

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

**(A NON-PROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**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:

We have audited the accompanying statements of financial position of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center as of June 30, 2011 and 2010, and the related statements of activities, statements of functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

Our audit was performed for the purposes of forming an opinion on the basic financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Encino, California  
September 6, 2011

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

	June 30,	
	2011	2010
<b>ASSETS</b>		
Cash	\$ 344,622	\$ 354,142
Grants receivable	384,208	295,342
Investments	2,302	4,663
<b>TOTAL CURRENT ASSETS</b>	<b>731,132</b>	<b>654,147</b>
Fixed assets (Net of accumulated depreciation of \$1,191,776 and \$1,016,244, respectively) (See note 7)	6,260,021	6,019,545
Intangible assets (Net) (See note 8)	8,390	9,390
Endowment funds (See note 11)	395,599	326,244
Prepaid expenses and deposits	14,292	4,910
<b>TOTAL ASSETS</b>	<b>\$ 7,409,434</b>	<b>\$ 7,014,236</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 13,985	\$ 8,867
Accrued expenses	214,150	208,746
Deferred revenue	36,667	-
Current portion, note payable	54,982	51,400
<b>TOTAL CURRENT LIABILITIES</b>	<b>319,784</b>	<b>269,013</b>
Accrued interest (See note 14)	68,000	151,352
Notes payable, net of current portion	5,716,346	5,771,369
<b>TOTAL LIABILITIES</b>	<b>6,104,130</b>	<b>6,191,734</b>
<b>NET ASSETS</b>		
Unrestricted	909,705	496,258
Permanently restricted	395,599	326,244
<b>TOTAL NET ASSETS</b>	<b>1,305,304</b>	<b>822,502</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,409,434</b>	<b>\$ 7,014,236</b>

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, 2011 AND 2010

	2011			2010		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT						
Revenue:						
Grants	\$ 2,066,768	\$ -	\$ 2,066,768	\$ 1,850,629	-	\$ 1,850,629
Fundraising events	194,924	-	194,924	231,565	-	231,565
Other income	28,363	-	28,363	29,680	-	29,680
Investment income (loss)	(2,548)	68,355	65,807	1,307	69,631	70,938
Public Support:						
Contributions and donations	1,896,071	1,000	1,897,071	1,438,775	120	1,438,895
Total revenue and public support	4,183,578	69,355	4,252,933	3,551,956	69,751	3,621,707
Expenses						
Program services	3,208,440	-	3,208,440	3,078,135	-	3,078,135
Supporting services	59,342	-	59,342	167,017	-	167,017
Fundraising	502,348	-	502,348	467,004	-	467,004
Total functional expenses	3,770,131	-	3,770,131	3,712,156	-	3,712,156
INCREASE (DECREASE) IN NET ASSETS	413,447	69,355	482,802	(160,200)	69,751	(90,449)
NET ASSETS - Beginning of year	496,258	326,244	822,502	656,458	256,493	912,951
NET ASSETS - End of year	\$ 909,705	\$ 395,599	\$ 1,305,304	\$ 496,258	\$ 326,244	\$ 822,502

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THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Programs & Services	Management	Fund Raising	Total Expenses
Salaries, Payroll Taxes and Benefits	\$ 1,894,568	\$ 29,784	\$ 203,873	\$ 2,128,226
Accounting and Audit	20,721	569	1,634	22,923
Bank Fees	21,090	20,966	-	42,056
Building Repair and Maintenance	30,994	1,126	1,608	33,728
Cleaning	7,489	258	716	8,463
Client Service	41,812	542	473	42,826
Communication	56,252	1,631	25,316	83,199
Consultants	217,990	12,628	16,936	247,554
Planning Council	15,108	-	-	15,108
Depreciation and Amortization	137,670	59,012	1,241	197,923
Equipment Repair and Rental	253	11	115	380
Equipment Purchased	7,686	-	-	7,686
Fundraising Events	131,818	124	174,240	306,183
Insurance	37,768	772	2,254	40,794
Interest Expense - Other	-	(83,352)	-	(83,352)
Interest Expense - Mortgage	112,047	4,647	12,916	129,610
Legal	2,812	2,608	-	5,420
Miscellaneous	15,871	3,696	2,816	22,382
Postage	2,090	174	6,330	8,593
Printing	32,660	743	25,943	59,346
Property Taxes	2,616	11	30	2,656
Public Relations and Advertising	21,392	(16)	5,193	26,569
Rent	28,555	-	-	28,555
Staff Development/ Training	2,308	-	180	2,488
Supplies	38,949	1,758	5,235	45,943
Travel	4,206	15	1,351	5,572
Utilities	55,582	1,494	4,120	61,196
Volunteer & Donor Appreciation	135	142	9,826	10,103
Grant Allocation	268,000	-	-	268,000
Total Expense	\$ <u>3,208,440</u>	\$ <u>59,342</u>	\$ <u>502,348</u>	\$ <u>3,770,131</u>

