THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER

(A NON-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

AND

SUPPLEMENTAL REPORT IN COMPLIANCE WITH GOVERNMENT REPORTING STANDARDS AND OMB CIRCULAR A-133

FOR

JUNE 30, 2013 AND 2012

LICHTER YU AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center
San Diego, California

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center), which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities, functional expenses, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Center as of June 30, 2013 and 2012, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is 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, 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.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standard*s, we have also issued our report dated September 14, 2013, on our consideration of The Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Center's internal control over financial reporting and compliance.

Encino, California
September 14, 2013

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION

	June 30, 2013	June 30, 2012
ASSETS		
Cash	$ 1,045,836	$ 1,024,436
Grants receivable	434,126	211,728
Investments	2,338	2,302
TOTAL CURRENT ASSETS	1,482,300	1,238,466
Fixed assets (Net of accumulated depreciation of $1,554,995 and $1,397,117, respectively) (See note 7)	5,930,463	6,086,202
Intangible assets (Net) (See note 8)	6,390	7,390
Endowment funds (See note 12)	456,658	393,715
Prepaid expenses and deposits	23,909	22,929
TOTAL ASSETS	$ 7,899,720	$ 7,748,702
LIABILITIES AND NET ASSETS		
Accounts payable	$ 1,380	$ 9,945
Accrued expenses	259,974	228,383
Deferred revenue	97,500	-
Current portion, note payable	62,905	58,810
TOTAL CURRENT LIABILITIES	421,759	297,138
Accrued interest (See note 15)	92,000	80,000
Notes payable, net of current portion	5,594,631	5,657,536
TOTAL LIABILITIES	6,108,390	6,034,674
NET ASSETS		
Unrestricted	1,118,496	1,182,195
Temporarily restricted	216,176	138,118
Permanently restricted	456,658	393,715
TOTAL NET ASSETS	1,791,330	1,714,028
TOTAL LIABILITIES AND NET ASSETS	$ 7,899,720	$ 7,748,702

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Grants	$ 2,090,716	$ 384,800	$ -	$ 2,475,516	$ 1,936,835	215,000	-	$ 2,151,835
Fundraising events (net of expenses		-						
of $163,941 and $178,972) (See Note 2,								
Reclassification)	325,782		-	325,782	212,800	-	-	212,800
Other income	63,830	58,774	-	122,604	53,719	28,550	-	82,269
Investment income (loss)	(157)	-	37,700	37,543	-		(2,364)	(2,364)
Public Support:								
Contributions and donations	1,750,469	1,805	25,243	1,777,517	1,955,140	-	480	1,955,620
Total revenue and public support	4,230,640	445,379	62,943	4,738,962	4,158,494	243,550	(1,884)	4,400,160
Expenses								
Programs and services	3,700,162	367,321	-	4,067,483	3,410,330	105,432	-	3,515,762
Management	184,815	-	-	184,815	171,110		-	171,110
Fundraising	409,362	-	-	409,362	304,564		-	304,564
Total functional expenses	4,294,339	367,321	-	4,661,660	3,886,004	105,432	-	3,991,436
INCREASE (DECREASE) IN NET ASSETS	(63,699)	78,058	62,943	77,302	272,490	138,118	(1,884)	408,724
NET ASSETS - Beginning of year	1,182,195	138,118	393,715	1,714,028	909,705	-	395,599	1,305,304
NET ASSETS - End of year	$ 1,118,496	$ 216,176	$ 456,658	$ 1,791,330	$ 1,182,195	138,118	393,715	$ 1,714,028

