The San Diego Lesbian, Gay, Bisexual and Transgender Community Center

Financial Statements and Supplemental Information

Year Ended June 30, 2022

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

Financial Statements and Supplemental Information

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards 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 Standards*, we have also issued our report dated October 6, 2023, on our consideration of The San Diego Lesbian, Gay, Bisexual and Transgender Community 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's 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 San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
October 6, 2023

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

Statement of Financial Position

June 30, 2022

ASSETS	
Current Assets:	
Cash	$ 13,680,196
Accounts receivable	33,207
Government grants receivable	873,115
Promises to give	9,323,333
Prepaid expenses	170,943
Total Current Assets	24,080,794
Noncurrent Assets:	
Property and equipment, net of accumulated depreciation and amortization	6,769,808
Beneficial interests in assets held by others - endowment funds	809,061
Deposits	19,850
Total Noncurrent Assets	7,598,719
Total Assets	$ 31,679,513
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 114,404
Accrued expenses	550,468
Deferred revenue	345,536
Total Current Liabilities	1,010,408
Noncurrent Liabilities:	
Accrued interest	200,000
Notes payable	3,878,746
Total Noncurrent Liabilities	4,078,746
Total Liabilities	5,089,154
Net Assets:	
Without donor restrictions	6,540,197
With donor restrictions	20,050,162
Total Net Assets	26,590,359
Total Liabilities and Net Assets	$ 31,679,513

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

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	$ 2,778,483	$ 19,091,884	$ 21,870,367
Government grants	4,943,734	18,649	4,962,383
Other grants	567,296	80,487	647,783
In-kind interest contribution	104,662	-	104,662
Other income	92,731	-	92,731
Investment return, net	135	(35,280)	(35,145)
Net assets released from restrictions, satisfaction of program restrictions	490,811	(490,811)	-
Total Revenue and Support	8,977,852	18,664,929	27,642,781
Expenses:			
Program services	6,447,535	-	6,447,535
Supporting services:			
Management and general	1,615,334	-	1,615,334
Fundraising	868,039	-	868,039
Total Expenses	8,930,908	-	8,930,908
Change in Net Assets	46,944	18,664,929	18,711,873
Net Assets, beginning	6,493,253	1,385,233	7,878,486
Net Assets, ending	$ 6,540,197	$ 20,050,162	$ 26,590,359

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

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services						Supporting Services			
	Youth Drop-in and Housing Services	Community Services	HIV Services	Behavioral Health Services	Adult Housing Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:										
Salaries and wages	$ 1,484,215	$ 800,571	$ 839,831	$ 685,955	$ 161,665	$ 3,972,237	$ 466,496	$ 599,205	$ 1,065,701	$ 5,037,938
Payroll taxes and fringe benefits	112,536	62,145	68,226	54,331	12,962	310,200	32,017	46,434	78,451	388,651
Employee benefits	77,032	47,636	67,143	38,222	10,598	240,631	97,924	25,215	123,139	363,770
	1,673,783	910,352	975,200	778,508	185,225	4,523,068	596,437	670,854	1,267,291	5,790,359
Other Expenses:										
Advertising, graphics, postage, and printing	420	14,120	150	-	-	14,690	14,664	64,322	78,986	93,676
Bank fees	-	-	-	1,129	-	1,129	8,822	31,481	40,303	41,432
Client services	64,859	46,313	10,001	272	434,181	555,626	-	-	-	555,626
Community events and outreach	-	27,223	1,300	-	-	28,523	15,187	14,416	29,603	58,126
Consumable supplies	3,708	1,814	-	-	-	5,522	42,707	788	43,495	49,017
Depreciation and amortization	138,900	3,600	-	-	-	142,500	138,452	-	138,452	280,952
Fundraising	-	793	-	-	-	793	697	4,485	5,182	5,975
Grant allocations	-	228,126	89,833	-	-	317,959	-	-	-	317,959
Insurance	60,461	15,278	19,431	14,275	4,417	113,862	20,577	11,993	32,570	146,432
Interest	-	-	-	-	-	-	116,362	-	116,362	116,362
Internet, telephone, and utilities	58,209	11,418	2,118	547	-	72,292	100,242	1,586	101,828	174,120
Memberships, dues, and subscriptions	-	1,657	-	-	-	1,657	9,073	1,666	10,739	12,396
Miscellaneous	-	1	-	-	-	1	827	-	827	828
Permits, fees, and property taxes	13,935	1,558	695	792	68	17,048	15,138	2,475	17,613	34,661
Professional fees and contracted services	185,374	82,729	61,396	3,036	4,868	337,403	349,414	13,791	363,205	700,608
Rent	87,674	-	-	-	-	87,674	1,624	1,312	2,936	90,610
Repairs and maintenance	33,595	-	-	-	-	33,595	21,789	-	21,789	55,384
Software, licensing, and maintenance	4,546	20,508	612	5,259	585	31,510	40,634	21,035	61,669	93,179
Staff development, training, and appreciation	9,324	6,621	13,633	3,633	516	33,727	39,217	5,788	45,005	78,732
Supplies	60,626	46,892	19,365	426	26	127,335	80,201	21,794	101,995	229,330
Travel	945	59	102	391	124	1,621	3,270	253	3,523	5,144
	$ 2,396,359	$ 1,419,062	$ 1,193,836	$ 808,268	$ 630,010	$ 6,447,535	$ 1,615,334	$ 868,039	$ 2,483,373	$ 8,930,908

