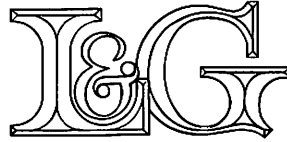


THE LGBT COMMUNITY CENTER OF THE DESERT
PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2018



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The LGBT Community Center of the Desert (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

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, 2018 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.


October 15, 2018

THE LGBT COMMUNITY CENTER OF THE DESERT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

ASSETS

	<u>2018</u>	<u>2017</u> <u>(Memorandum Only)</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,400,011	\$ 56,343
Cash and cash equivalents - restricted	274,807	272,095
Receivables	10,122	33,834
Prepaid expenses and other assets	<u>21,654</u>	<u>19,332</u>
Total current assets	<u>1,706,594</u>	<u>381,604</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	157,357	152,994
Leasehold improvements	1,020,166	989,256
Vehicles	<u>27,913</u>	<u>-</u>
	1,205,436	1,142,250
Less accumulated depreciation	<u>(460,795)</u>	<u>(232,651)</u>
Total property and equipment	<u>744,641</u>	<u>909,599</u>
TOTAL ASSETS	<u>\$ 2,451,235</u>	<u>\$ 1,291,203</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 3,350	\$ 2,087
Accrued payroll and vacation	50,072	51,566
Deferred revenue	<u>15,500</u>	<u>12,890</u>
Total current liabilities	<u>68,922</u>	<u>66,543</u>
NET ASSETS		
Unrestricted	1,052,506	952,565
Unrestricted - board designated	1,055,000	-
Temporarily restricted	<u>274,807</u>	<u>272,095</u>
Total net assets	<u>2,382,313</u>	<u>1,224,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,451,235</u>	<u>\$ 1,291,203</u>

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>			<u>2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>(Memorandum Only)</u>
SUPPORT AND REVENUES				
Contributions	\$ 1,814,226	\$ 69,437	1,883,663	\$ 629,776
Grants	224,587	-	224,587	180,840
Memberships	67,785	-	67,785	64,245
Program income and other	112,480	-	112,480	137,748
Special events	629,111	-	629,111	538,799
Net assets released from restrictions	66,725	(66,725)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,914,914</u>	<u>2,712</u>	<u>2,917,626</u>	<u>1,551,408</u>
EXPENSES				
Program services	1,261,136	-	1,261,136	1,107,176
General and administrative	215,783	-	215,783	195,811
Fundraising expense	283,054	-	283,054	214,048
TOTAL EXPENSES	<u>1,759,973</u>	<u>-</u>	<u>1,759,973</u>	<u>1,517,035</u>
INCREASE IN NET ASSETS	<u>1,154,941</u>	<u>2,712</u>	<u>1,157,653</u>	<u>34,373</u>
NET ASSETS, BEGINNING OF YEAR	<u>952,565</u>	<u>272,095</u>	<u>1,224,660</u>	<u>1,190,287</u>
NET ASSETS, END OF YEAR	<u>\$ 2,107,506</u>	<u>\$ 274,807</u>	<u>\$ 2,382,313</u>	<u>\$ 1,224,660</u>

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Program Services	General and Administrative	Fundraising	Totals	(Memorandum Only)
Accounting	\$ -	\$ 8,750	\$ -	\$ 8,750	\$ 10,430
Communications	13,097	3,274	-	16,371	13,797
Depreciation	205,330	22,814	-	228,144	204,284
Equipment and maintenance	10,997	2,749	-	13,746	14,439
Event expense	-	-	283,054	283,054	214,048
Insurance	67,201	7,466	-	74,667	61,932
Miscellaneous	15,445	3,861	-	19,306	52,280
Office expense	22,679	5,670	-	28,349	24,235
Payroll taxes	50,140	8,848	-	58,988	55,875
Postage and printing	2,270	567	-	2,837	2,441
Professional services	29,791	7,448	-	37,239	46,980
Rent	91,212	10,135	-	101,347	84,770
Retirement plan	11,041	1,948	-	12,989	-
Salaries	674,280	118,991	-	793,271	660,979
Supplies	33,165	8,290	-	41,455	36,509
Telephone	8,208	2,052	-	10,260	12,161
Utilities	26,280	2,920	-	29,200	21,875
TOTAL FUNCTIONAL SERVICES	<u>\$ 1,261,136</u>	<u>\$ 215,783</u>	<u>\$ 283,054</u>	<u>\$ 1,759,973</u>	<u>\$ 1,517,035</u>

(The accompanying notes are an integral part of these financial statements)

THE LGBT COMMUNITY CENTER OF THE DESERT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u> <u>(Memorandum</u> <u>Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 1,157,653</u>	<u>\$ 34,373</u>
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	228,144	204,284
(Increase) decrease in operating assets:		
Receivables	23,712	(26,906)
Prepaid expense and other assets	(2,322)	(6,205)
Increase (decrease) in operating liabilities:		
Accounts payable	1,263	(270,469)
Accrued payroll and vacation	(1,494)	18,406
Deferred revenue	<u>2,610</u>	<u>(68,110)</u>
Total adjustments	<u>251,913</u>	<u>(149,000)</u>
Net cash provided (used) by operating activities	<u>1,409,566</u>	<u>(114,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(63,186)</u>	<u>(487,714)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,346,380</u>	<u>(602,341)</u>
CASH AT BEGINNING OF YEAR	<u>328,438</u>	<u>930,779</u>
CASH AT END OF YEAR	<u>\$ 1,674,818</u>	<u>\$ 328,438</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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The LGBT 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 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 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 restriction 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. The Board of Directors has designated \$1,055,000 of unrestricted funds for capacity building and program expansion purposes.

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. Temporarily restricted net assets of \$274,807 at June 30, 2018 consist of funds to be spent on final property and equipment additions on the new office facility.

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.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified but 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. There were no permanently restricted net assets at June 30, 2018.

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.

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 10,400 hours and 11,100 hours in the Center's program service and fundraising campaigns during the years ended June 30, 2018 and 2017, 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:

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Health & Wellness Programs

The Center offers many ongoing health and wellness programs for the LGBT 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 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.

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

2. 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, 2018 and 2017, advertising costs were \$7,371 and \$5,997, respectively.

THE LGBT COMMUNITY CENTER OF THE DESERT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

3. OPERATING LEASES

The Center has two operating leases with initial terms in excess of one year. The Center currently leases their office space from July 2016 through June 2021 with two five year options available. The monthly rent ranges from \$5,667 - \$7,650 over the remainder of the lease term. The Center also leases its copier from July 2016 through June 2021 at \$209 per month.

Future minimum lease payments under these operating leases are:

<u>Year Ending</u> <u>June 30</u>	
2019	\$ 89,220
2020	92,616
2021	<u>94,308</u>
	<u>\$ 276,144</u>

4. RETIREMENT PLAN

The Center adopted a defined contribution 401(k) plan July 1, 2016 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 \$12,989 on employees' contributions during the year ended June 30, 2018. The Center elected not to make any payments during the year ended June 30, 2017.

5. SUBSEQUENT EVENTS

The Center evaluated all potential subsequent events as of October 15, 2018 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2018 or as of October 15, 2018 that require disclosure to the financial statements.