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	2013			
	Programs and Services	Management	Fundraising	Total Expenses
Salaries, Payroll Taxes and Benefits	$ 2,353,026	$ 28,773	$ 324,817	$ 2,706,616
Accounting and Audit	19,830	342	1,605	21,777
Bank Fees	26,582	19,930	24	46,536
Building Repair and Maintenance	56,345	11,266	1,536	69,146
Cleaning	9,151	189	571	9,911
Client Service	69,876	2,876	-	72,752
Communication	61,728	6,540	4,772	73,039
Consultants	392,619	7,106	10,254	409,978
Planning Council	18,500	-	-	18,500
Depreciation and Amortization	141,911	74,345	968	217,224
Equipment Repair and Rental	424	11	54	489
Equipment Purchased	7,489	-	-	7,489
Fundraising Events	144,585	92	-	144,677
Insurance	39,607	5,396	2,504	47,508
Interest Expense - Other	-	12,000	-	12,000
Interest Expense - Mortgage	111,337	2,836	8,068	122,241
Legal	2,744	3,430	-	6,174
Miscellaneous	75,098	914	2,722	78,734
Postage	5,031	56	9,558	14,645
Printing	65,696	1,101	18,203	84,999
Property Taxes	2,220	7	21	2,249
Public Relations and Advertising	8,182	43	3,929	12,155
Rent	32,855	-	-	32,855
Staff Development/ Training	17,681	93	2,472	20,246
Supplies	63,042	5,686	7,553	76,281
Travel	4,665	451	1,552	6,667
Utilities	63,150	1,219	5,172	69,542
Volunteer & Donor Appreciation	1,111	113	3,007	4,231
Grant Allocation	273,000	-	-	273,000
Total Expense	$ 4,067,483	$ 184,815	$ 409,362	$ 4,661,660

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	2012			
	Programs and Services	Management	Fundraising	Total Expenses
Salaries, Payroll Taxes and Benefits	$ 2,091,182	$ 43,050	$ 205,956	$ 2,340,188
Accounting and Audit	25,769	492	2,119	28,379
Bank Fees	22,115	24,491	-	46,607
Building Repair and Maintenance	42,028	708	1,600	44,336
Cleaning	9,297	271	503	10,071
Client Service	49,838	114	11	49,964
Communication	64,073	(3,838)	6,901	67,135
Consultants	216,938	9,911	30,014	256,864
Planning Council	14,924	-	-	14,924
Depreciation and Amortization	141,533	63,909	900	206,342
Equipment Repair and Rental	147	4	23	174
Equipment Purchased	24,125	(15)	-	24,110
Fundraising Events	116,626	334	-	116,961
Insurance	35,083	5,372	2,016	42,471
Interest Expense - Other	-	12,000	-	12,000
Interest Expense - Mortgage	113,348	4,495	8,224	126,067
Legal	2,065	2,249	-	4,314
Miscellaneous	40,782	2,648	1,212	44,642
Postage	3,046	819	6,727	10,592
Printing	30,323	569	22,848	53,740
Property Taxes	2,195	10	25	2,230
Public Relations and Advertising	20,267	279	3,645	24,190
Rent	30,645	-	-	30,645
Staff Development/ Training	33,688	110	1,269	35,067
Supplies	55,175	1,321	4,930	61,426
Travel	6,026	18	126	6,170
Utilities	56,366	1,074	4,144	61,584
Volunteer & Donor Appreciation	159	717	1,370	2,246
Grant Allocation	268,000	-	-	268,000
Total Expense	$ 3,515,762	$ 171,110	$ 304,564	$ 3,991,436

See Accompanying Notes and Auditor's Report

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from contributors and grants	$ 4,576,364	$ 4,538,337
Cash paid to employees and suppliers	(4,410,389)	(3,771,537)
NET CASH PROVIDED BY OPERATING ACTIVITIES	165,975	766,800
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of building improvements	(4,221)	(26,743)
Proceed from sale of investments	30,182	-
Purchase of investments	(55,582)	(480)
Purchase of property and equipment	(56,144)	(4,781)
NET CASH USED IN INVESTING ACTIVITIES	(85,765)	(32,004)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment on notes payable	(58,810)	(54,982)
NET CASH USED IN FINANCING ACTIVITIES	(58,810)	(54,982)
NET INCREASE (DECREASE) IN CASH	21,400	679,814
CASH at beginning of period	1,024,436	344,622
CASH at end of period	$ 1,045,836	$ 1,024,436
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	$ 77,302	$ 408,724
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	217,224	206,342
Unrealized investment loss (gain)	(37,700)	2,364
Decrease (Increase) in:		
Grants receivable	(222,398)	172,480
Prepaid expenses and deposits	(980)	(8,637)
Increase (Decrease) in:		
Accounts payable and accrued expenses	35,027	22,194
Deferred revenue	97,500	(36,667)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 165,975	$ 766,800

See Accompanying Notes and Auditor's Report

Note 1 - General Information

The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center) is a California non-profit corporation, organized March 8, 1974 under the Non-Profit Public Benefit Corporation Law for charitable purposes. The Center operated as The Center for Social Services until an amendment for name change was approved by the Secretary of State on July 25, 2002.