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities:	
Change in net assets	$ 18,711,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	280,952
Change in value of beneficial interests in assets held by others - endowment funds	35,280
Accrued interest	12,000
Changes in operating assets and liabilities:	
Accounts receivable	(13,759)
Government grants receivable	268,928
Promises to give	(9,270,809)
Prepaid expenses and deposits	(67,082)
Accounts payable and accrued expenses	121,866
Deferred revenue	170,262
Net Cash Provided by Operating Activities	10,249,511
Cash Flows Used by Investing Activities:	
Contributions to endowment funds	(250)
Purchases of property and equipment	(2,064,757)
Net Cash Used by Investing Activities	(2,065,007)
Net Increase in Cash	8,184,504
Cash, beginning	5,495,692
Cash, ending	$ 13,680,196

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities
The San Diego Lesbian, Gay, Bisexual and Transgender Community Center (The Center) is San Diego's anchor organization for the lesbian, gay, bisexual, transgender, queer, (LGBTQ) and human immunodeficiency virus (HIV) community and one of the largest LGBTQ community centers in the nation, led by an 11-member Board of Directors, employing more than 85 staff, and utilizing more than 1,200 community volunteers to achieve its twin goals of promoting LGBTQ health/wellness and human rights in San Diego County.

The Center's mission is to enhance and sustain the health and well-being of the lesbian, gay, bisexual, queer, transgender, nonbinary, immigrant, and HIV communities to the betterment of our entire San Diego region. The Center accomplishes its mission by providing targeted programs and services to the full diversity of individuals that make up the San Diego LGBTQ community through the following core services and programs: Behavioral Health Services and Programs; Sexual Health and Wellness Services and Programs; Youth Drop-in and Housing Services and Programs; Adult Housing Services and Programs; Community Services and Programs; and Advocacy and Civic Engagement Programs.

New Accounting Pronouncement
In September 2020, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by The Center. During the year ended June 30, 2022, The Center adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

Management has analyzed the provisions of the FASB's ASU Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and has included the necessary disclosure in Note 6.

Financial Statement Presentation
The financial statements of The Center have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which require The Center to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of The Center. These net assets may be used at the discretion of The Center's management and the Board of Directors.

- Net Assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents
The Center considers all highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents.

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable
Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectable amounts. No allowance was considered necessary at June 30, 2022 because management believes all amounts are collectable.

Government Grants Receivable
Government grants receivable are recorded at estimated net realizable value. Past due status is determined based on how recently payments have been received. No allowance was considered necessary at June 30, 2022 because management believes all amounts are collectable.

Promises to Give
Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give are originally recorded, an allowance for uncollectable promises to give may be established based on specific circumstances. No allowance was considered necessary at June 30, 2022 because management believes all amounts are collectable. All promises to give as of June 30, 2022 were due in one year or less.

