

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

**(A NON-PROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**LICHTER YU AND ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**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, 2012 and 2011, 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 audit in accordance with auditing standards generally accepted in the United States of America 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2012, on our consideration of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.



Encino, California  
September 29, 2012

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

	June 30,	
	2012	2011
<b>ASSETS</b>		
Cash	\$ 1,024,436	\$ 344,622
Grants receivable	211,728	384,208
Investments	2,302	2,302
<b>TOTAL CURRENT ASSETS</b>	<b>1,238,466</b>	<b>731,132</b>
Fixed assets (Net of accumulated depreciation of \$1,191,776 and \$1,016,244, respectively) (See note 7)	6,086,202	6,260,021
Intangible assets (Net) (See note 8)	7,390	8,390
Endowment funds (See note 11)	393,715	395,599
Prepaid expenses and deposits	22,929	14,292
<b>TOTAL ASSETS</b>	<b>\$ 7,748,702</b>	<b>\$ 7,409,434</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 9,945	\$ 13,985
Accrued expenses	228,383	214,150
Deferred revenue	-	36,667
Current portion, note payable	58,810	54,982
<b>TOTAL CURRENT LIABILITIES</b>	<b>297,138</b>	<b>319,784</b>
Accrued interest (See note 14)	80,000	68,000
Notes payable, net of current portion	5,657,536	5,716,346
<b>TOTAL LIABILITIES</b>	<b>6,034,674</b>	<b>6,104,130</b>
 <b>NET ASSETS</b>		
Unrestricted	1,320,313	909,705
Permanently restricted	393,715	395,599
<b>TOTAL NET ASSETS</b>	<b>1,714,028</b>	<b>1,305,304</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,748,702</b>	<b>\$ 7,409,434</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, 2012 AND 2011

	2012			2011		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT						
Revenue:						
Grants	\$ 2,151,835	\$ -	\$ 2,151,835	\$ 2,066,768	-	\$ 2,066,768
Fundraising events (net of expenses of \$178,972 and \$174,240) (See Note 2, Reclassification)	212,800	-	212,800	219,616	-	219,616
Other income	82,269	-	82,269	28,363	-	28,363
Investment income (loss)	-	(2,364)	(2,364)	(2,548)	68,355	65,807
Public Support:						
Contributions and donations	1,955,140	480	1,955,620	1,697,139	1,000	1,698,139
Total revenue and public support	4,402,044	(1,884)	4,400,160	4,009,338	69,355	4,078,693
Expenses						
Program services	3,515,762	-	3,515,762	3,208,440	-	3,208,440
Supporting services	171,110	-	171,110	59,342	-	59,342
Fundraising	304,564	-	304,564	328,108	-	328,108
Total functional expenses	3,991,436	-	3,991,436	3,595,890	-	3,595,890
INCREASE (DECREASE) IN NET ASSETS	410,608	(1,884)	408,724	413,448	69,355	482,803
NET ASSETS - Beginning of year	909,705	395,599	1,305,304	496,257	326,244	822,501
NET ASSETS - End of year	\$ 1,320,313	\$ 393,715	\$ 1,714,028	\$ 909,705	\$ 395,599	\$ 1,305,304

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012

	2012			
	Programs & Services	Management	Fund Raising	Total Expenses
Salaries, Payroll Taxes and Benefits	\$ 2,091,182	\$ 43,050	\$ 205,956	\$ 2,340,188
Accounting and Audit	25,769	492	2,119	28,379
Bank Fees	22,115	24,491	-	46,607
Building Repair and Maintenance	42,028	708	1,600	44,336
Cleaning	9,297	271	503	10,071
Client Service	49,838	114	11	49,964
Communication	64,073	(3,838)	6,901	67,135
Consultants	216,938	9,911	30,014	256,864
Planning Council	14,924	-	-	14,924
Depreciation and Amortization	141,533	63,909	900	206,342
Equipment Repair and Rental	147	4	23	174
Equipment Purchased	24,125	(15)	-	24,110
Fundraising Events	116,626	334	-	116,961
Insurance	35,083	5,372	2,016	42,471
Interest Expense - Other	-	12,000	-	12,000
Interest Expense - Mortgage	113,348	4,495	8,224	126,067
Legal	2,065	2,249	-	4,314
Miscellaneous	40,782	2,648	1,212	44,642
Postage	3,046	819	6,727	10,592
Printing	30,323	569	22,848	53,740
Property Taxes	2,195	10	25	2,230
Public Relations and Advertising	20,267	279	3,645	24,190
Rent	30,645	-	-	30,645
Staff Development/ Training	33,688	110	1,269	35,067
Supplies	55,175	1,321	4,930	61,426
Travel	6,026	18	126	6,170
Utilities	56,366	1,074	4,144	61,584
Volunteer & Donor Appreciation	159	717	1,370	2,246
Grant Allocation	268,000	-	-	268,000
<b>Total Expense</b>	<b>\$ 3,515,762</b>	<b>\$ 171,110</b>	<b>\$ 304,564</b>	<b>\$ 3,991,436</b>

