

THE LGBTQ COMMUNITY
CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2023

WITH SUMMARIZED COMARATIVE TOTALS FOR JUNE 30, 2022



ACCOUNTING & AUDITING

P.O. BOX 6030 • La Quinta • CA • 92248
Telephone (442) 325-0089 • Fax (442) 273-2233
www.cvaccountingandauditing.com

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, 2023, 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, 2023, 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.

Report on Summarized Comparative Information

We have previously audited the financial statements of The LGBTQ Community Center of the Desert for the year ended June 30, 2022, in our report dated January 23, 2023, we expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Coachella Valley
Accounting & Auditing*

La Quinta, CA
November 13, 2023

THE LGBTQ COMMUNITY CENTER OF THE DESERT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022

	<u>ASSETS</u>		<u>Totals</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022 (Memorandum Only)</u>
CURRENT ASSETS				
Cash	\$ 285,860	\$ 103,888	\$ 389,748	\$ 1,870,890
Investments	1,811,456	-	1,811,456	1,021,744
Receivables	193,565	32,143	225,708	24,098
Employee retention credit receivable	237,532	-	237,532	-
Prepaid expenses and other assets	<u>75,535</u>	<u>-</u>	<u>75,535</u>	<u>62,078</u>
Total current assets	<u>2,603,948</u>	<u>136,031</u>	<u>2,739,979</u>	<u>2,978,810</u>
PROPERTY AND EQUIPMENT				
Furniture and equipment	300,571	-	300,571	312,748
Leasehold improvements	2,804,665	-	2,804,665	2,789,897
Vehicles	<u>73,605</u>	<u>-</u>	<u>73,605</u>	<u>73,605</u>
	3,178,841	-	3,178,841	3,176,250
Less accumulated depreciation	<u>(1,895,032)</u>	<u>-</u>	<u>(5,685,096)</u>	<u>(1,526,195)</u>
Total property and equipment	<u>1,283,809</u>	<u>-</u>	<u>1,283,809</u>	<u>1,650,055</u>
TOTAL ASSETS	<u>\$ 3,887,757</u>	<u>\$ 136,031</u>	<u>\$ 4,023,788</u>	<u>\$ 4,628,865</u>
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 41,311	\$ -	\$ 41,311	\$ 3,155
Accrued payroll and vacation	92,772	-	92,772	117,259
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total current liabilities	<u>134,083</u>	<u>-</u>	<u>134,083</u>	<u>200,414</u>
TOTAL LIABILITIES	<u>134,083</u>	<u>-</u>	<u>134,083</u>	<u>200,414</u>
NET ASSETS				
Without donor restrictions	1,675,636	-	1,675,636	2,160,045
Without donor restrictions - board designated	2,078,038	-	2,078,038	2,084,751
With donor restrictions	<u>-</u>	<u>136,031</u>	<u>136,031</u>	<u>183,655</u>
Total net assets	<u>3,753,674</u>	<u>136,031</u>	<u>3,889,705</u>	<u>4,428,451</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,887,757</u>	<u>\$ 136,031</u>	<u>\$ 4,023,788</u>	<u>\$ 4,628,865</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, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

			Totals	
	Without Donor Restrictions	With Donor Restrictions	2023	2022 (Memorandum Only)
SUPPORT AND REVENUES				
Contributions	\$ 1,022,142	\$ 15,000	\$ 1,037,142	\$ 1,543,429
Grants	535,517	-	535,517	537,763
Memberships	32,465	-	32,465	40,820
Program income	139,368	75,000	214,368	59,848
Special events	1,139,108	-	1,139,108	949,258
Employee retention credit refund	237,532	-	237,532	-
Other income	44,746	-	44,746	927
Net assets released from restrictions	<u>137,624</u>	<u>(137,624)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,288,502</u>	<u>(47,624)</u>	<u>3,240,878</u>	<u>3,132,045</u>
EXPENSES				
Program services	2,653,950	-	2,653,950	2,103,853
General and administrative	419,424	-	419,424	271,576
Fundraising expense	<u>706,250</u>	<u>-</u>	<u>706,250</u>	<u>646,181</u>
TOTAL EXPENSES	<u>3,779,624</u>	<u>-</u>	<u>3,779,624</u>	<u>3,021,610</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(491,122)</u>	<u>(47,624)</u>	<u>(538,746)</u>	<u>110,435</u>
NET ASSETS, BEGINNING OF YEAR	<u>4,244,796</u>	<u>183,655</u>	<u>4,428,451</u>	<u>4,318,016</u>
NET ASSETS, END OF YEAR	<u>\$ 3,753,674</u>	<u>\$ 136,031</u>	<u>\$ 3,889,705</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, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022	
	Program Services	General and Administrative	Fundraising	Totals	(Memorandum Only)
Accounting	\$ -	\$ 11,100	\$ -	\$ 11,100	\$ 10,600
Communications	73,203	18,297	-	91,500	71,866
Depreciation	363,679	40,408	-	404,087	332,293
Equipment and maintenance	60,045	15,012	-	75,057	43,496
Event expense	-	-	653,959	653,959	474,131
Insurance	96,859	10,762	-	107,621	99,487
Miscellaneous	17,070	4,267	-	21,337	11,603
Office expense	58,160	14,540	-	72,700	54,680
Payroll taxes	111,761	15,778	3,944	131,483	112,898
Postage and printing	2,103	525	-	2,628	2,798
Professional services	215,906	53,977	-	269,883	92,099
Rent	161,995	17,999	-	179,994	174,736
Retirement plan	12,767	1,802	451	15,020	17,018
Salaries	1,357,073	191,587	47,896	1,596,556	1,408,341
Supplies	48,039	12,008	-	60,047	48,798
Telephone	21,572	5,393	-	26,965	14,565
Utilities	53,718	5,969	-	59,687	52,201
TOTAL FUNCTIONAL EXPENSES	\$ 2,653,950	\$ 419,424	\$ 706,250	\$ 3,779,624	\$ 3,021,610

