rules and regulations of the U.S. Department of Housing and Urban Development (HUD), (3) transfer remaining funds upon completion of the project to the City of San Diego, (4) dispose of the property in such a manner as to reimburse the City for its contribution to the improvements should the organization dispose of the property within twenty (20) years of the completion date of the project, and (5) use the facility for low and moderate income persons for a period not less than twenty (20) years from the completion of the project.

Note 16 – Youth Housing Project

On October 18, 2005, The Center entered into agreements with Centre City Development Corporation ("CCDC"), San Diego Housing Commission ("SDHC") and San Diego County Department of Housing & Community Development ("HCD"). These agreements require The Center to operate the building located at 1640 Broadway, San Diego, California as housing for homeless youth for a period of at least fifty-five (55) years.

In accordance with these agreements, "Residual receipts" are calculated and a portion paid to the financing agencies annually. Residual receipts are the net operating income of the project minus repayment of the private loan. Residual receipts are calculated annually in January for the prior calendar year. The Center retains 50% of the residual receipts for the project; the remaining 50% of the residual receipts are paid to CCDC, SDHC, and HCD based upon their pro-rata share of the financing: 66% to CCDC, 24% to SDHC, and 10% to HCD. In accordance with The Center's agreement with CCDC, the payment to CCDC is then returned to The Center for deposit into a fund to pay ongoing operating expenses for the project; no such agreement exists with the other lenders.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 16 – Youth Housing Project (Continued)

For the twelve months ended December 31, 2009 and 2008, the Youth Housing Project had net income of \$24,910 and \$20,355 respectively before loan payments of \$30,918. The Center has an unsecured loan in the amount of \$193,680 for 8 years bearing interest at 6.33% per annum for the Youth Housing Project. The loan will be fully amortized over the 8 year term. After consideration of the loan payment (including principal and interest), there were no residual receipts and, therefore, no payments were due to the financing agencies.

	<u>2009</u>	<u>2008</u>
Total Revenue	<u>\$ 134,923</u>	<u>\$ 139,333</u>
Total Expenses	<u>110,013</u>	<u>118,978</u>
NET INCOME (LOSS)	<u>\$ 24,910</u>	<u>\$ 20,355</u>
Loan Payment	(30,918)	(30,918)
Adjusted Residual Income (Loss)	<u><u>\$ (6,008)</u></u>	<u><u>\$ (10,563)</u></u>

Note 17 – Effect of Current Economic Conditions on Revenue and Support

The Center depends heavily on contributions, fundraising events and grants for its revenue. The ability of The Center to attract support comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to The Center. While The Center’s Board of Directors believes The Center has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Note 18 – Subsequent Event

On July 9, 2010, the San Diego Housing Commission (“SDHC”) approved a loan modification for the Center for the Youth Housing Project by reducing the interest from 3% to 0% for the \$934,000 loan described on Note 13, retroactively to the original loan date of October 20, 2005. As of June 30, 2010, the Center had accrued interest of \$95,352 attributable to the loan from SDHC.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**

**(A NON-PROFIT ORGANIZATION)**

**SUPPLEMENTAL SCHEDULES REQUIRED BY**

**OMB CIRCULAR A-133**

**JUNE 30, 2010 AND 2009**

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL  
CONTROL STRUCTURE BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
**The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center**  
San Diego, California

Members of the Board:

We have audited the financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center) for the year ended June 30, 2010 and have issued our report thereon dated September 1, 2010.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance that The Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, others within The Center, and federal awarding agencies and pass-through entities. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Encino, California  
September 1, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
**The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center**  
San Diego, California

To the Board of Directors:

Compliance

We have audited the compliance of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center. (The Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Compliance with the requirements of law and regulations, contract, and grants applicable to each of its major federal programs is the responsibility of The Center's management. Our responsibility is to express an opinion on The Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Center's compliance with those requirements.

In our opinion, The Center, complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of The Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Center's internal control or compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Encino, California  
September 1, 2010

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Program Name</u>	<u>Grant Number</u>	<u>Federal Catalog Number</u>	<u>Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditure</u>
				7/1/09-6/30/10	7/1/09-6/30/10
<b>Federal Awards</b>					
County of San Diego HIV, STD & Hepatitis Branch of Public Health Services Ryan White Treatment Modernization Act Funds					
General Mental Health - Project 03					
Grant Period 3/1/09- 2/28/10	512441	93.118	\$ 594,537	\$ 422,273	\$ 422,372
Grant Period 3/1/10 - 2/28/11	512441	93.118	\$ 594,537	\$ 182,935	\$ 182,935
Planning Council Support & Quality Management					
Grant Period 3/1/09- 2/28/10	516171	93.118	\$ 515,907	\$ 343,481	\$ 343,481
Grant Period 3/1/10 - 2/28/11	516171	93.118	\$ 554,907	\$ 169,537	\$ 169,537
Prevention Admin - Project 53					
Grant Period 7/01/09 to 6/30/10	508076	93.940	\$ 150,000	\$ 150,000	\$ 150,609
City of San Diego					
CDBG Funds - Building Improvements					
		14.218	\$ 119,039	\$ 119,039	\$ 26,037
<b>Total Federal Awards</b>			<b><u>\$ 2,528,927</u></b>	<b><u>\$ 1,387,265</u></b>	<b><u>\$ 1,294,971</u></b>

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL, AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2010**

CURRENT YEAR FINDINGS:

Type of Report on Financial Statements

Unqualified Opinion on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.

Reportable Conditions at Financial Statement Level

None noted.

Noncompliance Material to Financial Statements

None noted.

Reportable Conditions for Major Programs

For the year ended June 30, 2010 there were no reportable conditions.

Type of Report on Compliance for Major Programs

For the year ended June 30, 2010 an Unqualified opinion was issued regarding our study of their establishment and maintenance of effective internal control over compliance with requirements of laws, regulations, contract, and grants applicable to federal programs

Major Program(s)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.118	General Mental Health County of San Diego HIV, STD & Hepatitis Branch of Public Health Service Ryan White Treatment Modernization Act Funds

Any Findings Required by OMB Circular A-133

None noted.

Dollar Threshold Used to Distinguish between Major and Non-Major Programs

Major Program - \$300,000.

Low-Risk Auditee

Is considered a low-risk auditee.

Financial Statement Findings

None noted.

Federal Awards Findings and Costs

None noted.

PRIOR YEAR FINDINGS:

There were no findings or recommendations in the prior year that require follow-up in the current year.