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

	2011			
	Programs & Services	Management	Fund Raising	Total Expenses
Salaries, Payroll Taxes and Benefits	\$ 1,894,568	\$ 29,784	\$ 203,873	\$ 2,128,226
Accounting and Audit	20,721	569	1,634	22,923
Bank Fees	21,090	20,966	-	42,056
Building Repair and Maintenance	30,994	1,126	1,608	33,728
Cleaning	7,489	258	716	8,463
Client Service	41,812	542	473	42,826
Communication	56,252	1,631	25,316	83,199
Consultants	217,990	12,628	16,936	247,554
Planning Council	15,108	-	-	15,108
Depreciation and Amortization	137,670	59,012	1,241	197,923
Equipment Repair and Rental	253	11	115	380
Equipment Purchased	7,686	-	-	7,686
Fundraising Events	131,818	124	-	131,943
Insurance	37,768	772	2,254	40,794
Interest Expense - Other	-	(83,352)	-	(83,352)
Interest Expense - Mortgage	112,047	4,647	12,916	129,610
Legal	2,812	2,608	-	5,420
Miscellaneous	15,871	3,696	2,816	22,382
Postage	2,090	174	6,330	8,593
Printing	32,660	743	25,943	59,346
Property Taxes	2,616	11	30	2,656
Public Relations and Advertising	21,392	(16)	5,193	26,569
Rent	28,555	-	-	28,555
Staff Development/ Training	2,308	-	180	2,488
Supplies	38,949	1,758	5,235	45,943
Travel	4,206	15	1,351	5,572
Utilities	55,582	1,494	4,120	61,196
Volunteer & Donor Appreciation	135	142	9,826	10,103
Grant Allocation	268,000	-	-	268,000
<b>Total Expense</b>	<b>\$ 3,208,440</b>	<b>\$ 59,342</b>	<b>\$ 328,108</b>	<b>\$ 3,595,890</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, 2012 AND 2011

	2012	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors and grants	\$ 4,538,337	\$ 4,134,188
Cash paid to employees and suppliers	(3,771,537)	(3,654,420)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>766,800</b>	<b>479,768</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of building improvements	(26,743)	(426,946)
Proceed from sale of investments	-	14,328
Purchase of investments	(480)	(14,178)
Purchase of property and equipment	(4,781)	(11,051)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(32,004)</b>	<b>(437,847)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment on notes payable	(54,982)	(51,441)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(54,982)</b>	<b>(51,441)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	679,814	(9,520)
CASH at beginning of period	344,622	354,142
CASH at end of period	\$ 1,024,436	\$ 344,622
<b>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 408,724	\$ 482,802
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	206,342	197,923
Unrealized investment loss (income)	2,364	(66,544)
Decrease (Increase) in:		
Grants receivable	172,480	(88,866)
Prepaid expenses	(8,637)	(9,382)
Increase (Decrease) in:		
Accounts payable and accrued expenses	22,194	(72,832)
Deferred revenue	(36,667)	36,667
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 766,800</b>	<b>\$ 479,768</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, 2012 AND 2011**

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.

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

The Center reports information regarding its financial position and activities to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

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. The Center had no temporarily restricted net assets as of June 30, 2012 and 2011.

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. The Center had permanently restricted net assets in the amount of \$393,715 and \$395,599 as of June 30, 2012 and 2011 respectively, related to the endowment fund (See note 11).

### 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.

### 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.

### Fair Value Measurements

For certain of the Center's financial instruments, including cash and equivalents, investments, grants receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Center. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for investments, receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Center analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

As of June 30, 2012 and 2011, the Center did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

### 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, 2012 and June 30, 2011, 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. As of June 30, 2012 and 2011, no amounts were recorded in the financials for donated goods or services.

### 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.

### Endowment Fund

The Center has adopted ASC 958-605 Transfers of Assets to a NPO or Charitable Trust that Raises or Holds Contributions for Others which 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.

