

THE LGBT COMMUNITY CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2017



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The LGBT Community Center of the Desert
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of The LGBT Community Center of the Desert (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LGBT Community Center of the Desert as of June 30, 2017 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of The LGBT Community Center of the Desert for the year ended June 30, 2016 were audited by other auditors, whose report dated January 23, 2017 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.


November 20, 2017

THE LGBT COMMUNITY CENTER OF THE DESERT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

ASSETS

	<u>2017</u>	<u>2016</u> (Memorandum Only)
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,343	\$ 414,790
Cash and cash equivalents - restricted	272,095	515,989
Receivables	33,834	6,928
Prepaid expenses and other assets	19,332	13,127
Total current assets	<u>381,604</u>	<u>950,834</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	152,994	54,030
Leasehold improvements	989,256	24,589
Construction in progress	-	624,714
	1,142,250	703,333
Less accumulated depreciation	<u>(232,651)</u>	<u>(77,164)</u>
Total property and equipment	<u>909,599</u>	<u>626,169</u>
TOTAL ASSETS	<u>\$ 1,291,203</u>	<u>\$ 1,577,003</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 2,087	\$ 272,556
Accrued payroll	51,566	33,160
Deferred revenue	12,890	81,000
Total current liabilities	<u>66,543</u>	<u>386,716</u>
NET ASSETS		
Unrestricted	952,565	674,298
Temporarily restricted	272,095	515,989
Total net assets	<u>1,224,660</u>	<u>1,190,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,291,203</u>	<u>\$ 1,577,003</u>

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	(Memorandum Only)
SUPPORT AND REVENUES				
Contributions	\$ 284,551	\$ 345,225	629,776	\$ 1,323,925
Grants	180,840	-	180,840	133,372
Memberships	64,245	-	64,245	60,751
Program income	137,748	-	137,748	150,634
Special events	538,799	-	538,799	426,994
Net assets released from restrictions	589,119	(589,119)	-	-
TOTAL SUPPORT AND REVENUE	1,795,302	(243,894)	1,551,408	2,095,676
EXPENSES				
Program services	1,107,176	-	1,107,176	726,299
General and administrative	195,811	-	195,811	142,553
Fundraising expense	214,048	-	214,048	178,826
TOTAL EXPENSES	1,517,035	-	1,517,035	1,047,678
INCREASE IN NET ASSETS	278,267	(243,894)	34,373	1,047,998
NET ASSETS, BEGINNING OF YEAR	674,298	515,989	1,190,287	142,289
NET ASSETS, END OF YEAR	\$ 952,565	\$ 272,095	\$ 1,224,660	\$ 1,190,287

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017			Totals	2016
	Program Services	General and Administrative	Fundraising		(Memorandum Only)
Accounting	\$ -	\$ 10,430	\$ -	\$ 10,430	\$ 12,679
Communications	11,038	2,759	-	13,797	19,687
Depreciation	183,856	20,428	-	204,284	6,245
Equipment and maintenance	11,551	2,888	-	14,439	19,039
Event expense	-	-	214,048	214,048	177,941
Insurance	55,739	6,193	-	61,932	33,234
Miscellaneous	41,824	10,456	-	52,280	25,781
Office expense	19,388	4,847	-	24,235	36,538
Payroll taxes	47,494	8,381	-	55,875	46,379
Postage and printing	1,953	488	-	2,441	2,201
Professional services	37,584	9,396	-	46,980	32,048
Rent	76,293	8,477	-	84,770	62,400
Salaries	561,832	99,147	-	660,979	520,927
Supplies	29,207	7,302	-	36,509	25,785
Telephone	9,729	2,432	-	12,161	7,533
Utilities	19,688	2,187	-	21,875	19,261
TOTAL FUNCTIONAL SERVICES	\$ 1,107,176	\$ 195,811	\$ 214,048	\$ 1,517,035	\$ 1,047,678