The Center's mission is to enhance and sustain the health and well-being of the lesbian, gay, bisexual, transgender, and HIV communities by providing activities, programs and services that create community, empower community members, provide essential resources, advocate for our civil and human rights, and embrace, support and promote our cultural diversity. The Center accomplishes its mission by providing over 40 programs and services, including:

- Behavioral Health Services, providing workshops, crisis counseling, information and referral, an intern training program, and professional counseling in individual, couple, family, and group formats. Specializations include HIV, relationship violence, and transgender counseling.
- Latino/a Services, offering our LGBT Latino community members a welcoming and culturally and linguistically proficient space that allows them to accept and embrace all of who they are, including their culture, traditions, language, spirituality, and sexual and gender identities.
- Sunburst Youth Housing Project, San Diego County's first permanent supportive housing program for young adults, ages 18 to 24. YHP provides permanent affordable housing to homeless and/or disabled youth as well as a host of supportive services, including case management, employment development, education completion, mental health counseling, and life skills training.
- The Hillcrest Youth Center, which is San Diego County's only drop-in and recreational facility dedicated to the needs of LGBT and HIV-positive youth. HYC provides a safe and welcoming space where youth can receive educational assistance, attend support groups, learn about essential life skills in numerous workshops, and participate in leadership development activities.
- The Women's Resource Center, connecting LBT women to needed health, legal, and community resources and creating social, cultural, and educational opportunities for women within a safe, female-friendly environment. WRC is committed to improving the quality of health care and support available to uninsured or underinsured women.
- The 50 and Better Club, serving members in the LGBT community who are age 50 and better through ongoing classes, workshops, educational seminars, and social activities. The 50 and Better Club seeks to decrease isolation and increase the sense of connection to the community for one of our most vulnerable and underserved groups.
- Discussion and Support Groups, the longest-running programs at The Center, providing coming out, discussion, and support groups for our entire community.
- Family Matters, which offers support and educational opportunities for parents and prospective parents, playgroups and social opportunities for families throughout San Diego County. Equally important as its full range of programming, Family Matters provides all children growing up in LGBT-headed families a place to see other families like theirs. That recognition, along with the support and affirming environment Family Matters offers our families, is vitally important to the development of our children.
- Project TRANS (Transgender Referrals, Assistance, Networking and Services) offers discussion groups, behavioral health services, HIV prevention services, youth services and more. In addition, the program focuses on advocacy, referrals, outreach, sensitivity trainings, social activities and events, workshops and networking with community agencies. Through a partnership with the Transgender Law Center, Project TRANS also provides assistance with legal documents.
- The Young Professionals Council (YPC) is a diverse group of young LGBT professionals and allies dedicated to the preservation and future growth of The San Diego LGBT Community Center. Their mission is to develop and empower young LGBT professionals and their allies through the Young Professionals Council Academy which helps to expand the ranks of young LGBT leaders who are ready to further equality for our community through board service for a variety of agencies, not-for-profit organizations and government commissions.

In addition, The Center maintains a public policy program that works to accomplish the following objectives:

- Educate the general public on LGBT and other human rights issues.
- Organize and educate the LGBT community to effectively educate public policy makers on LGBT and other human rights issues.
- Establish effective collaborations with other human rights organizations to achieve full human and civil rights for all people and to provide essential social and legal resources to the LGBT and allied communities.
- Provide voter registration and education.

Finally, The Center provides low-cost and no-cost meeting space to over 100 other groups each month.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation
The Center reports information regarding its financial position and activities to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Assets which have not been restricted for a specific time period. These assets may have been designated by a foundation to be used for a specific purpose through the intention of the donor.

Temporarily Restricted Net Assets - Assets due to variance powers are not subject to purpose restrictions, but may have been limited for use by donors for a specific time period. The Center had temporarily restricted restricted net assets in the amount of $216,176 and $138,118 as of June 30, 2013 and 2012 repectively, related to the Engage San Diego (See note 11).

Permanently Restricted Net Assets - Assets for which the donor contribution does not allow principal invasions in the gift instrument, and the governing documents of a foundation do not provide for the invasion of corpus. The Center had permanently restricted net assets in the amount of $456,658 and $393,715 as of June 30, 2013 and 2012 repectively, related to the Endowment Fund (See note 12).

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates, and those might be material.

Cash and Cash Equivalents
For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or fewer are considered to be cash equivalent.