### Reclassification

Certain prior period amounts have been reclassified to conform to the fiscal year ended June 30, 2012 presentation. Direct fundraising expenses shown separately on the statement of functional expenses during the fiscal year ended June 30, 2011 have been reclassified to show under fundraising events, net of expenses on the statement of activities and changes in net assets.

### 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, 2012 and 2011, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2012 and 2011, The Center's uninsured portion of the balances held at the banks aggregated to \$497,311 and \$0, 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).

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, 2012 and 2011, investments consisted of a wide variety of common stocks of U.S corporations and certificates of deposit.

Investments were comprised of the following at June 30, 2012 and 2011:

<b>June 30, 2012</b>		
<b>Type of Investments</b>	<b>Cost</b>	<b>Fair Market Value</b>
Corporate equities and funds	\$ 2,302	\$ 2,302
<b>Total</b>	<b>\$ 2,302</b>	<b>\$ 2,302</b>

  

<b>June 30, 2011</b>		
<b>Type of Investments</b>	<b>Cost</b>	<b>Fair Market Value</b>
Corporate equities and funds	\$ 2,302	\$ 2,302
<b>Total</b>	<b>\$ 2,302</b>	<b>\$ 2,302</b>

Note 7 - Fixed Assets

Fixed assets consist of the following:

	June 30,	
	2012	2011
Furniture and Equipment	\$ 123,746	\$ 118,965
Building Improvements	2,785,819	2,759,078
Buildings and Land	4,573,755	4,573,755
	7,483,320	7,451,798
Accumulated Depreciation	(1,397,117)	(1,191,776)
	<b>\$ 6,086,202</b>	<b>\$ 6,260,021</b>

Depreciation expense was \$205,342 and \$196,923 for the year ended June 30, 2012 and 2011 respectively.

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, 2012 and 2011 intangible assets consist of the following:

	<u>2012</u>	<u>2011</u>
AIDS Walk San Diego	\$ 5,000	\$ 5,000
Family Matters	<u>10,000</u>	<u>10,000</u>
	15,000	15,000
Less accumulated amortization	<u>(7,610)</u>	<u>(6,610)</u>
	<u>\$ 7,390</u>	<u>\$ 8,390</u>

Amortization expense was \$1,000 for the year ended June 30, 2012 and 2011.

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, 2012 and 2011, vacation liability exists in the amount of \$131,685 and \$125,109, 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 \$30,645 and \$28,555 for the years ended June 30, 2012 and 2011, respectively. As of June 30, 2012, The Center has future minimum lease obligations as follows:

	<u>June 30,</u>	
	2013	23,925
	2014	<u>2,000</u>
Total		<u>\$ 25,925</u>

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, 2012 and 2011, the balance of the endowment fund with the San Diego Foundation was \$387,917 and \$389,509, respectively, and the balance of the endowment fund at the San Diego Human Dignity Foundation was \$5,798 and \$6,089, respectively.

Endowment funds were comprised of the following at June 30, 2012 and 2011:

<b>June 30, 2012</b>		<b>Fair Market</b>
<b>Type of Investments</b>	<b>Cost</b>	<b>Value</b>
Corporate equities and funds	\$ 290,508	\$ 393,715
<b>Total</b>	<b>\$ 290,508</b>	<b>\$ 393,715</b>

  

<b>June 30, 2011</b>		<b>Fair Market</b>
<b>Type of Investments</b>	<b>Cost</b>	<b>Value</b>
Corporate equities and funds	\$ 290,028	\$ 395,599
<b>Total</b>	<b>\$ 290,028</b>	<b>\$ 395,599</b>

Note 12 – AIDS Walk San Diego (AWS D)

As of June 30, 2012, The Center received \$422,537 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 \$193,578 in expenses related to the event and then contributed \$268,000 to several non-profit organizations providing HIV/AIDS related services. The \$39,040 shortfall was covered by The Center’s AWS D 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 \$1,715,885 is due. The mortgage note is a first trust deed secured by the Centre Street building. As of June 30, 2012, The Center had an aggregate outstanding balance of \$1,837,600.

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.

On July 9, 2011, 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 retroactively to the original loan date of October 20, 2005. As of June 30, 2011, the Center had accrued interest of \$95,352 attributable to the loan from SDHC which was reversed during the fiscal year ended June 30, 2011.