Property and Equipment
The Center capitalizes all expenditures for property and equipment in excess of $5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 40 years.

Property and equipment donated with explicit restrictions regarding the use or disposal are reported as assets with donor restrictions depending on the nature of the restrictions.

Intangible Assets
Intangible assets consist of the “AIDS Walk” and “Family Matters” names. The names had an initial value of $15,000 and were amortized over a period of 15 years. As of June 30, 2022, these intangible assets were fully amortized.

Beneficial Interests in Assets Held by Others
The Center has transferred assets to two local community foundations, The San Diego Foundation (SDF) and the San Diego Human Dignity Foundation (SDHDF), which are holding them as endowed agency funds (Funds) for the benefit of The Center as a named beneficiary. The Center has granted each community foundation variance power which gives the community foundations’ Board of Directors the power to use the Funds for other purposes in certain circumstances. The Center reports the fair value of the beneficial interest in assets held at the community foundations in the statements of financial position. Changes in the value of the Funds are reported as operating items in the statements of activities. Investment return on the beneficial interest in assets held by others is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Revenue Recognition
The Center recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which The Center expects to be entitled in exchange for those goods or services. Revenues for The Center primarily consists of government grants, other grants, and contributions.

The Center recognizes revenue from contracts with customers when its performances obligations are satisfied, regardless of the period in which it is billed. This is typically over time as the service is provided or at a point in time when ownership, risks, and rewards transfer, or upon completion of the service.

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition, continued
Government grants received are recognized in the period in which the related work is performed or when qualified expenses are incurred in accordance with the terms of the grant or contract. Government grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned.

Contributions and other grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions and other grants are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions and other grants received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Conditional contributions and other grants, that is, those with a measurable performance or other barrier and right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Noncash Contributions
Many individuals volunteer their time and perform a variety of tasks that assist The Center with various programs. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. Contributions of noncash assets are recorded at their fair values in the period received.

Advertising
The Center follows the policy of charging the costs of advertising to expense as incurred.

Functional Expense Allocations
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses which can be identified with a specific program or support service are allocated directly, according to their natural expense. Costs that are common to several functions are allocated among the program and supporting services in alignment with the cost allocation plan on the basis of full-time equivalents (FTE) or square footage, as determined by The Center's management. Full-time equivalents and square footage are applied, as applicable, based on whether certain staff work at The Center and whether staff are assigned to project(s) of The Center that are or are not funded by a government grant.

Expenses allocated to staff that work at The Center are allocated by FTE to advertising, graphics, postage, printing, internet, telephone, software, licensing, maintenance, and supplies or square footage to utilities, repairs and maintenance. Expenses allocated to projects both funded or not funded by a government grant are allocated by FTE to bank fees, insurance, professional fees, administrative staff salaries and related payroll taxes and benefits.

Grant Allocations
From time to time, The Center contributes funds to other nonprofit organizations supporting like-minded causes based on recommendations from an advisory council. During the year ended June 30, 2022, The Center contributed $228,126 to such organizations. In addition, $89,833 was granted to several nonprofit organizations participating in Aids Walk San Diego.

Income Taxes
The Center is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, The Center remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to is exempt purpose.

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued
The Center follows US GAAP related to the recognition of uncertain tax positions. The Center recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that The Center has no uncertain tax positions at June 30, 2022, and therefore, no amounts have been accrued.

Fair Value Measurements
The Center defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Center applies fair value measurements to assets and liabilities that are required to be recorded at fair value under US GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, other assets and payables approximate fair values as of June 30, 2022, due to the relative short maturities of these instruments.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Beneficial interest in assets: Valued at net present value of The Center's interest in the underlying assets.

Future Accounting Standard
The FASB has issued one substantial ASU which will become effective in a future year.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable the users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, although there are other optional practical expedients that entities may elect to apply. The Center is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events
The Center has evaluated subsequent events through October 6, 2023, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

The following reflects The Center's financial assets as of the statements of financial positions dates, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

Cash	$ 13,680,196
Accounts receivable	33,207
Government grants receivable	873,115
Promises to give	9,323,333
Total financial assets	23,909,851
Less amounts not available to be used within one year:	
Restricted by donor with purpose or time restrictions	(19,241,101)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,668,750

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Center structures its financial assets to be available as general expenditures and other obligations become due.

