Financial Statements

The LGBT Community Center of the Desert

June 30, 2016 and 2015

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, 2016 and 2015, 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.

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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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance 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 12 and 13 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.

Maryanov Madsen Gordon & Campbell

Palm Springs, California
January 23, 2017

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	$ 930,779	$ 149,798
Receivables	6,928	12,009
Prepaid expense	2,510	-
Deposits	10,617	4,950
Total current assets	950,834	166,757
PROPERTY AND EQUIPMENT		
Furniture and equipment	54,030	52,497
Leasehold improvements	649,303	40,787
	703,333	93,284
Less accumulated depreciation	77,164	70,919
Total property and equipment, net	626,169	22,365
TOTAL ASSETS	$ 1,577,003	$ 189,122

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 272,556	$ 16,282
Accrued payroll	33,160	26,301
Deferred revenue	81,000	4,250
Total current liabilities	386,716	46,833
NET ASSETS		
Unrestricted	674,298	48,417
Temporarily restricted	515,989	93,872
Total net assets	1,190,287	142,289
TOTAL LIABILITIES AND NET ASSETS	$ 1,577,003	$ 189,122

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, 2016 AND 2015

UNRESTRICTED NET ASSETS	2016	2015
SUPPORT AND REVENUES		
Contributions	$ 253,441	$ 160,313
Grants	100,294	94,124
Memberships	60,751	53,815
Program income	150,634	123,629
Special events	426,994	398,559
Net assets released from restrictions	639,314	-
Total support and revenues	1,631,428	830,440
EXPENSES		
Program expense	684,168	459,330
General and administrative	142,553	216,216
Fundraising expense	178,826	187,790
Total expenses	1,005,547	863,336
CHANGE IN UNRESTRICTED NET ASSETS	625,881	(32,896)
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Capital campaign	1,070,484	41,850
Grants	33,078	15,380
Total support and revenues	1,103,562	57,230
EXPENSES		
Program expense	42,131	63,619
Funds released from restriction	639,314	-
Total expenses	681,445	63,619
CHANGE IN TEMPORARILY RESTRICTED ASSETS	422,117	(6,389)
CHANGE IN NET ASSETS	1,047,998	(39,285)
NET ASSETS, beginning of year	142,289	181,574
NET ASSETS, end of year	$ 1,190,287	$ 142,289

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, 2016 AND 2015

CHANGE IN CASH	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors	$ 1,682,402	$ 813,095
Cash paid to suppliers and employees	(291,433)	(814,713)
Interest received	61	-
Net cash provided (used) by operating activities	1,391,030	(1,618)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(610,049)	(16,198)
Net increase (decrease) in cash	780,981	(17,816)
Cash at beginning of year	149,798	167,614
Cash at end of year	$ 930,779	$ 149,798

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	2016	2015
Change in net assets	$ 1,047,998	$ (39,285)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,245	12,409
(Increase) decrease in operating assets:		
Receivables	5,081	(6,595)
Prepaid expense	(2,510)	1,109
Deposits	(5,667)	-
Increase (decrease) in operating liabilities:		
Accounts payable	256,274	12,400
Accrued payroll	6,859	14,094
Deferred revenue	76,750	4,250
Total adjustments	343,032	37,667
Net cash provided (used) by operating activities	$ 1,391,030	$ (1,618)

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

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

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

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 10,296 hours and 7,200 hours to the Center's program service and fundraising campaigns during the years ended June 30, 2016 and 2015, 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.

Continued

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 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 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 January 23, 2017, 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 years ended June 30, 2016 and 2015, advertising costs were $11,822 and $20,314, respectively .

NOTE 2: OPERATING LEASES

The Center has several operating leases. One lease is for a Sharp copier/printer/scanner that expires on September 21, 2016. 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. This lease was purchased by Leak Capital Funding and extended 5 years. The new lease is schedule to end July 1, 2021. The Center has two leases for real property. One lease is for property at 611 S. Palm Canyon Drive, #201 at $3,500 per month and two units at 610 S. Belardo Road, #550 at $1,700 per month. The lease is on a month-to-month basis with a 30-day termination notice. The second lease is for 1301 N. Palm Canyon Drive. This lease is a 5-year lease with the option to renew for two additional 5 year periods. The lease amount is one dollar per square foot of space occupied for the first two years and increases each year thereafter.

Future minimum lease payments under these operating leases are:

Year Ending June 30,	Amount
2017	$ 71,037
2018	83,438
2019	91,479
2020	94,160
2021	94,160
	$ 434,274

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 & 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.

NOTE 4: FUND RESTRICTIONS

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

	2016	2015
Capital campaign, beginning of year	$ 79,263	$ 53,611
Donations	1,070,484	41,850
Released from restriction	(639,314)	(16,198)
Capital campaign, end of year	510,433	79,263
Mental health fund, beginning of the year	-	36,958
Grants	16,410	280
Expense	(16,410)	(37,238)
Mental health fund, end of the year	-	-
SAGE Works grant, beginning of the year	14,609	9,692
Grants	16,668	15,100
Expense	(25,721)	(10,183)
SAGE Works grant, end of the year	5,556	14,609
Temporarily restricted assets, end of year	$ 515,989	$ 93,872

THE LGBT COMMUNITY CENTER OF THE DESERT

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program	General & Administrative	Fundraising	Total
Expenses				
Accounting	$ -	$ 12,679	$ -	$ 12,679
Depreciation	5,621	624	-	6,245
Dues and subscriptions	4,943	-	-	4,943
Equipment and maintenance	28,392	7,098	-	35,490
Event expense	-	-	177,941	177,941
Insurance	28,837	3,204	-	32,041
Miscellaneous	7,464	1,866	-	9,330
Office expense	38,597	10,796	-	49,393
Payroll taxes	39,423	6,956	-	46,379
Postage and printing	1,761	440	-	2,201
Professional services	31,163	-	885	32,048
Publications	-	10,822	-	10,822
Rent	56,160	6,240	-	62,400
Salaries and wages	442,788	78,139	-	520,927
Supplies	17,789	-	-	17,789
Taxes and licenses	-	256	-	256
Telephone	6,026	1,507	-	7,533
Utilities	17,335	1,926	-	19,261
Total expenses	$ 726,299	$ 142,553	$ 178,826	$ 1,047,678

THE LGBT COMMUNITY CENTER OF THE DESERT

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program	General & Administrative	Fundraising	Total
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	24,817	-	-	24,817
Telephone	5,309	1,327	-	6,636
Utilities	14,760	1,774	-	16,534
Total expenses	$ 522,949	$ 216,216	$ 187,790	$ 926,955