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

(A NON-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

WITH

INDEPENDENT AUDITOR'S REPORT

AND

SINGLE AUDIT REPORTS

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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 statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Center's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 2, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standard*s, we have also issued our report dated September 9, 2015, 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.

Luther Yu + Associates

Encino, California
September 9, 2015

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	June 30, 2015	June 30, 2014
ASSETS		
Cash	$ 850,904	$ 1,420,942
Accounts receivable	309,166	47,349
Grants receivable	314,629	143,008
Investments	2,338	2,338
Prepaid expenses	10,410	10,846
Fixed assets, net (See note 7)	5,626,421	5,733,843
Intangible assets, net (See note 8)	4,390	5,390
Endowment funds (See note 9)	528,654	528,089
Deposits	1,850	1,850
TOTAL ASSETS	$ 7,648,762	$ 7,893,655
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 18,151	$ 7,857
Accrued expenses	289,250	277,261
Accrued interest (See note 15)	116,000	104,000
Notes payable	5,658,965	5,697,964
TOTAL LIABILITIES	6,082,366	6,087,082
NET ASSETS		
Unrestricted	851,515	810,713
Temporarily restricted (See note 11)	374,061	655,040
Permanently restricted	340,820	340,820
TOTAL NET ASSETS	1,566,396	1,806,573
TOTAL LIABILITIES AND NET ASSETS	$ 7,648,762	$ 7,893,655

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

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	2015				
REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
Revenue:					
Grants	$ 2,365,686	$ 728,250	$ -	$ 3,093,936	$ 2,390,404
Fundraising events (net of expenses of $97,490 and $265,184)	51,995	-	-	51,995	299,074
Other income	97,121	11,990	-	109,111	96,741
Investment income	-	814	-	814	71,454
Public Support:					
Contributions and donations	1,595,646	-	-	1,595,646	1,991,345
Net assets released from purpose restrictions	651,816	(651,816)	-	-	-
Total revenue and public support	4,762,264	89,238	-	4,851,502	4,849,018
Functional Expenses					
Programs and services	4,142,261	370,217	-	4,512,478	4,156,896
Management	229,552	-	-	229,552	259,127
Fundraising	349,649	-	-	349,649	417,752
Total functional expenses	4,721,462	370,217	-	5,091,679	4,833,775
INCREASE (DECREASE) IN NET ASSETS	40,802	(280,979)	-	(240,177)	15,243
NET ASSETS - Beginning of year	810,713	655,040	340,820	1,806,573	1,791,330
NET ASSETS - End of year	$ 851,515	$ 374,061	$ 340,820	$ 1,566,396	$ 1,806,573

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

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	2015				2014
	Programs and Services	Management	Fundraising	Total Expenses	Total
Salaries, Payroll Taxes and Benefits	$ 2,353,415	$ 47,760	$ 213,311	$ 2,614,486	$ 2,521,492
Payroll Taxes	198,709	2,778	18,219	219,706	195,112
Employee Benefits	195,901	29,662	18,092	243,655	240,129
Total Salary and Related Expenses	2,748,025	80,200	249,622	3,077,847	2,956,733
Accounting and Audit	21,763	150	1,842	23,755	33,361
Bank Fees	31,241	28,776	18	60,035	59,699
Building Repair and Maintenance	56,132	182	1,173	57,487	36,939
Cleaning	6,248	70	447	6,765	6,806
Client Service	68,313	-	-	68,313	52,386
Communication	104,191	1,824	7,918	113,933	97,404
Consultants	514,143	47	12,611	526,801	363,382
Planning Council	21,828	-	-	21,828	21,521
Depreciation and Amortization	129,792	94,803	-	224,595	228,160
Equipment Repair and Rental	-	-	-	-	285
Equipment Purchased	32,923	-	-	32,923	3,374
Events	118,928	111	8,101	127,140	152,403
Insurance	43,883	569	2,849	47,301	53,957
Interest Expense - Other	-	12,000	-	12,000	12,000
Interest Expense - Mortgage	81,596	950	6,045	88,591	155,435
Legal	113	5,515	-	5,628	6,565
Miscellaneous	103,667	793	5,356	109,816	74,971
Postage	5,953	(780)	11,567	16,740	13,347
Printing	38,977	169	21,540	60,686	64,075
Property Taxes	2,232	3	22	2,257	2,455
Public Relations and Advertising	23,323	17	787	24,127	10,174
Rent	32,949	-	-	32,949	32,728
Staff Development/Training	15,184	566	2,901	18,651	12,785
Supplies	69,391	2,687	5,131	77,209	55,159
Travel	7,679	2	521	8,202	4,688
Utilities	72,207	599	6,709	79,515	71,782
Volunteer & Donor Appreciation	664	299	4,489	5,452	3,731
Grant Allocation	161,133	-	-	161,133	247,470
Total Expense	$ 4,512,478	$ 229,552	$ 349,649	$ 5,091,679	$ 4,833,775

