

THE LGBTQ COMMUNITY CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2020



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttry.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The LGBTQ Community Center of the Desert (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

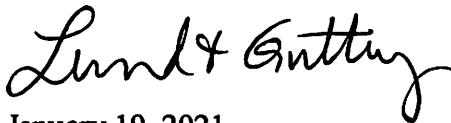
Independent Auditors' Report
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LGBTQ Community Center of the Desert as of June 30, 2020 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 June 30, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 19, 2021

THE LGBTQ COMMUNITY CENTER OF THE DESERT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

ASSETS

	<u>2020</u>	<u>2019</u> (Memorandum Only)
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,816,912	\$ 1,610,658
Cash and cash equivalents - restricted	598,809	488,541
Receivables	10,926	11,630
Prepaid expenses and other assets	<u>59,118</u>	<u>38,904</u>
Total current assets	<u>2,485,765</u>	<u>2,149,733</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	159,633	159,633
Leasehold improvements	1,034,273	1,028,288
Vehicles	27,913	27,913
Construction in progress	<u>235,050</u>	<u>8,068</u>
	1,456,869	1,223,902
Less accumulated depreciation	<u>(935,562)</u>	<u>(698,054)</u>
Total property and equipment	<u>521,307</u>	<u>525,848</u>
TOTAL ASSETS	<u>\$ 3,007,072</u>	<u>\$ 2,675,581</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 125,136	\$ 4,386
Accrued payroll and vacation	75,623	60,369
Deferred revenue	<u>45,625</u>	<u>76,000</u>
Total current liabilities	<u>246,384</u>	<u>140,755</u>
NET ASSETS		
Without donor restrictions	948,807	785,951
Without donor restrictions - board designated	1,213,072	1,260,334
With donor restrictions	<u>598,809</u>	<u>488,541</u>
Total net assets	<u>2,760,688</u>	<u>2,534,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,007,072</u>	<u>\$ 2,675,581</u>

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

THE LGBTQ COMMUNITY CENTER OF THE DESERT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
			<u>(Memorandum Only)</u>
SUPPORT AND REVENUES			
Contributions	\$ 690,525	\$ 319,532	1,010,057
Grants	295,443	-	295,443
Grants - other (Note 8)	196,951	-	196,951
Memberships	55,605	-	55,605
Program income and other	118,224	5,649	123,873
Special events	661,461	-	661,461
Net assets released from restrictions	214,913	(214,913)	-
TOTAL SUPPORT AND REVENUE	<u>2,233,122</u>	<u>110,268</u>	<u>2,343,390</u>
EXPENSES			
Program services	1,602,366	-	1,602,366
General and administrative	273,689	-	273,689
Fundraising expense	241,473	-	241,473
TOTAL EXPENSES	<u>2,117,528</u>	<u>-</u>	<u>2,117,528</u>
INCREASE IN NET ASSETS	<u>115,594</u>	<u>110,268</u>	<u>225,862</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,046,285</u>	<u>488,541</u>	<u>2,534,826</u>
NET ASSETS, END OF YEAR	<u>\$ 2,161,879</u>	<u>\$ 598,809</u>	<u>\$ 2,760,688</u>

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

THE LGBTQ COMMUNITY CENTER OF THE DESERT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020				2019
	Program Services	General and Administrative	Fundraising	Totals	(Memorandum Only)
Accounting	\$ -	\$ 9,650	\$ -	\$ 9,650	\$ 9,200
Communications	13,994	3,498	-	17,492	15,045
Depreciation	213,758	23,750	-	237,508	237,259
Equipment and maintenance	19,061	4,766	-	23,827	20,679
Event expense	-	-	241,473	241,473	310,474
Insurance	75,706	8,411	-	84,117	71,956
Miscellaneous	14,003	3,501	-	17,504	12,610
Office expense	26,109	6,527	-	32,636	26,909
Payroll taxes	64,386	11,362	-	75,748	69,975
Postage and printing	2,233	558	-	2,791	2,701
Professional services	37,022	9,256	-	46,278	58,157
Rent	151,671	16,852	-	168,523	118,431
Retirement plan	15,091	2,663	-	17,754	14,248
Salaries	893,245	157,632	-	1,050,877	905,181
Supplies	42,202	10,549	-	52,751	42,779
Telephone	6,830	1,708	-	8,538	9,135
Utilities	27,055	3,006	-	30,061	31,861
TOTAL FUNCTIONAL SERVICES	\$ 1,602,366	\$ 273,689	\$ 241,473	\$ 2,117,528	\$ 1,956,600