Note 3 - Concentrations of Credit Risk

The Center maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. The balances at times may exceed FDIC limits. The Center manages this risk by using high quality financial institutions.

One customer comprised 83% of accounts receivable, three grantors comprised 47% of government grants receivable, and one donor comprised 98% of promises to give at June 30, 2022. Two grantors comprised 23% of government grants, one donor comprised 87% of contributions, and two grantors comprised 22% of other grants for the year ended June 30, 2022.

Note 4 - Beneficial Interests in Assets Held by Others

Beneficial interests in assets held by others are classified as Level 3 according to the fair value standard due to significant unobservable inputs. SDF and SDHDF value securities and other financial instruments on a fair value basis of accounting. SDF and SDHDF invest in a variety of domestic stocks, international stocks, mutual funds, bonds, real assets, and other multi-strategy securities.

Changes in the fair value of Level 3 holdings are as follows for the year ended June 30, 2022:

Fair value, beginning	$ 844,091
Contributions	250
Investment return, net	(35,280)
Fair value, ending	$ 809,061

The estimated fair values of certain investments of SDF and SDHDF, which include private placements and other securities for which prices are not readily available, are determined by the management of SDF and SDHDF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Note 4 - Beneficial Interests in Assets Held by Others, continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SDF and SDHDF believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - Property and Equipment

Property and equipment consist of the following for the year ended June 30, 2022:

Building and improvements	$ 8,504,490
Furniture and fixtures	369,754
Equipment	16,497
Intangible assets	15,000
	8,905,741
Less accumulated depreciation	(3,727,425)
	5,178,316
Construction in progress	1,591,492
	$ 6,769,808

Note 6 - Notes Payable

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
On October 18, 2005, The Center entered into a mortgage and security agreement with 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 U.S. Department of Housing and Urban Development (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.

Note 6 - Notes Payable, continued

Centre City Development Corporation, continued
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. In lieu of accrued interest, an annual interest amount is calculated and recorded as in-kind revenue and expense, recorded within contributions and interest expense on the statement of activities.

San Diego Housing Commission
On October 18, 2005, The Center entered into a mortgage and security agreement with the 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 the 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 SDHC approved a loan modification for The Center for the Youth Housing Project by reducing the interest from 3% to zero percent for the $934,000 loan retroactively to the original loan date of October 20, 2005. In lieu of accrued interest, an annual interest amount is calculated and recorded as in-kind revenue and expense, recorded within contributions and interest expense on the statement of activities.

San Diego County Department of Housing and Community Development
On October 18, 2005, The Center entered into a mortgage and security agreement with the 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 the 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.

Total loans outstanding at June 30, 2022 consist of:

Noncurrent, due in 2060:	
Centre City Development Corporation	$ 2,544,746
San Diego Housing Commission	934,000
San Diego County Department of Housing and Community Development	400,000
	$ 3,878,746

In accordance with the terms of the note with the HCD, 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, 2022 was $200,000.

In-kind interest related to the loans from the CCDC and SDHC totaled $116,362 for the year ended June 30, 2022.

Note 7 - Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

Purpose Restrictions:		
Senior services	$	19,039,390
Unappropriated endowment earnings		460,791
Youth drop-in and housing services		119,515
Engage San Diego		63,547
Property, plant, and equipment and capital improvements		18,649
		19,701,892
Perpetual in Nature:		
Beneficial interests in assets held by others		348,270
	$	20,050,162

Net assets with both purpose and time restrictions are reported within the purpose restrictions category.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows:

Satisfaction of Purpose Restrictions:		
Engage San Diego	$	306,567
Senior services		52,244
Property, plant, and equipment and capital improvements		20,000
Behavioral health services		20,000
		398,811
Satisfaction of Time Restrictions:		
General use		92,000
	$	490,811

Note 8 - Employee Benefit Plan

The Center provides a 401(k) defined contribution plan (Plan) for substantially all employees. In addition to employee contributions, The Center makes matching contributions 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. Contributions made by The Center to the Plan totaled $81,949 for the year ended June 30, 2022.