Investments
Marketable securities are valued at quoted market prices on the stated valuation date in the statement of financial position with any unrealized gains and losses reported in the statement of activities.

Fair Value Measurements
For certain of the Center's financial instruments, including cash and equivalents, investments, grants receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Center. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for investments, receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.
The Center analyzes all financial instruments with features of both liabilities and equity under ASC 480, “Distinguishing Liabilities from Equity,” and ASC 815.

As of June 30, 2013 and 2012, the Center did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Contributions and Pledges
Contributions and pledges are recorded as unrestricted (both undesignated and designated for specific purposes), temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions when received or unconditionally promised. Restricted net assets are reclassified to unrestricted net assets when donor restrictions expire. This occurs when a donor stipulated time restriction ends or a donor stipulated purpose restriction is accomplished. Such reclassifications are reported as net assets released from donor restrictions. As of June 30, 2013 and June 30, 2012, no pledges were recorded.

Donated Goods and Services
Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Donated goods and services are recorded at estimated fair market value on the date of the gift. Contributed auxiliary services are not reflected in the financial statements. The Center pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist The Center. As of June 30, 2013 and 2012, no amounts were recorded in the financials for donated goods or services.

Fixed Assets
Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures and equipment over 3 to 10 years and buildings over 31 to 40 years

Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in a manner management believes to be reasonable and appropriate.

Income Taxes
The Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, under 509(a) of the Internal Revenue Code, The Center is not a private foundation. Further, The Center has no unrelated business taxable income arising from its activities that are subject to taxation.

Reclassification
Certain prior period amounts have been reclassified to conform to the fiscal year ended June 30, 2013 presentation. Grants, other income and expenses for Engage San Diego were reported as unrestricted net assets on the statements of financial position and the statements of activities and change in net assets during the fiscal year ended June 30, 2012 have been reclassified to present it under temporarily restricted on the statement of financial positions and statement of activities and changes in net assets (see note 11).

Note 3 - Government Grants

The Center has met the requirements of various government grants. Independent Auditor’s Reports were issued on (1) the internal control structure based on an audit of financial statements preformed in accordance with government auditing standards, and (2) compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Note 4 - Cash

The Center maintains its cash balances at Bank of America and Wells Fargo Bank located in San Diego, California and Columbus Bank located in Columbus, Georgia. As of June 30, 2013 and 2012, the balances were insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2013 and 2012, The Center's uninsured portion of the balances held at the banks aggregated to $531,010 and $497,311, respectively. No reserve has been made on the financial statements for any possible loss due to any financial institution failure. The Center's management believes that the financial institutions holding its cash balances are financially secure.

Note 5 - Credit Risk

Since financial institutions generally have no responsibility with respect to deposits in transit and outstanding checks, in the event of a financial institution failure, the financial institutions will not honor deposits in transit and outstanding checks. The actual risk [the bank's liability to its customer (i.e., The Center)] arising from cash deposits at such entities equals the balances reported by them, exclusive of the customer's deposits in transit and outstanding checks (i.e., a month end bank statement balance).

Note 6 - Investments

As of June 30, 2013 and 2012, investments consisted of a wide variety of common stocks of U.S corporations and certificates of deposit.

Investments were comprised of the following at June 30, 2013 and 2012:

June 30, 2013 **Type of Investments**	**Cost**	**Fair Market Value**
Corporate equities and funds	$ 2,338	$ 2,338
Total	$ 2,338	$ 2,338

June 30, 2012 **Type of Investments**	**Cost**	**Fair Market Value**
Corporate equities and funds	$ 2,302	$ 2,302
Total	$ 2,302	$ 2,302

Note 7 - Fixed Assets

Fixed assets consist of the following:

	June 30,	
	2013	2012
Furniture and Equipment	$ 121,663	$ 123,746
Building Improvements	2,790,041	2,785,819
Buildings and Land	4,573,755	4,573,755
	7,485,459	7,483,320
Accumulated Depreciation	(1,554,995)	(1,397,117)
	$ 5,930,463	$ 6,086,202

During the fiscal year ended June 30, 2013, the Center disposed of $22,354 in fully depreciated furniture and equipment. Depreciation expense was $216,224 and $205,342 for the years ended June 30, 2013 and 2012 respectively.

