

Financial Statements

**The LGBT Community Center
of the Desert**

June 30, 2015 and 2014

Maryanov Madsen Gordon & Campbell
CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The LGBT Community Center of the Desert (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the 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 material misstatement, whether due to fraud or error.

Auditors' 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.

To the Board of Directors
The LGBT Community Center of the Desert

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maryanne Maden Gordon & Campbell

Palm Springs, California
November 30, 2015

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 149,798	\$ 167,614
Receivables	12,009	5,414
Prepaid expense	-	6,059
Deposits	<u>4,950</u>	<u>-</u>
Total current assets	<u>166,757</u>	<u>179,087</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	52,497	52,497
Leasehold improvements	<u>40,787</u>	<u>24,589</u>
	93,284	77,086
Less accumulated depreciation	<u>70,919</u>	<u>58,510</u>
Total property and equipment, net	<u>22,365</u>	<u>18,576</u>
TOTAL ASSETS	<u>\$ 189,122</u>	<u>\$ 197,663</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 16,282	\$ 3,882
Accrued payroll	26,301	12,207
Deferred revenue	<u>4,250</u>	<u>-</u>
Total current liabilities	<u>46,833</u>	<u>16,089</u>
NET ASSETS		
Unrestricted	48,417	81,313
Temporarily restricted	<u>93,872</u>	<u>100,261</u>
Total net assets	<u>142,289</u>	<u>181,574</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 189,122</u>	<u>\$ 197,663</u>

The accompanying notes are an integral part of these financial statements.

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

UNRESTRICTED NET ASSETS	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUES		
Contributions	\$ 160,313	\$ 199,140
Grants	79,124	116,117
Memberships	53,815	46,870
Program income	123,629	124,789
Special events	<u>398,559</u>	<u>278,515</u>
Total support and revenues	<u>815,440</u>	<u>765,431</u>
EXPENSES		
Program expense	444,330	456,058
General and administrative	216,216	209,141
Fundraising expense	<u>187,790</u>	<u>160,018</u>
Total expenses	<u>848,336</u>	<u>825,217</u>
OTHER INCOME		
Interest	<u>-</u>	<u>9</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(32,896)</u>	<u>(59,777)</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Capital campaign	41,850	28,611
Grants	<u>15,380</u>	<u>60,000</u>
Total support and revenues	57,230	88,611
EXPENSES		
Program expense	<u>63,619</u>	<u>35,574</u>
CHANGE IN TEMPORARILY RESTRICTED ASSETS	<u>(6,389)</u>	<u>53,037</u>
CHANGE IN NET ASSETS	(39,285)	(6,740)
NET ASSETS, beginning of year	<u>181,574</u>	<u>188,314</u>
NET ASSETS, end of year	<u>\$ 142,289</u>	<u>\$ 181,574</u>

The accompanying notes are an integral part of these financial statements.

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors	\$ 813,095	\$ 827,948
Cash paid to suppliers and employees	(814,713)	(830,049)
Interest received	<u>-</u>	<u>9</u>
Net cash used by operating activities	<u>(1,618)</u>	<u>(2,092)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(16,198)</u>	<u>-</u>
Net cash used by investing activities	<u>(16,198)</u>	<u>-</u>
Net decrease in cash	(17,816)	(2,092)
Cash at beginning of year	<u>167,614</u>	<u>169,706</u>
Cash at end of year	<u>\$ 149,798</u>	<u>\$ 167,614</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (39,285)</u>	<u>\$ (6,740)</u>
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	12,409	12,522
(Increase) decrease in assets:		
Receivables	(6,595)	2,517
Prepaid expense	1,109	(1,109)
Increase (decrease) in liabilities:		
Accounts payable	12,400	(3,565)
Accrued payroll	14,094	(5,717)
Deferred revenue	<u>4,250</u>	<u>-</u>
Total adjustments	<u>37,667</u>	<u>4,648</u>
Net cash used by operating activities	<u>\$ (1,618)</u>	<u>\$ (2,092)</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, 2015 AND 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The LGBT Community Center of the Desert (the Center), a California nonprofit public benefit corporation, was formed on September 22, 2000, for the purpose of providing outreach services to the lesbian, gay, bisexual, and transgendered (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 Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Continued

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Center's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the Center's donor-restricted endowment funds is also reported as temporarily restricted net assets.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Center considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Center's donor-restricted endowment funds that the Center is committed to maintaining in perpetuity are classified in this net asset class, as is the Center's beneficial interest in a perpetual charitable trust held by a bank as trustee.

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

Continued

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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. Property and equipment are depreciated over their useful lives, ranging from 3 to 15 years.