Note 9 - Endowments

The Center has two separate endowment funds: one is maintained by SDF and the other by the SDHDF. Both endowments were created to support and assist The Center in enhancing and sustaining the health and wellbeing of the lesbian, gay, bisexual, transgender, and HIV communities by funding The Center. Investment strategy, return objectives and risk parameters, and spending policy are determined by each respective community foundation. As required by US 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 retains in perpetuity (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 perpetuity is subject to appropriation for expenditure by the respective community foundation 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 Center 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 Center.
(7) The investment policies of The Center.

At June 30, 2022, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	$ -	$ 348,270	$ 348,270
Accumulated investment gains	-	460,791	460,791
Total endowment funds	$ -	$ 809,061	$ 809,061

Changes in endowment net assets for the year ended June 30, 2022 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 844,091	$ 844,091
Contributions	-	250	250
Investment return, net	-	(35,280)	(35,280)
Endowment net assets, end of year	$ -	$ 809,061	$ 809,061

Note 10 - Operating Leases

The Center leases office space and various office equipment under non-cancellable operating leases expiring at various dates through December 2024 as well as month-to-month operating leases. Rental expense for these leases consisted of $88,471 for the year ended June 30, 2022.

Future minimum payments required under non-cancellable operating leases are as follows as of June 30, 2022:

Year Ending June 30,		
2023	$	42,627
2024		21,576
Thereafter		-
	$	64,203

Note 11 - Contingencies

Litigation
From time to time, The Center is subject to various litigation as a result of its ongoing business activities. Management believes that the outcome of any such litigation would not have a material adverse effect on The Center’s statements of financial position, results of operations, or liquidity.

Government 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, 2022, no notice of any disallowance has been received.

Note 12 - 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 13 - Youth Housing Project

On October 18, 2005, The Center entered into agreements with CCDC, SDHC, and 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, 2021, the Youth Housing Project had net income of $102,057, before cash and replacement reserves of $77,400 for the year ended December 31, 2021.

	December 31, 2021
Total revenue	$ 336,664
Total expenses	234,607
Net income	102,057
Cash reserve	1,200
Replacement reserve	76,200
Total reserve	77,400
Adjusted residual income	$ 24,657

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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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center'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 than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's financial statements are free from 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 financial statements. 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*.

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*, CONTINUED

The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Aldrich CPAs + Advisors LLP

San Diego, California
October 6, 2023

SUPPLEMENTAL AWARDS INFORMATION

Aldrich CPAs + Advisors LLP
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San Diego, CA 92108

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Opinion on Each Major Federal Program

We have audited The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's major federal programs for the year ended June 30, 2022. The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The San Diego Lesbian, Gay, Bisexual and Transgender Community 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-02. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-02 and 2022-03, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
October 6, 2023

