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

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2024 and 2023

Aldrich®

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

Financial Statements and Supplemental Information

Years Ended June 30, 2024 and 2023

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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 statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Diego Lesbian, Gay, Bisexual and Transgender Community Center as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 audits. 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 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 January 2, 2025, 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
January 2, 2025

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

Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and restricted cash	$ 13,478,978	$ 15,110,784
Accounts receivable	153,755	39,657
Government grants receivable	1,345,612	1,256,312
Promises to give	9,031,466	687,549
Prepaid expenses	220,278	204,454
Total Current Assets	24,230,089	17,298,756
Noncurrent Assets:		
Promises to give, net of current portion	-	9,117,678
Property and equipment, net of accumulated depreciation and amortization	6,485,393	6,477,748
Beneficial interests in assets held by others - endowment funds	940,036	865,846
Operating lease right-of-use assets, net of accumulated amortization	1,004,021	287,206
Deposits	42,200	106,400
Total Noncurrent Assets	8,471,650	16,854,878
Total Assets	$ 32,701,739	$ 34,153,634
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 208,112	$ 152,692
Accrued expenses	585,465	811,433
Current portion of operating lease liability	378,878	267,439
Refundable advances	935,758	696,241
Total Current Liabilities	2,108,213	1,927,805
Noncurrent Liabilities:		
Accrued interest	224,000	212,000
Operating lease liability, net of current portion	637,575	27,625
Notes payable	3,878,746	3,878,746
Total Noncurrent Liabilities	4,740,321	4,118,371
Total Liabilities	6,848,534	6,046,176
Net Assets:		
Without donor restrictions	6,056,802	7,536,697
With donor restrictions	19,796,403	20,570,761
Total Net Assets	25,853,205	28,107,458
Total Liabilities and Net Assets	$ 32,701,739	$ 34,153,634

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

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:			
Government grants	$ 7,252,964	$ -	$ 7,252,964
Contributions	2,975,798	-	2,975,798
Other grants	1,197,820	250,000	1,447,820
Investment return, net	470,404	74,190	544,594
Other income	141,128	-	141,128
Contributed nonfinancial assets	104,825	-	104,825
Net assets released from restrictions, satisfaction of program restrictions	887,336	(887,336)	-
Total Operating Revenues and Support	13,030,275	(563,146)	12,467,129
Operating Expenses:			
Program services	10,528,923	-	10,528,923
Supporting services:			
Management and general	2,118,802	-	2,118,802
Fundraising	1,862,445	-	1,862,445
Total Operating Expenses	14,510,170	-	14,510,170
Operating Income	(1,479,895)	(563,146)	(2,043,041)
Nonoperating Loss:			
Change in valuation of restricted contribution (Note 9)	-	(211,212)	(211,212)
Change in Net Assets	(1,479,895)	(774,358)	(2,254,253)
Net Assets, beginning	7,536,697	20,570,761	28,107,458
Net Assets, ending	$ 6,056,802	$ 19,796,403	$ 25,853,205

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

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Government grants	$ 5,563,459	$ -	$ 5,563,459
Contributions	4,946,833	-	4,946,833
Other grants	1,260,882	747,200	2,008,082
Investment return, net	276,088	56,785	332,873
Other income	105,253	-	105,253
Contributed nonfinancial assets	104,362	-	104,362
Net assets released from restrictions, satisfaction of program restrictions	283,386	(283,386)	-
Total Revenue and Support	12,540,263	520,599	13,060,862
Expenses:			
Program services	8,377,373	-	8,377,373
Supporting services:			
Management and general	1,867,781	-	1,867,781
Fundraising	1,298,609	-	1,298,609
Total Expenses	11,543,763	-	11,543,763
Change in Net Assets	996,500	520,599	1,517,099
Net Assets, beginning	6,540,197	20,050,162	26,590,359
Net Assets, ending	$ 7,536,697	$ 20,570,761	$ 28,107,458