Deferred Revenue

Income from ticket sales and sponsorships of special events is deferred and recognized in the period in which the event occurs.

Donated Services

A number of volunteers have donated approximately 7,200 hours to the Center's program service and fundraising campaigns during each of the years ended June 30, 2015 and 2014. 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 Organization.

Continued

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Date of Management Evaluation

Management has evaluated subsequent events through November 30, 2015, the date on which the financial statements were issued. No significant subsequent events were noted.

NOTE 1: 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, 2015 and 2014, advertising costs were \$20,314 and \$25,290, respectively .

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2: OPERATING LEASES

The Center has an operating lease for a Sharp copier/printer/scanner that expires on September 21, 2015. The Center has the option, at the end of the lease of purchasing the copier at fair market value, renewing for a period of three years or canceling the lease. Lease payments began on September 21, 2012.

Future minimum lease payments under this operating lease are 687.

NOTE 3: DESCRIPTION OF FUNCTIONAL EXPENSES

Health & Wellness Programs

The Center offers many ongoing health and wellness programs for the LGBT community in the Coachella Valley. These programs includes health screenings, counseling and discussions on personal health.

Education & Social Programs

The Center offers ongoing educational and social programs for the 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.

Management and General

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.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4: FUND RESTRICTIONS

Temporarily restricted funds consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Capital campaign, beginning of year	\$ 53,611	\$ 25,000
Donations	41,850	28,611
Expense	<u>(16,198)</u>	<u>-</u>
Capital campaign, end of year	<u>79,263</u>	<u>53,611</u>
HARC research grant, beginning of the year	-	22,224
Expense	<u>-</u>	<u>(22,224)</u>
HARC research grant, end of the year	<u>-</u>	<u>-</u>
Mental health fund, beginning of the year	36,958	-
Grants	280	45,000
Expense	<u>(37,238)</u>	<u>(8,042)</u>
Mental health fund, end of the year	<u>-</u>	<u>36,958</u>
SAGE Works grant, beginning of the year	9,692	-
Grants	15,100	15,000
Expense	<u>(10,183)</u>	<u>(5,308)</u>
SAGE Works grant, end of the year	<u>14,609</u>	<u>9,692</u>
Temporarily restricted assets, end of year	<u>\$ 93,872</u>	<u>\$ 100,261</u>

THE LGBT COMMUNITY CENTER OF THE DESERT

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Accounting	\$ -	\$ 53,409	\$ -	\$ 53,409
Depreciation	11,292	1,117	-	12,409
Dues and subscriptions	8,637	-	-	8,637
Equipment and maintenance	9,146	3,049	-	12,195
Event expense	-	-	180,765	180,765
Insurance	22,805	7,602	-	30,407
Miscellaneous	10,030	3,343	-	13,373
Office expense	32,657	11,389	-	44,046
Payroll taxes	26,014	8,671	-	34,685
Postage and printing	1,720	573	-	2,293
Professional services	16,444	9,988	7,025	33,457
Publications	-	13,348	-	13,348
Rent	56,160	6,240	-	62,400
Salaries and wages	283,158	94,386	-	377,544
Supplies	9,817	-	-	9,817
Telephone	5,309	1,327	-	6,636
Utilities	14,760	1,774	-	16,534
	<u>507,949</u>	<u>216,216</u>	<u>187,790</u>	<u>911,955</u>
Total expenses	<u>\$ 507,949</u>	<u>\$ 216,216</u>	<u>\$ 187,790</u>	<u>\$ 911,955</u>

THE LGBT COMMUNITY CENTER OF THE DESERT

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Accounting	\$ -	\$ 45,799	\$ -	\$ 45,799
Depreciation	11,395	1,127	-	12,522
Dues and subscriptions	6,941	-	-	6,941
Equipment and maintenance	11,928	3,976	-	15,904
Event expense	-	-	152,967	152,967
Insurance	18,346	6,115	-	24,461
Miscellaneous	14,746	3,992	-	18,738
Office expense	43,769	16,806	-	60,575
Payroll taxes	24,988	8,329	-	33,317
Postage and printing	3,132	1,044	-	4,176
Professional services	19,652	7,759	7,051	34,462
Publications	-	22,570	-	22,570
Rent	54,830	6,092	-	60,922
Salaries and wages	245,800	81,933	-	327,733
Supplies	15,105	-	-	15,105
Telephone	7,002	1,750	-	8,752
Utilities	13,998	1,849	-	15,847
	<u>\$ 491,632</u>	<u>\$ 209,141</u>	<u>\$ 160,018</u>	<u>\$ 860,791</u>
Total expenses				