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THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2010			
	Programs & Services	Management	Fund Raising	Total Expenses
Salaries, Payroll Taxes and Benefits	\$ 1,751,332	\$ 40,762	\$ 186,536	\$ 1,978,629
Accounting and Audit	20,482	471	1,870	22,823
Bank Fees	23,620	21,984	329	45,934
Bingo Supplies	-	-	20	20
Building Repair and Maintenance	26,806	541	1,724	29,071
Cleaning	8,415	280	844	9,539
Client Service	86,943	949	543	88,435
Communication	47,775	1,223	4,720	53,717
Consultants	198,553	7,844	9,827	216,224
Planning Council	19,336	-	-	19,336
Depreciation and Amortization	137,227	70,714	1,699	209,640
Equipment Repair and Rental	149	6	19	174
Equipment Purchased	9,555	-	-	9,555
Fundraising Events	101,179	-	187,377	288,556
Insurance	39,580	1,035	2,555	43,170
Interest Expense - Mortgage	116,386	4,128	12,480	132,994
Legal	1,826	3,007	-	4,833
Miscellaneous	6,845	9,454	2,816	19,116
Postage	1,766	104	5,693	7,562
Printing	23,224	561	27,279	51,064
Property Taxes	2,634	10	31	2,675
Public Relations and Advertising	29,822	142	9,758	39,722
Rent	62,086	(375)	329	62,040
Staff Development/ Training	9,377	859	578	10,814
Supplies	24,215	1,149	3,249	28,614
Travel	2,561	64	330	2,955
Utilities	58,799	1,244	4,827	64,870
Volunteer & Donor Appreciation	1,394	861	1,568	3,824
Grant Allocation	266,250	-	-	266,250
<b>Total Expense</b>	<b>\$ 3,078,135</b>	<b>\$ 167,017</b>	<b>\$ 467,004</b>	<b>\$ 3,712,156</b>

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, 2011 AND 2010

	2011	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors and grants	\$ 4,134,188	\$ 3,522,447
Cash paid to employees and suppliers	(3,654,420)	(3,503,098)
Interest received	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>479,768</b>	<b>19,349</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of building improvements	(426,946)	(29,268)
Proceed from sale of investments	14,328	-
Purchase of investments	(14,178)	(3,574)
Purchase of property and equipment	(11,051)	(4,796)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(437,847)</b>	<b>(37,638)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment on notes payable	(51,441)	(48,057)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(51,441)</b>	<b>(48,057)</b>
<b>NET DECREASE IN CASH</b>	<b>(9,520)</b>	<b>(66,346)</b>
CASH at beginning of period	354,142	420,488
CASH at end of period	\$ 344,622	\$ 354,142
<b>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ 482,802	\$ (90,449)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:		
Depreciation and amortization	197,923	209,640
Unrealized investment loss (income) (see Note 2, Reclassification)	(66,544)	(69,938)
Decrease (Increase) in:		
Accounts receivable	-	15,933
Grants receivable	(88,866)	(32,753)
Prepaid expenses	(9,382)	11,688
Increase (Decrease) in:		
Accounts payable and accrued expenses	(72,832)	(12,272)
Deferred revenue	36,667	(12,500)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 479,768</b>	<b>\$ 19,349</b>

See Accompanying Notes and Auditor's Report

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

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.



**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

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

In accordance with FASB Accounting Standards Codification FASB ASC 958-210-45, formerly known as Statement of Financial Accounting Standards (“SFAS”) No. 117, Financial Statements for Not-for-Profit Organizations. Under the provision of FASB ASC 958-210-45, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the project and changes therein are classified as follows:

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.

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.

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.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

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.

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, 2011 and June 30, 2010, 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.

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.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Endowment Fund

The Center has adopted SFAS No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others." SFAS No. 136 establishes accounting guidance for certain charitable transactions where an entity makes a contribution by transferring assets to a not-for-profit organization or charitable trust that accepts the assets and agrees to transfer these assets to another entity specified by the donor. The adoption of SFAS 136 did not have a material impact on The Center's financial position.

