

THE LGBT COMMUNITY CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2019



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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, 2019, 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.

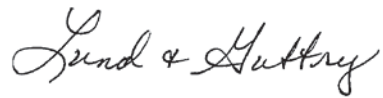
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 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

We have previously audited the Center's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 21, 2020

THE LGBT COMMUNITY CENTER OF THE DESERT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

ASSETS

	<u>2019</u>	<u>2018</u> (Memorandum Only)
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,610,658	\$ 1,400,011
Cash and cash equivalents - restricted	488,541	274,807
Receivables	11,630	10,122
Prepaid expenses and other assets	<u>38,904</u>	<u>21,654</u>
Total current assets	<u>2,149,733</u>	<u>1,706,594</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	159,633	157,357
Leasehold improvements	1,028,288	1,020,166
Vehicles	27,913	27,913
Construction in progress	<u>8,068</u>	<u>-</u>
	1,223,902	1,205,436
Less accumulated depreciation	<u>(698,054)</u>	<u>(460,795)</u>
Total property and equipment	<u>525,848</u>	<u>744,641</u>
TOTAL ASSETS	<u><u>\$ 2,675,581</u></u>	<u><u>\$ 2,451,235</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 4,386	\$ 3,350
Accrued payroll and vacation	60,369	50,072
Deferred revenue	<u>76,000</u>	<u>15,500</u>
Total current liabilities	<u>140,755</u>	<u>68,922</u>
NET ASSETS		
Without donor restrictions	785,951	1,052,506
Without donor restrictions - board designated	1,260,334	1,055,000
With donor restrictions	<u>488,541</u>	<u>274,807</u>
Total net assets	<u>2,534,826</u>	<u>2,382,313</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,675,581</u></u>	<u><u>\$ 2,451,235</u></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, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only)
SUPPORT AND REVENUES				
Contributions	\$ 780,280	\$ 230,778	1,011,058	\$ 1,883,663
Grants	274,956	-	274,956	224,587
Memberships	70,930	-	70,930	67,785
Program income and other	125,572	-	125,572	112,480
Special events	626,597	-	626,597	629,111
Net assets released from restrictions	17,044	(17,044)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,895,379</u>	<u>213,734</u>	<u>2,109,113</u>	<u>2,917,626</u>
EXPENSES				
Program services	1,404,964	-	1,404,964	1,261,136
General and administrative	241,162	-	241,162	215,783
Fundraising expense	310,474	-	310,474	283,054
TOTAL EXPENSES	<u>1,956,600</u>	<u>-</u>	<u>1,956,600</u>	<u>1,759,973</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(61,221)</u>	<u>213,734</u>	<u>152,513</u>	<u>1,157,653</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,107,506</u>	<u>274,807</u>	<u>2,382,313</u>	<u>1,224,660</u>
NET ASSETS, END OF YEAR	<u>\$ 2,046,285</u>	<u>\$ 488,541</u>	<u>\$ 2,534,826</u>	<u>\$ 2,382,313</u>

(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, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018	
	Program Services	General and Administrative	Fundraising	Totals	(Memorandum Only)
Accounting	\$ -	\$ 9,200	\$ -	\$ 9,200	\$ 8,750
Communications	12,036	3,009	-	15,045	16,371
Depreciation	213,534	23,725	-	237,259	228,144
Equipment and maintenance	16,543	4,136	-	20,679	13,746
Event expense	-	-	310,474	310,474	283,054
Insurance	64,761	7,195	-	71,956	74,667
Miscellaneous	10,088	2,522	-	12,610	19,306
Office expense	21,527	5,382	-	26,909	28,349
Payroll taxes	59,479	10,496	-	69,975	58,988
Postage and printing	2,161	540	-	2,701	2,837
Professional services	46,526	11,631	-	58,157	37,239
Rent	106,588	11,843	-	118,431	101,347
Retirement plan	12,111	2,137	-	14,248	12,989
Salaries	769,404	135,777	-	905,181	793,271
Supplies	34,224	8,555	-	42,779	41,455
Telephone	7,308	1,827	-	9,135	10,260
Utilities	28,675	3,186	-	31,861	29,200
TOTAL FUNCTIONAL SERVICES	\$ 1,404,964	\$ 241,162	\$ 310,474	\$ 1,956,600	\$ 1,759,973

(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, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ <u>152,513</u>	\$ <u>1,157,653</u>
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	237,259	228,144
(Increase) decrease in operating assets:		
Receivables	(1,508)	23,712
Prepaid expense and other assets	(17,250)	(2,322)
Increase (decrease) in operating liabilities:		
Accounts payable	1,036	1,263
Accrued payroll and vacation	10,297	(1,494)
Deferred revenue	<u>60,500</u>	<u>2,610</u>
Total adjustments	<u>290,334</u>	<u>251,913</u>
Net cash provided by operating activities	<u>442,847</u>	<u>1,409,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(18,466)</u>	<u>(63,186)</u>
NET INCREASE IN CASH	<u>424,381</u>	<u>1,346,380</u>
CASH AT BEGINNING OF YEAR	<u>1,674,818</u>	<u>328,438</u>
CASH AT END OF YEAR	<u>\$ 2,099,199</u>	<u>\$ 1,674,818</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, 2019

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 transgender (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 Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated \$1,260,334 at June 30, 2019 of net assets without donor restrictions for capacity building and program expansion purposes.

Net assets with donor restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Total net assets with donor restrictions of \$488,541 at June 30, 2019 consists of funds to be spent on property and equipment building projects.

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.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11,400 hours and 10,400 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2019 and 2018, 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:

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.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Center's Form 199, *California Exempt Organization Annual Information Return* are subject to examination by the FTB, generally for 4 years after they were filed.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the prior year, from which the summarized information was derived.

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, 2019 and 2018, advertising costs were \$5,982 and \$7,371, respectively.

3. CONSTRUCTION IN PROGRESS

The Center has approved a building project to expand the Behavior Health Clinic. The total costs of the project are estimated to be \$900,000 and be completed by June 2020. Total construction in progress of \$8,068 at June 30, 2019 consists of initial architect costs.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. 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 \$8,325 - \$8,645 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:

Year Ending <u>June 30</u>	
2020	\$ 104,616
2021	<u>54,378</u>
	<u>\$ 158,707</u>

5. 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 made a 3% match of \$14,248 and \$12,989 on employees' contributions during the years ended June 30, 2019 and 2018, respectively.

6. CONCENTRATION OF CREDIT RISK

The Center maintains the cash accounts at commercial banks. The accounts maintained at commercial banks are fully guaranteed by the FDIC up to \$250,000. Given the size and activity of the Center, account balances throughout the year may exceed the FDIC insured balances. The Center has not experienced any losses in such accounts and believes there is no significant credit risk relating to cash.

7. RELATED PARTY TRANSACTIONS

The Center receives professional consulting services from a member of the Board of Directors. The total payments made during the years ended June 30, 2019 and 2018 were \$6,000 for each year.

8. LIQUIDITY

The Center's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash	\$ 1,610,658
Receivables	<u>11,630</u>
	<u>\$ 1,622,288</u>

The Center is committed to investing liquid assets conservatively. Cash for the property and equipment building projects is restricted for specific purposes and therefore, is not available for general expenditure.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

9. SUBSEQUENT EVENTS

The Center evaluated all potential subsequent events as of January 21, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2019 or as of January 21, 2020 that require disclosure to the financial statements.