Note 8 - Intangible Assets

Intangible assets are amortized using the straight-line method over the life of the intangible asset or its useful life, whichever is less. The Center has determined the life of the assets are fifteen years. As of June 30, 2013 and 2012 intangible assets consist of the following:

	2013	2012
AIDS Walk San Diego	$ 5,000	$ 5,000
Family Matters	10,000	10,000
	15,000	15,000
Less accumulated amortization	(8,610)	(7,610)
	$ 6,390	$ 7,390

Amortization expense was $1,000 for the year ended June 30, 2013 and 2012.

Note 9 - Compensated Absences

All regular full-time and part-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment and prorated by full-time equivalency. The rates of accrual for full-time employees are as follows:

Months of Employment	Monthly Accrual Rate (Hours)	Vacation Accrual CAP
0-12	6.68	120 Hours
13-24	10	180 Hours
25 or more	13.34	240 Hours

Once an employee has reached his or her vacation accrual cap, no additional time will be accrued until some vacation time is used. The date of hire will be considered the anniversary date for vacation purposes. Upon termination, employees are paid for any accumulated unpaid vacation leave. As of June 30, 2013 and 2012, vacation liability exists in the amount of $146,867 and $131,685, respectively.

Note 10 - Lease Obligations

The Center leases office space under operating leases at four locations in the San Diego metropolitan area. Some of these leases are month-to-month and some are for extended periods of time. Rental expense for these leases consisted of $32,855 and $30,645 for the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013, The Center has future minimum lease obligations as follows:

June 30,	
2014	$ 24,825
2015	25,725
2016	26,625
2017	2,225
Total	$ 79,400

Note 11 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2013 and 2012:

	June 30,	
	2013	2012
Engage San Diego	$ 216,176	$ 138,118

Note 12 – Endowment Funds

The Board of Directors of the Center has approved an investment policy detailing the long-term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. Objective of the Center are, first and foremost, to preserve the safety of the principal and second, to maximize investment income. Endowment funds are subject to the investment policy approved by the Board of Directors.

The Center's endowment consists of several permanently restricted funds established to support and assist The Center in enhancing and sustaining the health and well-being of the lesbian, gay, bisexual, transgender, and HIV communities by funding The Center. The endowment includes both donor-restricted endowment funds and funds designated by the board. All income and realized/unrealized gains/losses for all funds' income is to be recorded as permanently restricted funds in accordance with the policies approved by the Board of Directors at this time.

Income from endowment is appropriated based on an approval process through the Board of Directors. Specific committees recommend amounts to be disbursed from the accumulated earning of the endowment funds, which are then approved from appropriation by the Board of Directors.

June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment investment, beginning of the year	$ -	$ -	$ 393,715
Investment income	-	-	37,700
Contributions and transfers	-	-	25,243
Appropriation of net assets	-	-	-
Endowment investment, end of the year	$ -	$ -	$ 456,658

June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment investment, beginning of the year	$ -	$ -	$ 395,599
Investment income (loss)	-	-	(2,364)
Contributions and transfers	-	-	480
Appropriation of net assets	-	-	-
Endowment investment, end of the year	$ -	$ -	$ 393,715

Note 13 – AIDS Walk San Diego (AWSD)

As of June 30, 2013, The Center received $410,620 in donations and grants to support the annual AIDS Walk San Diego event that takes place in September. The Center used these funds to pay $192,501 in expenses related to the event and then contributed $273,000 to several non-profit organizations providing HIV/AIDS related services. The $54,881 shortfall was covered by The Center's AWSD reserve funds.

As of June 30, 2012, The Center received $422,537 in donations and grants to support the annual AIDS Walk San Diego event that takes place in September. The Center used these funds to pay $193,578 in expenses related to the event and then contributed $268,000 to several non-profit organizations providing HIV/AIDS related services. The $39,040 shortfall was covered by The Center's AWSD reserve funds.

Note 14 – Notes Payable

The Centre Street Building Loan

In October 1998, The Center purchased a building in the amount of $900,000 to be used as its primary location for program and support services. The building was purchased with a mortgage payable to Wells Fargo Bank for $675,000, subsequently refinanced on August 28, 2001 in the amount of $1,161,880. This mortgage was subsequently refinanced for $1,270,000 on September 20, 2002 and again subsequently refinanced for $2,200,000 with Bank of America on August 5, 2004. The terms of the current note payable is interest at 6.75% per annum, monthly payments of $15,088 until August 15, 2014 when the final payment of approximately $1,648,601is due. The mortgage note is a first trust deed secured by the Centre Street building. As of June 30, 2013, The Center had an aggregate outstanding balance of $1,778,790.