Reclassifications

Certain prior period amounts have been reclassified to conform to the fiscal year ended June 30, 2011 presentation.

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 performed 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, 2011 and 2010, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2011 and 2010, The Center's uninsured portion of the balances held at the banks aggregated to \$0 and \$31,282, 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).

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 6 - Investments

In accordance with FASB Accounting Standards Codification 958-320-25, formerly known as SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in securities are recorded at market value. As of June 30, 2011 and 2010, 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, 2011 and 2010:

<b>June 30, 2011</b>	<b>Cost</b>	<b>Fair Market</b>
<b>Type of Investments</b>		<b>Value</b>
Corporate equities and funds	\$ 2,302	\$ 2,302
<b>Total</b>	<b>\$ 2,302</b>	<b>\$ 2,302</b>
<b>June 30, 2010</b>	<b>Cost</b>	<b>Fair Market</b>
<b>Type of Investments</b>		<b>Value</b>
Corporate equities and funds	\$ 4,356	\$ 4,663
<b>Total</b>	<b>\$ 4,356</b>	<b>\$ 4,663</b>

Note 7 - Fixed Assets

Fixed assets consist of the following:

	June 30,	
	2011	2010
Furniture and Equipment	\$ 118,965	\$ 120,264
Building Improvements	2,759,078	2,341,771
Buildings and Land	4,573,755	4,573,755
	7,451,798	7,035,790
Accumulated Depreciation	(1,191,776)	(1,016,244)
	<b>\$ 6,260,021</b>	<b>\$ 6,019,545</b>

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

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, 2011 and 2010 intangible assets consist of the following:

	2011	2010
AIDS Walk San Diego	\$ 5,000	\$ 5,000
Family Matters	10,000	10,000
	15,000	15,000
Less accumulated amortization	(6,610)	(5,610)
	\$ 8,390	\$ 9,390

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:

<u>Months of Employment</u>	<u>Monthly Accrual Rate (Hours)</u>	<u>Vacation Accrual CAP</u>
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, 2011 and 2010, vacation liability exists in the amount of \$125,109 and \$128,977, 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 \$28,555 and \$62,040 for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011, The Center has future minimum lease obligations as follows:

June 30,	
2012	\$ 23,025
2013	23,925
2014	2,000
Total	\$ 48,950

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 11 – Endowment Funds

During the fiscal year ended June 30, 2004, The Center established endowment funds from permanently restricted contributions received from donors. The primary purpose of the funds are 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. Only the earnings from the endowment fund shall be distributed exclusively to support and assist The Center and its needs.

As of June 30, 2011 and 2010, the balance of the endowment fund with the San Diego Foundation was \$389,509 and \$320,960, respectively, and the balance of the endowment fund at the San Diego Human Dignity Foundation was \$6,089 and \$5,284, respectively.

Note 12 – AIDS Walk San Diego (AWSD)

As of June 30, 2011, The Center received \$500,039 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 \$215,866 in expenses related to the event and then contributed \$268,000 to several non-profit organizations providing HIV/AIDS related services. The \$16,173 surplus was added to The Center's AIDS Walk reserve funds.

Note 13 – 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 \$1,715,885 is due. The mortgage note is a first trust deed secured by the Centre Street building. As of June 30, 2011, The Center had an aggregate outstanding balance of \$1,892,582.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 13 – Notes Payable (Continued)

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.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 13 – Notes Payable (Continued)

San Diego Housing Commission (Continued)

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. As of June 30, 2010, the Center had accrued interest of \$95,352 attributable to the loan from SDHC which was reversed during the fiscal year ended June 30, 2011.

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, 2011 and 2010, total loans outstanding were classified as follows:

	<u>2011</u>	<u>2010</u>
Current portion	\$ 54,982	\$ 51,400
Long term portion	<u>5,716,346</u>	<u>5,771,369</u>
Total due	<u>\$ 5,771,328</u>	<u>\$ 5,822,769</u>

A five year maturity of these loans is as follows as of June 30, 2011:

	<u>June 30,</u>
2012	54,982
2013	58,810
2014	62,905
2015	1,715,885
Thereafter	<u>3,878,746</u>
	<u>\$ 5,771,328</u>



**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 14 – Accrued Interest

In accordance with the terms of the notes with SDHC and HCD referenced in note 13, 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, 2011 and 2010 was \$68,000 and \$151,352.

Note 15 – 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 16 – 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.