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

THE LGBTQ COMMUNITY CENTER OF THE DESERT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>	<u>2019</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 225,862</u>	<u>\$ 152,513</u>
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	237,508	237,259
(Increase) decrease in operating assets:		
Receivables	704	(1,508)
Prepaid expense and other assets	(20,214)	(17,250)
Increase (decrease) in operating liabilities:		
Accounts payable	120,750	1,036
Accrued payroll and vacation	15,254	10,297
Deferred revenue	<u>(30,375)</u>	<u>60,500</u>
Net cash provided by operating activities	<u>549,489</u>	<u>442,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(232,967)</u>	<u>(18,466)</u>
NET INCREASE IN CASH	<u>316,522</u>	<u>424,381</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,099,199</u>	<u>1,674,818</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,415,721</u>	<u>\$ 2,099,199</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Unrestricted	\$ 1,816,912	\$ 1,610,658
Restricted	598,809	488,541
	<u>\$ 2,415,721</u>	<u>\$ 2,099,199</u>

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

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The LGBTQ Community Center of the Desert (formerly The LGBT Community Center until the Articles of Incorporation name change approved in January 2020) (the Center) is a California non-profit public benefit corporation, was formed on September 22, 2000 for the purposed of providing outreach services to the lesbian, gay, bisexual, transgender and queer (LGBTQ) community in the Coachella Valley. The Center provides social and recreational opportunities as well as referral services and programs to assist members of the LGBTQ community in maintaining independence and self-sufficiency. The LGBTQ 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 \$1,213,072 at June 30, 2020 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 \$598,809 at June 30, 2020 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 LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 8,445 hours and 11,400 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2020 and 2019, 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 LGBTQ 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 LGBTQ 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 LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

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, 2020 and 2019, advertising costs were \$17,492 and \$15,045, respectively.

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. 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 \$1,421,000 and be completed by March 2021. Total construction in progress at June 30, 2020 and 2019 amounted to \$235,050 and \$8,068, respectively.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

3. OPERATING LEASES

The Center has two operating leases with initial terms in excess of one year. The Center currently leases their office space through December 2020 with two five year options available. The monthly rent is currently \$14,082 for all office space over the remainder of the lease term. The Center also leases its copier through June 2021 at \$228 per month.

Future minimum lease payments under these operating leases are:

Year Ending	
<u>June 30</u>	
2021	\$ <u>87,228</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 made a 3% match of \$17,754 and \$14,248 on employees' contributions during the years ended June 30, 2020 and 2019, respectively.

5. 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.

6. 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, 2020 and 2019 were \$6,000 for each year.

7. LIQUIDITY

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

Cash	\$ 1,816,912
Receivables	<u>10,926</u>
	\$ <u>1,827,838</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 LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

8. UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which had an impact on the year ended June 30, 2020.

In May 2020 the Organization received a Paycheck Protection Program loan in the amount of \$196,951. This loan was offered to qualifying small businesses in order to provide financial assistance during the COVID-19 crisis and is to be used to cover payroll costs and other qualifying expenses. Under the terms of this loan, the loan will be forgiven in full provided it is used to pay for qualifying expenses. As of June 30, 2020, management has determined that the funds received under this loan were fully expended for qualifying items and as such has reflected this forgivable loan as grant income-other on the statement of activities.

Management anticipates economic uncertainties associated with the COVID-19 coronavirus pandemic could have an impact on operating revenues. The related financial impact and duration cannot be reasonably estimated at this time.

9. SUBSEQUENT EVENTS

The Center evaluated all potential subsequent events as of January 19, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2020 or as of January 19, 2021 that require disclosure to the financial statements.