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

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from contributors and grants	$ 4,417,499	$ 4,923,856
Cash paid to employees and suppliers	(4,832,365)	(4,558,639)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(414,866)	365,217
CASH FLOW FROM INVESTING ACTIVITIES		
Building improvements	(113,447)	(20,368)
Purchase of property and equipment	(2,726)	(10,171)
NET CASH USED IN INVESTING ACTIVITIES	(116,173)	(30,539)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment on new notes payable	(38,999)	(14,240)
Payment on old note payable balance- building	-	(1,778,790)
Proceeds from issuance of notes payable	-	1,833,458
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(38,999)	40,428
NET (DECREASE) INCREASE IN CASH	(570,038)	375,106
CASH at beginning of period	1,420,942	1,045,836
CASH at end of period	$ 850,904	$ 1,420,942
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (240,177)	$ 15,243
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	224,595	228,160
Unrealized investment income	(565)	(71,431)
Decrease (Increase) in:		
Accounts receivable	(261,817)	(47,349)
Grants receivable	(171,621)	291,118
Prepaid expenses and deposits	436	11,213
Increase (Decrease) in:		
Accounts payable and accrued expenses	34,283	35,763
Deferred revenue	-	(97,500)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (414,866)	$ 365,217

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

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 LGBTQ and HIV-positive youth, and allies. 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 offers support and educational opportunities for parents and prospective parents, 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.
- 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.
- Engage San Diego is a diverse civic engagement table of San Diego organizations working to empower San Diego families to advocate for themselves on issues of social and economic justice in San Diego County.

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 Accounting and Financial Statement Presentation
The financial statements have been prepared on the accrual basis of accounting.

The financial statements are prepared in accordance with the AICPA Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its ASC 958 Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according 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 subject to donor-imposed stipulations that will be met by actions of The Center and/or the passage of time. These balances include the unexpended portion of externally restricted contributions to be used for specific programs and activities as directed by the donor. The Center had temporarily restricted net assets in the amount of $374,061 and $655,040 as of June 30, 2015 and 2014, respectively (See note 11).

Permanently Restricted Net Assets - Assets are received from donors who stipulate that resources are to be maintained permanently. The Center had permanently restricted net assets in the amount of $340,820 as of June 30, 2015 and 2014, related to the Endowment Fund (See note 9).

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.

Accounts Receivable
Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. There was no allowance for doubtful accounts at June 30, 2015.

The total amount of accounts receivable at June 30, 2015 of $309,166 consists of sponsorship from various entities which are deemed fully collectible within one year.

Grants Receivable
Revenue from government grants is recorded to the extent of the expenses incurred under the grant for cost reimbursement grants, or service periods for fee-for-service grants. Any difference in expenses incurred and services provided and the total funds received under the grants are recorded as receivable from the granting agencies to the extent of the grant awards. Any funds received in excess of expenditures are recorded as deferred revenue.

The total amount of grants receivable of $314,629 and $143,008 as of June 30, 2015 and 2014, respectively consists of grants from government agencies which are deemed fully collectible within one year.

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 had no Level 3 assets as of June 30, 2015 and 2014.