(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, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	<u>2023</u>	<u>2022</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (538,746)	\$ 110,435
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	404,087	332,293
Investment donations	(35,956)	(54,227)
Unrealized (gain) loss on investment	(544)	1,472
(Increase) decrease in operating assets:		
Receivables	(439,142)	143,089
Prepaid expense and other assets	(13,457)	12,700
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	38,156	(167,967)
Accrued payroll and vacation	(24,487)	14,860
Deferred revenue	(80,000)	67,500
Net cash (used) provided by operating activities	<u>(690,089)</u>	<u>460,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,841)	(372,431)
Investment purchases	(789,379)	(1,511)
Investment sales	36,167	54,227
Net cash used by investing activities	<u>(791,053)</u>	<u>(319,715)</u>
NET (DECREASE) INCREASE IN CASH	<u>(1,481,142)</u>	<u>140,440</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,870,890</u>	<u>1,730,450</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 389,748</u>	<u>\$ 1,870,890</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Unrestricted	\$ 285,860	\$ 1,687,235
Restricted	103,888	183,655
	<u>\$ 389,748</u>	<u>\$ 1,870,890</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, 2023 AND 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 \$2,078,038 and \$2,084,751 at June 30, 2023 and 2022, respectively.

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. (See note 5)

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, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2,726 and 5,002 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2023 and 2022, 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.

Revenue Recognition

Revenues that are treated as exchange transactions are recognized consistent with the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers. ASC 606 stipulates that revenue should be recognized consistent with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services.

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, 2023 and 2022, advertising costs were \$1,693 and \$17,423, respectively.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 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.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

Effective the years beginning after December 15, 2021, the Financial Accounting Standards Board's (FASB) Accounting Standards Updated ("ASU") 2016-02, Leases (Topic 842), requires a lessee to recognize a lease asset and related lease liability on the statement of financial position. The Organization adopted Topic 842 as of July 1, 2022 using the effective date method and recognized and measured leases effective during the year ending June 30, 2023. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed the Organization to carry forward the historical classification, not reassess whether any expired or existing contracts contain leases and not reassess initial direct costs on existing leases.

2. 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.

3. 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:

	Market Value	Cost	Unrealized Loss at 6/30/2023
Mutual Funds	<u>\$ 1,811,456</u>	<u>\$ 1,811,947</u>	<u>\$ (491)</u>
	Market Value	Cost	Unrealized Loss at 6/30/2022
Mutual Funds	<u>\$ 1,021,744</u>	<u>\$ 1,022,570</u>	<u>\$ (826)</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 \$15,020 and \$17,018 on employees' contributions during the year ended June 30, 2023 and 2022, respectively.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. NET ASSETS – WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Building Fund	\$ 103,888	\$ 103,655
Community Justice	32,143	-
East Valley Initiative	-	80,000
Total	<u>\$ 136,031</u>	<u>\$ 183,655</u>

6. 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>	
2024	168,672
2025	87,312
2026	<u>2,350</u>
	<u>\$ 258,334</u>

7. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022 the Center received professional consulting services from a member of the Board of Directors. The total payment made during the year ended June 30, 2022 was \$1,500. There were no related party transactions during the year ended June 30, 2023.

8. EMPLOYEE RETENTION CREDIT

Due to the economic condition many companies face during this crisis, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law allowing for a refundable tax credit called the Employee Retention Credit (ERC). The purpose of the credit is to encourage businesses to keep employees on their payroll. In 2020, the credit applied to qualified wages paid after March 12, 2020 and before January 1, 2021. The maximum credit allowed was \$5,000 on qualifying wages for each employee.

In January 2021, the ERC was extended into 2021, increased to \$7,000 on qualifying wages for each employee for each of the first two quarters of 2021, and allowed for recipients of PPP funding to retroactively claim these credits for all periods where wage expenses were not covered by PPP funds. As of June 30, 2023 the Organization applied for and recognized income of \$237,532 in ERC refunds. ERC receivables as of June 30, 2023 were \$237,532.

THE LGBTQ COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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	\$ 285,860
Employee retention credit receivable	237,532
Receivables	<u>163,208</u>
	<u>\$ 686,600</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 event of an unanticipated liquidity need however, as of June 30, 2023 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 November 13, 2023 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2023 or as of November 13, 2023 that require disclosure to the financial statements.