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, 2012 and 2011, total loans outstanding were classified as follows:

	<u>2012</u>	<u>2011</u>
Current portion	\$ 58,810	\$ 54,982
Long term portion	<u>5,657,536</u>	<u>5,716,346</u>
Total due	<u>\$ 5,716,346</u>	<u>\$ 5,771,328</u>

A five year maturity of these loans is as follows as of June 30, 2012:

	<u>June 30,</u>
2013	58,810
2014	62,905
2015	1,715,885
2016	-
Thereafter	<u>3,878,746</u>
	<u>\$ 5,716,346</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, 2012 and 2011 was \$80,000 and \$68,000.

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.

For the twelve months ended December 31, 2011 and 2010, the Youth Housing Project had net income of \$16,113 and \$18,764 respectively before cash and replacement reserve and loan payments of \$16,113 and \$18,764 respectively. 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 was originally expected to be fully amortized over an 8 year term, but because residuals for the project have not been sufficient to fully recoup the annual payments of \$30,918, management projects that the loan will not be fully paid until 2019. 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>2011</u>	<u>2010</u>
Total Revenue	\$ 121,265	\$ 114,385
Total Expenses	<u>105,152</u>	<u>95,621</u>
NET INCOME	<u>\$ 16,113</u>	<u>\$ 18,764</u>
Cash Reserve	(1,200)	(1,200)
Replacement Reserve	(3,600)	(3,600)
Loan Payment	(11,313)	(13,964)
Adjusted Residual Income (Loss)	<u><u>\$ -</u></u>	<u><u>\$ -</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 – Related Party Transactions

The Executive Director for the Center is also the Executive Director for the Center Advocacy Project. The mission for the Center Advocacy Project is to secure equal civil and human rights for the LGBT and allied communities through public education and issue advocacy.

During the fiscal year ended June 30, 2012, the Center Advocacy Project paid \$28,550 to the Center for consulting fees on a fee for service basis.

Note 19 – Subsequent Events

The Center has evaluated subsequent events through September 29, 2012 the date on which the financial statements were available to be issued. The Center is not aware of any subsequent events that require recognition or disclosure in the financial statements.



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

**(A NON-PROFIT ORGANIZATION)**

**SUPPLEMENTAL SCHEDULES REQUIRED BY**

**OMB CIRCULAR A-133**

**JUNE 30, 2012 AND 2011**

**LICHTER YU AND ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

16133 VENTURA BLVD., SUITE 450  
ENCINO, CALIFORNIA 91436  
TEL (818)789-0265 FAX (818) 789-3949

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS 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, 2012 and have issued our report thereon dated September 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management, Board of Directors, management, others within The Center, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Encino, California  
September 29, 2012

**LICHTER YU AND ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

16133 VENTURA BLVD., SUITE 450  
ENCINO, CALIFORNIA 91436  
TEL (818)789-0265 FAX (818) 789-3949

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material on each of The Center's major federal programs for the year ended June 30, 2012. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws and regulations, contracts, 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 the above that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2012.

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 over 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the management, the Board of Directors, others within The Center, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rutter, Yu & Associates". The signature is written in a cursive, flowing style.

Encino, California  
September 29, 2012

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Program Name	Grant Number	Federal Catalog Number	Federal Expenditure
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 3/1/11- 2/29/12	536618	93.118	\$ 448,583
Grant Period 3/1/12- 2/28/13	536618	93.118	195,314
Planning Council Support & Quality Management			
Grant Period 3/1/11- 2/29/12	516171	93.118	365,751
Grant Period 3/1/12- 2/28/13	540509	93.118	183,306
Prevention Admin - Project 53			
Grant Period 7/01/11 to 6/30/12	533872	93.940	175,000
<b>Total County of San Diego</b>			<b>\$ 1,367,954</b>
City of San Diego			
CDBG Funds - Program - Project 09			
Grant Period 7/01/11 to 6/30/12		14.218	\$ 101,601
<b>Total City of San Diego</b>			<b>\$ 101,601</b>
Pass-through Family Health Center			
Department of Health Services			
Prevention/CDC - Project 81			
Grant Period 1/01/12 to 9/30/12	PS11-1113	93.939	\$ 27,296
<b>Total Family Health Center</b>			<b>\$ 27,296</b>
<b>Total Federal Awards</b>			<b>\$ 1,496,851</b>

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL, AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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, 2012 there were no reportable conditions.

Type of Report on Compliance for Major Programs

For the year ended June 30, 2012 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	Planning Council & Quality Management 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.