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal/Pass-Through Grantor and Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor Number	Expenditures	Subrecipients
Research and Development Cluster:				
U.S. Department of Health and Human Services				
Pass-through University of California, San Diego:				
Mental Health Research Grants	93.242	703797	$ 68,078	$ -
Transmovement	93.855	703857	19,812	-
Pass-through Florida State University:				
Scale It Up - Effectiveness - Implementation	93.865	R000002673	2,153	-
Total Research and Development Cluster			90,043	-
CDBG - Entitlement Grants Cluster:				
U.S. Department of Housing and Urban Development				
Pass-through City of San Diego:				
Nonprofit Capital Improvements (Facilities)	14.218	NCIP-FY20-014-01	163,337	-
General Mental Health - COVID-19	14.218	PS-FY21-019-01	89,393	-
Total CDBG - Entitlement Grants Cluster			252,730	-
U.S. Department of Housing and Urban Development				
Pass-through San Diego Housing Commission:				
Continuum of Care Program	14.267	HHI-22-18, HHI-22-17, HHI-20-09.2	820,516	-
Pass-through Regional Task Force on The Homeless:				
Youth Homelessness Demonstration Program	14.276	2019-YHDP-CEN-03, YHDP-2020-Center-3, 2019-YHDP-CEN-02, YHDP-2020-Center-1, 2019-YHDP-CEN-01, YHDP-2020-Center-2	367,319	-
			1,187,835	-
U.S. Department of Justice				
Pass-through North County Lifeline:				
Services for Trafficking Victims	16.320	2019-VT-BX-0070	8,600	-
Pass-through Cal OES:				
Crime Victim Assistance	16.575	KE20 03 1307, KE21 04 1307, AT20 01 1307, AT21 02 1307	362,308	118,243
			370,908	118,243
U.S. Department of the Treasury				
Pass-through San Diego Foundation:				
City of San Diego Small Business and Nonprofit Relief Fund - COVID-19	21.027	CMTY20221103	50,000	-
U.S. Department of Health and Human Services				
Pass-through Substance Abuse and Mental Health Services Administration:				
SAMHSA HIV Prevention	93.243	1H79SP082172-01	97,726	-
Pass-through Cal OES:				
Domestic Violence American Rescue Plan Program	93.671	RP21 01 1307	15,184	-
Pass-through County of San Diego:				
Clinical Quality Management	93.914	556903, 566515	218,529	-
Clinical Quality Management Admin	93.914	566517	52,752	
Pass-through Family Health Centers of San Diego:				
HIV Emergency Relief Project Grants	93.914	559094	276,956	-
HIV Prevention Activities	93.939	PS21-2102, PS17-1704	121,858	-
Pass-through County of San Diego:				
Ryan White Treatment Modernization Act Funds	93.940	562137, 563738, 563861	343,084	49,909
			1,126,089	49,909
Total Expenditures of Federal Awards			$ 3,077,605	$ 168,152

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center (The Center) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Center, it is not intended to and does not present the statements of financial position, activities, functional expenses, or cash flows.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Center elected to use the 10% de minimis cost rate as covered in the Uniform Guidance 2 CFR section 200.414 Indirect Costs.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified	Yes
Material weakness(es) identified?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2.CFR.200.516(a)?	Yes

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program
93.914	HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee Under the Uniform Guidance, 2.CFR.200.520?	No

Section II - Financial Statement Findings

Significant Deficiencies

2022-001 Financial Close Process

Criteria: For entities that receive more than $750,000 in federal funding, the Uniform Guidance requires audited financial statements to be remitted annually 30 days after receipt of the auditor's report or nine months after the end of the fiscal year; The Registry of Charitable Trusts, State of California, requires audited financial statements for nonprofit organizations with revenues more than $2,000,000 be remitted with Form 990 within nine months of fiscal year end.

Condition: Certain reconciliations were not reviewed timely which impacted The Center’s ability to generate financial reports for internal and external stakeholders and remit by their respective due dates, specifically to the Federal Audit Clearinghouse and The Registry of Charitable Trusts, State of California.

Cause: The Center experienced significant growth in government contracts at the beginning of fiscal year 2020 but did not have the proper infrastructure in place to support this growth within the accounting department, which also oversaw all human resource functions. This, combined with the impact of the COVID-19 pandemic on staff hiring and retention, shift from manual processes to electronic processes, and general availability of staff, resulted in certain reconciliations and the review of such not occurring on a timely basis.

Effect: This caused the annual audit of The Center’s financial statements for the fiscal year 2022 to be delayed, as well as delayed submissions to the Federal Audit Clearinghouse and The Registry of Charitable Trusts, State of California.

Context: The Center was delayed in performing the fiscal year 2022 audit due to challenges related to hiring new staff to expand the accounting team, staff turnover, and other impacts of the COVID-19 pandemic. Once underway, the audit process primarily relied on a single individual responsible for many aspects of the day-to-day accounting, payroll, and other organizational functions, as well as facilitating the audit, which led to further delays.

Repeat Finding: Yes; 2021-001.