The level in the fair value hierarchy within which a fair value measurement in it's entirely falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

June 30, 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Asset:				
Investment:				
Money market funds	$ 2,338	$ 2,338	$ -	$ -
Endowment funds:				
Balanced pool	528,654	-	528,654	-
Total	$ 530,992	$ 2,338	$ 528,654	$ -

June 30, 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Asset:				
Investment:				
Money market funds	$ 2,338	$ 2,338	$ -	$ -
Endowment funds:				
Balanced pool	528,089	-	528,089	-
Total	$ 530,427	$ 2,338	$ 528,089	$ -

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Center evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal year ended June 30, 2015 and 2014.

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, 2015 and 2014, 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, 2015 and 2014, 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. Property and equipment are capitalized if the cost of an asset is greater than or equal to $500 and the useful life is greater than one year. 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. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Uncertain Tax Positions

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2015 and 2014.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2015, the Organization believes it does not have any taxable unrelated business income, and has not accrued interest or penalties related to uncertain tax positions. The Center files its Form 990 in the U.S. federal jurisdiction and a copy of it with the Office of the State's Attorney General for the State of California. The Center is generally no longer subject to examination by the Internal Revenue Service and the State of California for years before June 30, 2011.

Summarized Financial Information for 2014

The accompanying financial information as of and for the year ended June 30, 2014, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Center's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Reclassification

Certain prior period amounts have been reclassified to conform to the fiscal year ended June 30, 2015 presentation. Specifically, endowment income previously reported as permanently restricted income has been reclassified as temporarily restricted in the amount of $187,269 (See note 9).

Note 3 – Grants and Contracts

The Organization has received state and federal funds subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants, it is believe that any required reimbursement would not be material.

Note 4 - Cash

The Center maintains its cash balances at Bank of America, Union Bank and Wells Fargo Bank located in San Diego, California. As of June 30, 2015 and 2014, the balances were insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2015 and 2014, The Center's uninsured portion of the balances held at the banks aggregated to $154,898 and $669,942, respectively. No reserve has been made in 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

Investments consist of the following:

June 30, 2015 Type of Investments	**Cost**	**Fair Market Value**
Money market funds	$ 2,338	$ 2,338
Total	$ 2,338	$ 2,338

June 30, 2014 Type of Investments	**Cost**	**Fair Market Value**
Money market funds	$ 2,338	$ 2,338
Total	$ 2,338	$ 2,338

Investment return for the years ended June 30, 2015 and 2014 was as follows:

Return on investments:	**2015**	**2014**
Interest and dividends	$ 248	$ 23
Realized and unrealized gains	566	71,431
Total	$ 814	$ 71,454

Note 7 - Fixed Assets

Fixed assets consist of the following:

	June 30, 2015	June 30, 2014
Furniture and Equipment	$ 134,561	$ 131,834
Building Improvements	2,923,856	2,810,409
Buildings and Land	4,573,755	4,573,755
	7,632,172	7,515,998
Accumulated Depreciation	(2,005,750)	(1,782,155)
	$ 5,626,421	$ 5,733,842

Depreciation expense was $223,596 and $227,160 for the years ended June 30, 2015 and 2014, 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 is fifteen years. As of June 30, 2015 and 2014 intangible assets consist of the following:

	2015	2014
AIDS Walk San Diego	$ 5,000	$ 5,000
Family Matters	10,000	10,000
	15,000	15,000
Less accumulated amortization	(10,610)	(9,610)
	$ 4,390	$ 5,390

Amortization expense was $1,000 for the year ended June 30, 2015 and 2014.