Youth Housing Loans

On October 18, 2005, The Center secured permanent financing for the acquisition and rehabilitation of the Sunburst Apartments, located at 1640 Broadway, San Diego CA 92101. Permanent financing came in the form of loans from the Centre City Development Corporation (CCDC), the San Diego Housing Commission (SDHC), the County of San Diego Department of Housing and Community Development (HCD), The Center's General Fund (Private Loan), and a $50,000 equity position provided by The Center.

Centre City Development Corporation Loan

On October 18, 2005, The Center entered into a mortgage and security agreement with Centre City Development Corporation Loan ("CCDC"), in the amount of $2,544,746. The terms of the note include interest at 3% per annum with payment of principal and interest deferred and due on November 1, 2060. In March 2007, CCDC agreed to provide $230,000 of additional funds for the purposes of repaying The Center for its contribution of funds to the rehabilitation of the building of $120,000 and to cover the HUD-required loan flood insurance for the next ten years in the amount of $110,000. The note is secured by the apartment building. As a condition of the loan agreement with CCDC, The Center is required to operate the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a qualifying disability and are either homeless or at-risk of becoming homeless. Further, of the 23 units at the Sunburst Apartments, 8 of the apartments must be occupied by persons whose incomes are no greater than 30% of the Area Median Income (AMI), as published and adjusted annually by HUD. The remaining 15 units must be occupied by persons whose incomes are no greater than 50% AMI. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early. Based upon a clarification letter provided by CCDC, dated April 27, 2009, accrued interest for this loan is not recorded, as CCDC considers this loan forgivable at maturity as long as The Center meets all other terms and conditions of the loan described above.

San Diego Housing Commission

On October 18, 2005, The Center entered into a mortgage and security agreement with San Diego Housing Commission ("SDHC"), in the amount of $934,000. The terms of the note include interest at 3% per annum with principal and interest payments deferred and due on October 18, 2060. The note is secured by the apartment building. As a condition of the loan agreement with SDHC, The Center is required to operate the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a qualifying disability and are either homeless or at-risk of becoming homeless. Further, of the 23 units at the Sunburst Apartments, 8 of the apartments must be occupied by persons whose incomes are no greater than 30% of the Area Median Income (AMI), as published and adjusted annually by HUD. The remaining 15 units must be occupied by persons whose incomes are no greater than 50% AMI. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early.

On July 9, 2010, the San Diego Housing Commission ("SDHC") approved a loan modification for the Center for the Youth Housing Project by reducing the interest from 3% to 0% for the $934,000 loan retroactively to the original loan date of October 20, 2005.

San Diego County Department of Housing & Community Development
On October 18, 2005, The Center entered into a mortgage and security agreement San Diego County Department of Housing & Community Development ("HCD") in the amount of $400,000. The terms of the note include interest at 3% per annum with principal and interest payments deferred and due on October 18, 2060. The note is secured by the apartment building. As a condition of the loan agreement with HCD, The Center is required to operate 3 apartments at the Sunburst Apartments for a period of 55 years as affordable housing for young adults, ages 18 to 24, who have a confirmed diagnosis of HIV or AIDS and incomes no greater than 50% of the Area Median Income (AMI), as published and adjusted annually by HUD. These restrictions remain in place for 55 years, regardless of whether the loans are repaid early.

The Center's General Fund Loan
On October 18, 2005, The Center loaned $193,680 from its general fund for 8 years bearing interest at 6.33% per annum for the Youth Housing Project.

As of June 30, 2013 and 2012, total loans outstanding were classified as follows:

	2013	2012
Current portion	$ 62,905	$ 58,810
Long term portion	5,594,631	5,657,536
Total due	$ 5,657,536	$ 5,716,346

A five year maturity of these loans is as follows as of June 30, 2013:

June 30,	
2014	$ 62,905
2015	1,715,886
2016	-
Thereafter	3,878,745
	$ 5,657,536

Note 15 – Accrued Interest

In accordance with the terms of the notes with HCD referenced in note 14, The Center accrued interest of 3% per annum for the interest payment that is deferred and due on October 18, 2060.

Total amount accrued for interest as of June 30, 2013 and 2012 was $92,000 and $80,000.