Recommendation: The Center should consider implementing a month-end and year-end close process to ensure all major accounts are reconciled and reviewed on a timely basis and to ensure resulting financial reporting is accurate and completed within a reasonable timeframe to meet all internal and external reporting requirements. The Center should evaluate the structure of the accounting department to ensure the number of staff and their skill level is appropriate to support close processes, considering the volume and complexity of the financial transactions of The Center and the annual audit.

Views of Responsible Officials: Management agrees with the finding and a response is included in the corrective action plan.

Section III - Federal Award Findings and Questioned Costs

Significant Deficiencies

2022-002	Program Income
Program:	14.267 Continuum of Care Program
Criteria:	Housing program tenants are required to pay up to 30% of their income for rent. Eligibility and rent determination evaluations are performed for new tenants before move-in and annually for existing tenants to determine their portion of rent to pay. In accordance with 2 CFR 200.307, program income (in this case, tenant rent) must be correctly determined and properly recorded in the accounting records.
Condition:	For two out of 10 transactions tested, the amount of rent collected by The Center from the tenant was more than the amount determined on the Eligibility and Rent Determination form.
Cause:	There is no process to regularly review tenant rent to ensure amounts collected are accurate and agree with the Eligibility and Rent Determination form.
Effect:	One tenant overpaid their tenant portion of rent for a combined $44 during the fiscal year.
Questioned Costs:	The conditions did not result in questioned costs greater than $25,000.
Context:	Rent was overpaid by one tenant.
Repeat Finding:	Yes; 2021-003.
Recommendation:	The Center should develop a policy for handling underpayments and overpayments of tenant rent. Rent collected should be compared to the amount determined on the Eligibility and Rent Determination form on a monthly basis to review for inconsistencies and, when differences arise, they should be timely investigated and followed-up on with the appropriate corrective action, per the established policy.
Views of Responsible Officials:	Management agrees with the finding and a response is included in the corrective action plan.

2022-003	Suspension and Debarment Policy
Program:	N/A
Criteria:	In 2 CFR Part 180, the Uniform Guidance requires that, for covered transactions, the non-Federal entity verify that entities are not suspended, debarred, or otherwise excluded.
Condition:	While The Center has a policy in place to ensure that its Board members and employees are not suspended, debarred, or otherwise excluded, it does not perform a review for vendors and landlords which may participate in covered transactions.
Cause:	Certain contracts specify that The Center perform debarment and exclusion checks monthly on all Board members and employees, but do not explicitly state that other parties should also be reviewed.

Effect:	Without reviewing vendors and landlords for suspension or debarment, there exists the possibility that The Center entered into covered transactions with excluded parties.
Questioned Costs:	The conditions did not result in questioned costs greater than $25,000.
Context:	The audit did not identify any transactions with suspended, debarred, or otherwise excluded parties.
Repeat Finding:	Yes; 2021-004.
Recommendation:	The Center should expand the current suspension and debarment policy to include review of vendors and landlords.
Views of Responsible Officials:	Management agrees with the finding and a response is included in the corrective action plan.

Section IV - Schedule of Prior Year Findings and Questioned Costs

Findings – Financial Statement Audit

2021-001 Financial Close Process

Condition: Certain reconciliations were not reviewed timely which impacted The Center's ability to generate financial reports for internal and external stakeholders and remit by their respective due dates, specifically to the Federal Audit Clearinghouse and The Registry of Charitable Trusts, State of California.

Status: Not corrected, see finding 2022-001.

2021-002 Revenue Recognition

Condition: Revenue of $137,500 related to an unconditional, multi-year grant of $275,000 that was originally awarded to The Center in fiscal year 2020 was recognized as revenue in fiscal year 2021.

Status: Corrected.

Findings – Single Audit

2021-003 Program Income

Program: 14.267 Continuum of Care Program

Condition: For one out of 11 transactions tested, the amount of rent collected by The Center from the tenant was more than the amount determined on the Eligibility and Rent Determination form.

Status: Not corrected, see finding 2022-002.

2021-004 Suspension and Debarment Policy

Condition: While The Center has a policy in place to ensure that its Board members and employees are not suspended, debarred, or otherwise excluded, it does not perform a review for vendors and landlords which may participate in covered transactions.

Status: Not corrected, see finding 2022-003.