Note 9 – Endowment Funds

The Center has two separate endowment funds; one is maintained by the San Diego Foundation and the other by San Diego Human Dignity Foundation. Both endowments were created 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. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the Foundation and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of June 30, 2015 and 2014

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment funds	$ -	$ 187,834	$ 340,820	$ 528,654
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	$ -	$ 187,834	$ 340,820	$ 528,654

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment funds	$ -	$ 187,269	$ 340,820	$ 528,089
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	$ -	$ 187,269	$ 340,820	$ 528,089

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2015 and 2014

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment investment, beginning of the year	$ -	$ 187,269	$ 340,820
Investment income	-	566	-
Contributions and transfers	-	-	-
Appropriation of net assets	-	-	-
Endowment investment, end of the year	$ -	$ 187,835	$ 340,820

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment investment, beginning of the year	$ -	$ -	$ 456,658
Net asset reclassification	-	115,838	(115,838)
Investment income	-	71,431	-
Contributions and transfers	-	-	-
Appropriation of net assets	-	-	-
Endowment investment, end of the year	$ -	$ 187,269	$ 340,820

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	June 30, 2015	June 30, 2014
Permanently Restricted Net Assets The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 340,820	$ 340,820
Temporarily Restricted Net Assets The portion of perpetual endowment funds subject to a time restriction under UPMIFA	$ 187,835	$ 187,269

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary due to economic and other market conditions.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 10 - 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, 2015 and 2014, vacation liability exists in the amount of $165,668 and $156,233, respectively.

Note 11 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Engage San Diego	$ 186,226	$ 457,509
Youth Housing Floor	-	10,262
Endowment Fund	187,835	187,269
	$ 374,061	$ 655,040

Note 12 – Commitments and Contingencies

Operating Lease

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 $32,949 and $32,728 for the year ended June 30, 2015 and 2014, respectively. As of June 30, 2014, The Center has future minimum lease obligations as follows:

June 30,		
2016	$	26,625
2017		2,225
Total	$	28,850

Legal Matters

In the ordinary course of business, The Center may become subject to certain lawsuits and other potential legal actions. In the opinion of the management, such matters will not have a material effect on the financial position of the Center as of June 30, 2015 and 2014.

Grants and Contracts

The Center's grants and contracts are subject to inspections and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits, cannot be reasonably estimated. As of June 30, 2015 and 2014, no notice of any disallowance has been received.

Note 13 – AIDS Walk San Diego (AWSD)

During the fiscal year ended June 30, 2015, The Center received $465,561 in donations and grants to support The Center and the annual AIDS Walk San Diego event that takes place in September. The Center used these funds to pay $190,106 in expenses related to the event and then contributed $161,133 to several non-profit organizations providing HIV/AIDS related services. The $114,322 surplus was used to support The Center.

During the fiscal year ended June 30, 2014, The Center received $459,741 in donations and grants to support The Center and the annual AIDS Walk San Diego event that takes place in September. The Center used these funds to pay $205,138 in expenses related to the event and then contributed $247,470 to several non-profit organizations providing HIV/AIDS related services. The $7,133 surplus was used to support The Center.

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 for $2,200,000 on August 5, 2004 and again subsequently refinanced for $1,833,458 with Bank of America on January 9, 2014. The terms of the current note payable is interest at 4.85% per annum, monthly payments of $10,633 until January 15, 2024 when the final payment of approximately $1,356,605 is due. The mortgage note is a first trust deed secured by the Centre Street building. As of June 30, 2015, The Center had an aggregate outstanding balance of $1,780,219.

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, 2015, total loans outstanding were classified as follows:

	June 30, 2015
Current portion	$ 42,174
Long term portion	5,616,791
Total due	$ 5,658,965

A five year maturity of these loans is as follows as of June 30, 2015:

June 30,	
2016	$ 42,174
2017	44,266
2018	46,461
2019	48,766
Thereafter	5,477,298
	$ 5,658,965

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, 2015 and 2014 was $116,000 and $104,000, respectively.

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, 2014 and 2013, the Youth Housing Project had net income of $81,124 and $59,995 respectively before cash and replacement reserve and loan payments of $81,124 and $59,995 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 was no residual income and, therefore, no payments were due to the financing agencies.

