

**THE LGBTQ COMMUNITY**  
**CENTER OF THE DESERT**  
**PALM SPRINGS, CALIFORNIA**

**INDEPENDENT AUDITOR'S REPORT AND**  
**FINANCIAL STATEMENTS**

**JUNE 30, 2022**



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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the accompanying financial statements of The LGBTQ Community Center of the Desert (the Center), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The LGBTQ Community Center of the Desert as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The LGBTQ Community Center of the Desert and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The LGBTQ Community Center of the Desert's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LGBTQ Community Center of the Desert's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The LGBTQ Community Center of the Desert's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Coachella Valley  
Accounting & Auditing*

La Quinta, CA  
January 23, 2023



**THE LGBTQ COMMUNITY CENTER OF THE DESERT**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 1,490,279	\$ 53,150	\$ 1,543,429
Grants	537,763	-	537,763
Memberships	40,820	-	40,820
Program income	60,775	-	60,775
Special events	949,258	-	949,258
Net assets released from restrictions	<u>598,336</u>	<u>(598,336)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,677,231</u>	<u>(545,186)</u>	<u>3,132,045</u>
<b>EXPENSES</b>			
Program services	2,103,853	-	2,103,853
General and administrative	271,576	-	271,576
Fundraising expense	<u>646,181</u>	<u>-</u>	<u>646,181</u>
<b>TOTAL EXPENSES</b>	<u>3,021,610</u>	<u>-</u>	<u>3,021,610</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>655,621</u>	<u>(545,186)</u>	<u>110,435</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>			
as previously stated	3,589,175	498,483	4,087,658
<b>PRIOR YEAR RESTATEMENT</b>	<u>-</u>	<u>230,358</u>	<u>230,358</u>
<b>NET ASSETS, BEGINNING OF YEAR,</b>			
restated	<u>3,589,175</u>	<u>728,841</u>	<u>4,318,016</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,244,796</u>	<u>\$ 183,655</u>	<u>\$ 4,428,451</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, 2022**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 8,480	\$ 1,590	\$ 530	\$ 10,600
Communications	57,492	7,187	7,187	71,866
Depreciation	299,064	33,229	-	332,293
Equipment and maintenance	34,796	8,700	-	43,496
Event expense	-	-	474,131	474,131
Insurance	89,539	9,948	-	99,487
Miscellaneous	9,282	2,321	-	11,603
Office expense	43,744	8,202	2,734	54,680
Payroll taxes	90,318	11,290	11,290	112,898
Postage and printing	2,239	559	-	2,798
Professional services	73,679	13,815	4,605	92,099
Rent	157,262	17,474	-	174,736
Retirement plan	13,614	1,702	1,702	17,018
Salaries	1,126,673	140,834	140,834	1,408,341
Supplies	39,038	7,320	2,440	48,798
Telephone	11,652	2,185	728	14,565
Utilities	46,981	5,220	-	52,201
<b>TOTAL FUNCTIONAL SERVICES</b>	<b><u>\$ 2,103,853</u></b>	<b><u>\$ 271,576</u></b>	<b><u>\$ 646,181</u></b>	<b><u>\$ 3,021,610</u></b>

(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, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 110,435
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	332,293
Unrealized loss on investments	1,472
Decrease in operating assets:	
Receivables	143,089
Prepaid expense and other assets	12,700
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(167,967)
Accrued payroll and vacation	14,860
Deferred revenue	<u>67,500</u>
Net cash provided by operating activities	<u>514,382</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(372,431)
Investment purchases	<u>(1,511)</u>
Net cash used by investing activities	<u>(373,942)</u>

**NET INCREASE IN CASH** 140,440

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 1,730,450

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 1,870,890

**CASH AND CASH EQUIVALENTS CONSISTS OF:**

Without Donor restrictions	\$ 1,687,235
With Donor	<u>183,655</u>
	<u><u>\$ 1,870,890</u></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, 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The LGBTQ 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, 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 and may be expended for any purpose in performing the primary objectives of the Center. The Center's board may designate assets without restrictions for specific operational purposes from time to time.

#### Net assets without donor restrictions – Board Designated

These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Center. The Board of Directors designated funds were \$2,084,751 at June 30, 2022.

#### 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. The Center has net assets with donor restrictions of \$183,655 at June 30, 2022.

# THE LGBTQ COMMUNITY CENTER OF THE DESERT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### Investments

Investments are stated at fair market value. Realized and unrealized gains and losses on investments are recognized as changes in net assets in the periods in which they occur.

#### Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level.

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

#### 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 5,002 hours in the Center's program service and fundraising campaigns during the year ended June 30, 2022. 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.

**THE LGBTQ COMMUNITY CENTER OF THE DESERT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Fundraising

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

Income Taxes

The Center is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Center may be subject to tax on income from any unrelated business operations. The Center does not currently have any unrelated business operations. The federal and State income tax returns are subject to examination over three and four years, respectively.

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 year ended June 30, 2022, advertising costs were \$17,423.

**THE LGBTQ COMMUNITY CENTER OF THE DESERT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**2. IMPLEMENTATION OF ACCOUNTING STANDARDS UPDATE AND PRIOR YEAR RESTATEMENT**

FASB issued Accounting Standards Update No. 2018-08 (ASU 2018-08), Not-for-Profit-Entities (Topic 958). The purpose of ASU 2018-08 is to clarify and improve the scope and accounting guidance for contributions received and contributions made. This guidance provides clarification on the definition of exchange transactions with the intention to improve consistency in the treatment of revenue recognition for Not-for-Profit-Entities. Under this guidance contributions received with donor-imposed restrictions limiting the purpose, time or use of contributions are recognized in the period received. The amendment in ASU has been applied on a retrospective basis, increasing donor restricted net assets by \$230,358 as of June 30, 2021.

**3. 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.

**4. INVESTMENTS**

The fair value of the Center's investments is measured on a recurring basis based on quoted prices in active markets for identical assets (Level 1 inputs). Investments consist of the following at June 30, 2022:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Loss</u>
Mutual funds	<u>\$ 1,021,744</u>	<u>\$ 1,022,570</u>	<u>\$ (826)</u>

**5. NET ASSETS – WITH DONOR RESTRICTIONS**

Donor restricted net assets consists of the following purposes as of June 30, 2022:

Building Fund	\$ 103,655
East Valley Initiative	80,000
Total	<u>\$ 183,655</u>

**6. 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 \$17,018 a on employees' contributions during the year ended June 30, 2022.

**THE LGBTQ COMMUNITY CENTER OF THE DESERT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**7. 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 as follows:

Year Ended <u>June 30,</u>	
2023	\$ 166,422
2024	168,672
2025	87,312
2026	<u>2,350</u>
	<u>\$ 424,756</u>

**8. 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, 2022 were \$1,500.

**9. LIQUIDITY**

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

Cash	\$ 624,228
Receivables	<u>24,098</u>
	<u>\$ 648,236</u>

The Center is committed to investing liquid assets conservatively. Additionally, the Board of Directors has a designated reserve which may be drawn on in the even of an unanticipated liquidity need however, as of June 30, 2022 were not earmarked for operations and have been excluded from the amounts listed above. Income from donor-restricted sources is restricted for specific purposes and therefore, is not available for general expenditure

**10. SUBSEQUENT EVENTS**

The Center evaluated all potential subsequent events as of January 23, 2023 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2022 or as of January 23, 2023 that require disclosure to the financial statements.