

THE LGBTQ COMMUNITY
CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 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, 2021, 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.

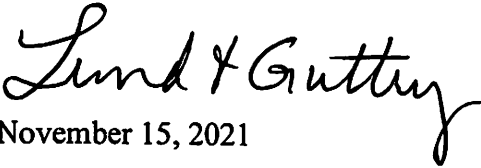
Independent Auditors' Report
(continued)

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, 2021 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, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


November 15, 2021

THE LGBTQ COMMUNITY CENTER OF THE DESERT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u> (Memorandum Only)
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,253,222	\$ 1,816,912
Cash and cash equivalents - restricted	498,483	598,809
Receivables	7,187	10,926
Prepaid expenses and other assets	<u>74,778</u>	<u>59,118</u>
Total current assets	<u>2,833,670</u>	<u>2,485,765</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	270,923	159,633
Leasehold improvements	1,048,949	1,034,273
Vehicles	73,605	27,913
Construction in progress	<u>1,410,434</u>	<u>235,050</u>
	2,803,911	1,456,869
Less accumulated depreciation	<u>(1,193,902)</u>	<u>(935,562)</u>
Total property and equipment	<u>1,610,009</u>	<u>521,307</u>
TOTAL ASSETS	<u>\$ 4,443,679</u>	<u>\$ 3,007,072</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 171,121	\$ 125,136
Accrued payroll and vacation	102,400	75,623
Deferred revenue	<u>82,500</u>	<u>45,625</u>
Total current liabilities	<u>356,021</u>	<u>246,384</u>
NET ASSETS		
Without donor restrictions	1,920,343	948,807
Without donor restrictions - board designated	1,668,832	1,213,072
With donor restrictions	<u>498,483</u>	<u>598,809</u>
Total net assets	<u>4,087,658</u>	<u>2,760,688</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,443,679</u>	<u>\$ 3,007,072</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, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>(Memorandum Only)</u>
SUPPORT AND REVENUES				
Contributions	\$ 1,798,726	\$ 1,044,029	\$ 2,842,755	\$ 1,010,057
Grants	390,391	-	390,391	295,443
Grants - other	-	-	-	196,951
Memberships	47,300	-	47,300	55,605
Program income and other	65,985	291	66,276	123,873
Special events	158,391	-	158,391	661,461
Net assets released from restrictions	<u>1,144,646</u>	<u>(1,144,646)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,605,439</u>	<u>(100,326)</u>	<u>3,505,113</u>	<u>2,343,390</u>
EXPENSES				
Program services	1,847,582	-	1,847,582	1,602,366
General and administrative	317,545	-	317,545	273,689
Fundraising expense	<u>13,016</u>	<u>-</u>	<u>13,016</u>	<u>241,473</u>
TOTAL EXPENSES	<u>2,178,143</u>	<u>-</u>	<u>2,178,143</u>	<u>2,117,528</u>
INCREASE (DECREASE) IN NET ASSETS	<u>1,427,296</u>	<u>(100,326)</u>	<u>1,326,970</u>	<u>225,862</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,161,879</u>	<u>598,809</u>	<u>2,760,688</u>	<u>2,534,826</u>
NET ASSETS, END OF YEAR	<u>\$ 3,589,175</u>	<u>\$ 498,483</u>	<u>\$ 4,087,658</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, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Totals	2020
	Program Services	General and Administrative	Fundraising		(Memorandum Only)
Accounting	\$ -	\$ 10,100	\$ -	\$ 10,100	\$ 9,650
Communications	11,354	2,838	-	14,192	17,492
Depreciation	232,507	25,833	-	258,340	237,508
Equipment and maintenance	17,668	4,418	-	22,086	23,827
Event expense	-	-	13,016	13,016	241,473
Insurance	86,235	9,581	-	95,816	84,117
Miscellaneous	3,492	873	-	4,365	17,504
Office expense	23,186	5,796	-	28,982	32,636
Payroll taxes	71,341	12,589	-	83,930	75,748
Postage and printing	2,798	699	-	3,497	2,791
Professional services	111,387	27,847	-	139,234	46,278
Rent	161,995	17,999	-	179,994	168,523
Retirement plan	16,986	2,998	-	19,984	17,754
Salaries	1,042,269	183,930	-	1,226,199	1,050,877
Supplies	26,194	6,548	-	32,742	52,751
Telephone	7,428	1,857	-	9,285	8,538
Utilities	32,743	3,638	-	36,381	30,061
TOTAL FUNCTIONAL SERVICES	\$ 1,847,582	\$ 317,545	\$ 13,016	\$ 2,178,143	\$ 2,117,528

(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, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u> <u>(Memorandum</u> <u>Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,326,970	\$ 225,862
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	258,340	237,508
(Increase) decrease in operating assets:		
Receivables	3,739	704
Prepaid expense and other assets	(15,660)	(20,214)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	45,985	120,750
Accrued payroll and vacation	26,777	15,254
Deferred revenue	36,875	(30,375)
Net cash provided by operating activities	<u>1,683,026</u>	<u>549,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,347,042)</u>	<u>(232,967)</u>
NET INCREASE IN CASH	<u>335,984</u>	<u>316,522</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,415,721</u>	<u>2,099,199</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,751,705</u>	<u>\$ 2,415,721</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Unrestricted	\$ 2,253,222	\$ 1,816,912
Restricted	498,483	598,809
	<u>\$ 2,751,705</u>	<u>\$ 2,415,721</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, 2021 AND 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 purpose 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 \$1,668,882 and \$1,213,072 at June 30, 2021 and 2020, respectively, 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 \$498,483 and \$598,809 at June 30, 2021 and 2020, respectively, 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, 2021 AND 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 5,800 hours and 8,445 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2021 and 2020, 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, 2021 AND 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, 2021 and 2020, advertising costs were \$14,192 and \$17,492, 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 commenced a new building project in June 2020 to expand the Behavior Health Clinic. The total costs of the project are estimated to be \$1,770,000 and be completed in October 2021. Total construction in progress at June 30, 2021 and 2020 amounted to \$1,410,434 and \$235,050, respectively.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

3. OPERATING LEASES

The Center has three operating leases with initial terms in excess of one year. The Center currently leases their office space in Palm Springs through December 2024 with one five year option available. The monthly rent is currently \$12,517 with annual increases ending with \$14,082 in the last year of the lease. They also lease office space in Coachella through June 2023 at \$334 per month. The Center also leases its copier through April 2026 at \$235 per month.

Future minimum lease payments under these operating leases are:

Year Ending <u>June 30</u>	
2022	\$ 160,167
2023	166,422
2024	168,672
2025	87,312
2026	<u>2,350</u>
	<u>\$ 584,923</u>

4. RETIREMENT PLAN

The Center has a defined contribution 401(k) plan 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 \$19,984 and \$17,754 on employees' contributions during the years ended June 30, 2021 and 2020, 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, 2021 and 2020 were \$4,500 and \$6,000, respectively.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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	\$ 2,253,222
Receivables	<u>7,187</u>
	<u>\$ 2,260,409</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.

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, 2021.

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 determined that the funds received under this loan were fully expended for qualifying items and as such reflected this forgivable loan as grant income-other on the statement of activities during the year ended June 30, 2020. The Organization received final official forgiveness from the SBA in January 2021.

Management anticipates economic uncertainties associated with the COVID-19 coronavirus pandemic could have an impact on operating revenues in the 2021/2022 fiscal year. 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 November 15, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2021 or as of November 15, 2021 that require disclosure to the financial statements.