	2014	2013
Total Revenue	$ 174,563	$ 167,791
Total Expenses	93,439	107,796
NET INCOME	$ 81,124	$ 59,995
Cash Reserve	(1,200)	(1,200)
Replacement Reserve	(3,600)	(3,600)
Loan Payment	(76,324)	(55,195)
Adjusted Residual Income (Loss)	$ -	$ -

Note 18 – Employee Benefit Plan

The Center provides a 401(k) defined contribution plan (the Plan) for substantially all employees. In addition to employee contributions, The Center makes matching contribution to the Plan up to 2.5% of each participant's annual compensation. All Center employees who work at least 1,000 hours per year and are at least 21 years of age are eligible to participate. All new employees meeting eligibility requirements will be automatically enrolled at a 5% contribution rate unless they choose to opt-out. Contributions made by The Center to the Plan totaled $26,508 and $19,680 for the year ended June 30, 2015 and 2014, respectively.

Note 19 – 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 20 – Related Party Transactions

The Chief Executive Officer 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, 2015 and 2014, the Center invoiced $42,124 and $36,773 for consulting fees on a fee for service basis to the Center Advocacy Project.

Note 21 – Subsequent Events

The Center has evaluated subsequent events through September 9, 2015 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)

SINGLE AUDIT REPORTS

JUNE 30, 2015

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Program Name	Grant Number	Federal CFDA Number	Direct Awards	Direct Expenditures
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 3/1/14- 2/28/15	536618	93.914	$ 596,186	$ 596,186
Grant Period 3/1/15- 2/29/16	536618	93.914	253,402	253,402
Planning Council Support & Quality Management				
Grant Period 3/1/14- 2/28/15	540509	93.914	350,491	350,491
Grant Period 3/1/15- 2/29/16	540509	93.914	175,779	175,779
Prevention Admin - Project 53				
Grant Period 1/01/14 to 12/31/14	533872	93.940	106,147	106,147
Grant Period 1/01/15 to 6/30/15	533872	93.940	75,283	75,283
Demonstration - Project 101				
Grant Period 6/01/15 to 6/30/15	551009	93.940	39,330	39,330
Total County of San Diego			**$ 1,596,618**	**$ 1,596,618**
City of San Diego				
CPPS Funds - Program				
Grant Period 3/11/15 to 6/30/15		14.218	$ 20,000	$ 20,000
Total City of San Diego			**$ 20,000**	**$ 20,000**
Pass-through Family Health Center				
Department of Health Services				
Prevention/P3 - Project 81				
Grant Period 1/01/14 to 12/31/14	519828	93.939	$ 10,775	$ 10,775
Grant Period 1/01/15 to 12/31/15	519828	93.939	10,680	10,680
Prevention/CDC - Project 81				
Grant Period 10/01/13 to 9/30/14	PS11-1113	93.939	2,624	2,624
Total Family Health Center			**$ 24,079**	**$ 24,079**
Total Federal Awards			**$ 1,640,697**	**$ 1,640,697**

The accompanying notes are an integral part of the schedule of expenditures of federal awards

THE SAN DIEGO LESBIAN, GAY, BISEXUAL, AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of The Center and has been prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audit of States, Local Government, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparations of the basic financial statements.

LICHTER YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the 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, the financial statements of The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center (The Center), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 9, 2015.

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 (internal control) 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.

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 material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that we consider to be material weaknesses. However, material weaknesses 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lubitz Yu & Associates

Encino, California
September 9, 2015

LICHTER YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited The San Diego Lesbian, Gay, Bisexual, and Transgender Community Center's (The Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Center's major federal programs for the year ended June 30, 2015. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Center's compliance.

Opinion on Each Major Federal Program

In our opinion, The Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of The Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lubitz, Yu & Associates

Encino, California
September 9, 2015

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
(A NON-PROFIT ORGANIZATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section 1 - Summary of Auditors' Results

Financial Statements:

Type of auditor's report issued — Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported

Type of auditor's report issued on compliance for major program — Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	____ Yes	X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.914	General Mental Health and Planning Council Support & Quality Management County of San Diego HIV, STD & Hepatitis Branch of Public Health Service Ryan White Treatment Modernization Act Funds

Dollar Threshold Used to Distinguish between Type A and Type B Programs — $300,000

Auditee qualifies as low-risk auditee?	X Yes	____ No

Section 2 - Financial Statement Findings

None.

Section 3 - Federal Award Findings and Questioned Costs

None.

Section 4 - Summary Schedule of Prior Audit Findings

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