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October 6, 2023

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 550
San Diego, CA 92108

RE: Corrective Action Plan

Dear Aldrich,

The following are responses to the findings identified in The San Diego Lesbian, Gay, Bisexual and Transgender Community Center's audit for the year ended June 30, 2022:

1) Finding 2022-001
    a. Financial Close Process
    b. Criteria: For entities that receive more than $750,000 in federal funding, the Uniform Guidance requires audited financial statements to be remitted annually 30 days after receipt of the auditor's report or nine months after the end of the fiscal year; The Registry of Charitable Trusts, State of California, requires audited financial statements for nonprofit organizations with revenues more than $2,000,000 be remitted with Form 990 within nine months of fiscal year end.
    c. Condition: Certain reconciliations were not reviewed timely which impacted The Center's ability to generate financial reports for internal and external stakeholders and remit by their respective due dates, specifically to the Federal Audit Clearinghouse and The Registry of Charitable Trusts, State of California.

    Response:
    a. The Center has performed an analysis of the structure of the accounting team and has determined it appropriate to restructure and expand The Center's accounting team to ensure the proper resources are in place to support the day-to-day financial operations of The Center.
    b. The accounting department will implement a month-end close process using a month-end close checklist to ensure timely completion of all reconciliations by staff members which will be reviewed and approved by the Director of Accounting by the month-end close deadline.
    c. During the preparation of internal monthly financial statements, a review and evaluation of all transactions will be performed by the Director of Accounting.
    d. The accounting department will also implement a year-end close process, similar to the one outlined above, to ensure timely completion of all reconciliations to include the name of the party responsible for each task which will be reviewed and approved by the Director of Accounting by the month-end close deadline.

    Contact person responsible for corrective action:
    a. Angela Reyes, Chief Financial Officer

    Completion date:
    a. July 1, 2021
    b. July 1, 2022
    c. January 1, 2023
    d. July 1, 2023

2) Finding 2022-002
    a. Program Information: 14.267 Continuum of Care Program
    b. Criteria: Housing program tenants are required to pay up to 30% of their income for rent. Eligibility and rent determination evaluations are performed for new tenants before move-in and annually for existing tenants to determine their portion of rent to pay. In accordance with 2 CFR 200.307, program income (in this case, tenant rent) must be correctly determined and properly recorded in the accounting records.

c. Condition: For two out of 10 transactions tested, the amount of rent collected by The Center from the tenant was more than the amount determined on the Eligibility and Rent Determination form.

Response:

a. The Director of Housing and Youth Homeless Services is working with the housing complex property manager to memorialize the practice of either having the tenant reduce a future payment by the overpayment amount or refunding the overpayment amount to the tenant. In addition, they are working together to implement an actively level control whereby the Director of Housing and Youth Homeless Services' team and the housing complex property manager are performing a more detailed review on a monthly basis to ensure overpayments, in particular, are detected and corrected timely.

Contact persons responsible for corrective action:

a. Victor Esquivel, Director of Housing and Youth Homeless Services
b. Angela Reyes, Chief Financial Officer

Anticipated completion date:

a. November 1, 2023

3) Finding 2022-003
   a. Suspension and Debarment Policy
   b. Criteria: In 2 CFR Part 180, the Uniform Guidance requires that, for covered transactions, the non-Federal entity verify that entities are not suspended, debarred, or otherwise excluded.
   c. Condition: While The Center has a policy in place to ensure that its Board members and employees are not suspended, debarred, or otherwise excluded, it does not perform a review for vendors and landlords which may participate in covered transactions.

Response:

a. The Center will expand our current suspension and disbarment policy to include vendors and landlords to ensure The Center does not enter into covered transactions with excluded entities. The contracts team will develop a process for identifying a complete list of vendors and landlords that The Center has entered or plans to enter into covered transactions with, checking these entities for suspension and debarment and documenting such on a monthly basis.

Contact person responsible for corrective action:

a. Angela Reyes, Chief Financial Officer

Completion date:

a. March 31, 2023

Sincerely,

DocuSigned by:

Cara Dessert

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Cara Dessert
Chief Executive Officer