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 34,373</u>	<u>\$ 1,047,998</u>
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	204,284	6,245
(Increase) decrease in operating assets:		
Receivables	(26,906)	5,081
Prepaid expense and other assets	(6,205)	(8,177)
Increase (decrease) in operating liabilities:		
Accounts payable	(270,469)	256,274
Accrued payroll	18,406	6,859
Deferred revenue	<u>(68,110)</u>	<u>76,750</u>
Total adjustments	<u>(149,000)</u>	<u>343,032</u>
Net cash provided (used) by operating activities	<u>(114,627)</u>	<u>1,391,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(487,714)</u>	<u>(610,049)</u>
NET INCREASE (DECREASE) IN CASH	<u>(602,341)</u>	<u>780,981</u>
CASH AT BEGINNING OF YEAR	<u>930,779</u>	<u>149,798</u>
CASH AT END OF YEAR	<u>\$ 328,438</u>	<u>\$ 930,779</u>

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The LGBT Community Center of the Desert (the Center) is a California non-profit public benefit corporation, was formed on September 22, 2000 for the purpose of providing outreach services to the lesbian, gay, bisexual and transgendered (LGBT) community in the Coachella Valley. The Center provides social and recreational opportunities as well as referral services and programs to assist members of the LGBT community in maintaining independence and self-sufficiency. The LGBT Community Center of the Desert revenues come primarily from grants and donations from individuals and foundations.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restriction on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Center's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. Temporarily restricted net assets of \$272,095 at June 30, 2017 consist of funds to be spent on final property and equipment additions on the new office facility.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Center considers the restriction met when the assets are placed in service.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified but the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. There were no permanently restricted net assets at June 30, 2017.

Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt Instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting its use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over their useful lives of five years. Leasehold improvements are depreciated over five years which is the term of the office lease agreement.

Deferred Revenue

Income from ticket sales and sponsorships of special events is deferred and recognized the period in which the event occurs.

Donated Services

A number of volunteers have donated approximately 11,100 hours and 10,300 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2017 and 2016, respectively. These donated services are not reflected in the financial statements as no objective basis is available to measure the value. Directors and officers also make substantial contributions of time and expertise.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center. Further descriptions are as follows:

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Health & Wellness Programs

The Center offers many ongoing health and wellness programs for the LGBT community in the Coachella Valley. These programs include health screenings, counseling and discussions on personal health.

Education & Social Programs

The Center offers ongoing educational and social programs for the LGBT community in the Coachella Valley.

Membership Development

Encompasses the identification, cultivation, and expansion of the Center's membership as a primary effort to promote community awareness and interaction.

General and Administrative

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Center's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Center; and manage the financial and budgetary responsibilities of the Center

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state tax under Section 23701d of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Center's Forms 990 *Return of Organization Exempt from Income Tax* are subject to examination by the IRS, generally for 3 years after they were filed. The Organization's Form 199, *California Exempt Organization Annual Information Return* are subject to examination by the FTB, generally for 4 years after they were filed.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. ADVERTISING

The Center uses advertising to promote its programs to the community it serves. The production costs are expensed the first time the advertising takes place. For the years ended June 30, 2017 and 2016, advertising costs were \$5,997 and \$11,822, respectively.

3. OPERATING LEASES

The Center has two operating leases with initial terms in excess of one year. The Center currently leases their office space from July 2016 through June 2021 with two five year options available. The monthly rent ranges from \$5,667 - \$7,650 over the remainder of the lease term. The Center also leases its copier from July 2016 through June 2021 at \$209 per month.

Future minimum lease payments under these operating leases are:

<u>Year Ending</u> <u>June 30</u>	
2018	\$ 76,014
2019	89,220
2020	92,616
2021	<u>94,308</u>
	<u>\$ 352,158</u>

4. RETIREMENT PLAN

The Center adopted a defined contribution 401(k) plan July 1, 2016 covering all eligible employees. The Center has the discretion to match any employee contributions and make a profit sharing contribution. The Center has elected not to make any payments during the year ended June 30, 2017

5. SUBSEQUENT EVENTS

The Center evaluated all potential subsequent events as of November 20, 2017 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2017 or as of November 20, 2017 that require disclosure to the financial statements.