Note 16 – Community Development Block Grant

On December 7, 2001, The Center entered into an agreement with the City of San Diego for a Community Development Block Grant (CDBG). This agreement was later expanded in March 2003, August 2003, March 2004, July 2004, October 2004, and July 2005 for a total grant value of $1,496,742. The general purpose of the CDBG was to remodel and improve The Center's existing facility at 3909 Centre Street, San Diego, California.

Terms of the Agreement require The Center to: (1) file annual Summary of Information reports by August 1st of each year the organization is eligible for funds, (2) comply with various rules and regulations of the U.S. Department of Housing and Urban Development (HUD), (3) transfer remaining funds upon completion of the project to the City of San Diego, (4) dispose of the property in such a manner as to reimburse the City for its contribution to the improvements should the organization dispose of the property within twenty (20) years of the completion date of the project, and (5) use the facility for low and moderate income persons for a period not less than twenty (20) years from the completion of the project.

Note 17 – Youth Housing Project

On October 18, 2005, The Center entered into agreements with Centre City Development Corporation ("CCDC"), San Diego Housing Commission ("SDHC") and San Diego County Department of Housing & Community Development ("HCD"). These agreements require The Center to operate the building located at 1640 Broadway, San Diego, California as housing for homeless youth for a period of at least fifty-five (55) years.

In accordance with these agreements, "Residual receipts" are calculated and a portion paid to the financing agencies annually. Residual receipts are the net operating income of the project minus repayment of the private loan. Residual receipts are calculated annually in January for the prior calendar year. The Center retains 50% of the residual receipts for the project; the remaining 50% of the residual receipts are paid to CCDC, SDHC, and HCD based upon their pro-rata share of the financing: 66% to CCDC, 24% to SDHC, and 10% to HCD. In accordance with The Center's agreement with CCDC, the payment to CCDC is then returned to The Center for deposit into a fund to pay ongoing operating expenses for the project; no such agreement exists with the other lenders.

For the twelve months ended December 31, 2012 and 2011, the Youth Housing Project had net income of $16,277 and $16,113 respectively before cash and replacement reserve and loan payments of $16,277 and $16,113 respectively. The Center has an unsecured loan in the amount of $193,680 for 8 years bearing interest at 6.33% per annum for the Youth Housing Project. The loan was originally expected be fully amortized over an 8 year term, but because residuals for the project have not been sufficient to fully recoup the annual payments of $30,918, management projects that the loan will not be fully paid until 2019. After consideration of the loan payment (including principal and interest), there were no residual receipts and, therefore, no payments were due to the financing agencies.

	2012	2011
Total Revenue	$ 122,054	$ 121,265
Total Expenses	105,777	105,152
NET INCOME	$ 16,277	$ 16,113
Cash Reserve	(1,200)	(1,200)
Replacement Reserve	(3,600)	(3,600)
Loan Payment	(11,477)	(11,313)
Adjusted Residual Income (Loss)	$ -	$ -

Note 18 – Effect of Current Economic Conditions on Revenue and Support

The Center depends heavily on contributions, fundraising events and grants for its revenue. The ability of The Center to attract support comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to The Center. While The Center's Board of Directors believes The Center has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Note 19 – Related Party Transactions

The Executive Director for the Center is also the Executive Director for the Center Advocacy Project. The mission for the Center Advocacy Project is to secure equal civil and human rights for the LGBT and allied communities through public education and issue advocacy.

During the fiscal year ended June 30, 2013 and 2012, the Center Advocacy Project incurred $62,245 and $28,550 for consulting fees on a fee for service basis to the Center, respectively.

Note 20 – Subsequent Events

The Center has evaluated subsequent events through September 14, 2013 the date on which the financial statements were available to be issued. The Center is not aware of any subsequent events that require recognition or disclosure in the financial statements.

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER

(A NON-PROFIT ORGANIZATION)

SUPPLEMENTAL SCHEDULES REQUIRED BY

OMB CIRCULAR A-133

JUNE 30, 2013 AND 2012

LICHTER YU AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

16133 VENTURA BLVD., SUITE 450
ENCINO, CALIFORNIA 91436
TEL (818)789-0265 FAX (818) 789-3949

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center
San Diego, California

Members of the Board:

We have audited the financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center) as of and for the year ended June 30, 2013, and have issued our report thereon dated September 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Center's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe that aterial weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on th effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the management, Board of Directors, management, others within The Center, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Encino, California
September 14, 2013