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

Note 16 – Youth Housing Project (Continued)

For the twelve months ended December 31, 2010 and 2009, the Youth Housing Project had net income of \$18,764 and \$35,045 respectively before cash and replacement reserve and loan payments of \$18,764 and \$35,045 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 to 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 2018. 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.

Certain changes to the December 31, 2009 financial statements have been made to conform to the December 31, 2010 financial statement format.

	<u>2010</u>	<u>2009</u>
Total Revenue	\$ 114,385	\$ 134,923
Total Expenses	<u>95,621</u>	<u>99,878</u>
NET INCOME (LOSS)	<u>\$ 18,764</u>	<u>\$ 35,045</u>
Cash Reserve	(1,200)	(1,200)
Replacement Reserve	(3,600)	(3,600)
Loan Payment	(13,964)	(30,245)
Adjusted Residual Income (Loss)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note 17 – 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.

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

**(A NON-PROFIT ORGANIZATION)**

**SUPPLEMENTAL SCHEDULES REQUIRED BY**

**OMB CIRCULAR A-133**

**JUNE 30, 2011 AND 2010**

**LICHTER YU AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS**

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

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL  
CONTROL STRUCTURE 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) for the year ended June 30, 2011 and have issued our report thereon dated September 6, 2011.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance that The Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, others within The Center, and federal awarding agencies and pass-through entities. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.



Encino, California  
September 6, 2011

**LICHTER YU AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS**

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Directors:

Compliance

We have audited the compliance of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center. (The Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Compliance with the requirements of law and regulations, contract, and grants applicable to each of its major federal programs is the responsibility of The Center's management. Our responsibility is to express an opinion on The Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Center's compliance with those requirements.

In our opinion, The Center, complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of The Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Center's internal control or compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Page - 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Rutter, Yu & Associates".

Encino, California  
September 6, 2011

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Program Name</u>	<u>Grant Number</u>	<u>Federal Catalog Number</u>	<u>Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditure</u>
				7/1/10-6/30/11	7/1/10-6/30/11
<u>Federal Awards</u>					
County of San Diego					
HIV, STD & Hepatitis Branch of Public Health Services					
Ryan White Treatment Modernization Act Funds					
General Mental Health - Project 03					
Grant Period 3/1/10- 2/28/11	512441	93.118	\$ 589,537	\$ 406,603	\$ 407,501
Grant Period 3/1/11 - 2/28/12	536618	93.118	674,537	226,020	226,020
Planning Council Support & Quality Management					
Grant Period 3/1/10- 2/28/11	516171	93.118	554,907	370,490	370,490
Grant Period 3/1/11 - 2/28/12	516171	93.118	554,907	178,558	178,558
Prevention Admin - Project 53					
Grant Period 7/01/10 to 6/30/11	508076	93.940	155,000	153,537	153,537
City of San Diego					
CDBG Funds - Program - Project 09					
Grant Period 7/01/10 to 6/30/11		14.218	75,000	74,002	74,002
CDBG Funds - Building Improvements					
		14.218	338,340	330,582	330,582
Total Federal Awards			<u>\$ 2,942,228</u>	<u>\$ 1,739,792</u>	<u>\$ 1,740,690</u>

**THE SAN DIEGO LESBIAN, GAY, BISEXUAL, AND TRANSGENDER COMMUNITY CENTER  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2011**

**CURRENT YEAR FINDINGS:**

Type of Report on Financial Statements

Unqualified Opinion on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.

Reportable Conditions at Financial Statement Level

None noted.

Noncompliance Material to Financial Statements

None noted.

Reportable Conditions for Major Programs

For the year ended June 30, 2011 there were no reportable conditions.

Type of Report on Compliance for Major Programs

For the year ended June 30, 2011 an Unqualified opinion was issued regarding our study of their establishment and maintenance of effective internal control over compliance with requirements of laws, regulations, contract, and grants applicable to federal programs

Major Program(s)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.118	Prevention Admin. County of San Diego HIV, STD & Hepatitis Branch of Public Health Service Ryan White Treatment Modernization Act Funds
14.218	CDBG Funds – Building Improvements City of San Diego

Any Findings Required by OMB Circular A-133

None noted.

Dollar Threshold Used to Distinguish between Major and Non-Major Programs

Major Program - \$300,000.

Low-Risk Auditee

Is considered a low-risk auditee.

Financial Statement Findings

None noted.

Federal Awards Findings and Costs

None noted.

**PRIOR YEAR FINDINGS:**

There were no findings or recommendations in the prior year that require follow-up in the current year.