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

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services						Supporting Services			
	Adult Housing Services	Behavioral Health Services	Community Services	HIV Services	Youth Drop-in and Housing Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and Related Expenses:										
Salaries and wages	$ 343,073	$ 829,989	$ 1,300,450	$ 1,051,604	$ 1,347,456	$ 4,872,572	$ 888,158	$ 866,364	$ 1,754,522	$ 6,627,094
Payroll taxes	27,816	65,410	104,357	84,165	109,947	391,695	68,414	64,965	133,379	525,074
Employee benefits	21,244	68,048	109,799	83,492	90,965	373,548	72,450	32,892	105,342	478,890
	392,133	963,447	1,514,606	1,219,261	1,548,368	5,637,815	1,029,022	964,221	1,993,243	7,631,058
Other Expenses:										
Advertising, graphics, postage, and printing	754	22,831	18,545	10,184	5,615	57,929	58,874	29,283	88,157	146,086
Bank fees	12	1,040	1,724	82	2,035	4,893	33,306	7,100	40,406	45,299
Business meals and travel	457	428	2,171	564	4,453	8,073	1,378	3,785	5,163	13,236
Client services	724,892	583	143,238	12,551	230,566	1,111,830	-	-	-	1,111,830
Community events and outreach	295	2,268	65,820	1,026	1,923	71,332	6,371	2,820	9,191	80,523
Conferences and summits	-	-	9,872	3,282	7,316	20,470	2,193	3,091	5,284	25,754
Depreciation and amortization	15,755	17,240	15,755	15,755	209,896	274,401	-	44,006	44,006	318,407
Fundraising	430	557	3,056	430	430	4,903	495,715	137	495,852	500,755
Grant allocations	-	-	237,465	-	-	237,465	86,878	-	86,878	324,343
Insurance	5,433	11,621	19,633	16,363	46,482	99,532	10,296	56,228	66,524	166,056
Interest	-	-	-	-	116,364	116,364	-	-	-	116,364
Internet, telephone, and utilities	18,175	25,269	21,476	19,533	112,179	196,632	1,306	33,499	34,805	231,437
Memberships, dues, and subscriptions	29	69	1,421	29	208	1,756	4,550	13,435	17,985	19,741
Miscellaneous	-	-	(23)	-	1,233	1,210	-	2,870	2,870	4,080
Permits, fees, and property taxes	3,273	2,868	3,136	3,528	72,389	85,194	502	19,854	20,356	105,550
Professional fees and contracted services	460,142	14,963	68,071	130,391	1,085,972	1,759,539	69,372	649,154	718,526	2,478,065
Rent	9,078	114,785	2,097	197	160,627	286,784	1,140	40,054	41,194	327,978
Repairs and maintenance	9,320	13,132	4,675	4,425	97,454	129,006	-	11,468	11,468	140,474
Software, licensing, and maintenance	5,782	14,618	23,848	8,043	26,324	78,615	57,747	118,621	176,368	254,983
Staff development, training, and appreciation	4,278	18,480	15,612	8,912	5,388	52,670	490	29,781	30,271	82,941
Supplies	27,410	57,013	49,792	111,615	46,680	292,510	3,305	89,395	92,700	385,210
	$ 1,677,648	$ 1,281,212	$ 2,221,990	$ 1,566,171	$ 3,781,902	$ 10,528,923	$ 1,862,445	$ 2,118,802	$ 3,981,247	$ 14,510,170

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

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services						Supporting Services			
	Adult Housing Services	Behavioral Health Services	Community Services	HIV Services	Youth Drop-in and Housing Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and Related Expenses:										
Salaries and wages	$ 187,792	$ 969,637	$ 975,298	$ 1,124,874	$ 1,783,981	$ 5,041,582	$ 755,395	$ 558,429	$ 1,313,824	$ 6,355,406
Payroll taxes and fringe benefits	14,649	74,836	75,138	86,617	139,418	390,658	55,224	38,380	93,604	484,262
Employee benefits	13,718	66,810	55,367	74,915	86,721	297,531	44,909	135,987	180,896	478,427
	216,159	1,111,283	1,105,803	1,286,406	2,010,120	5,729,771	855,528	732,796	1,588,324	7,318,095
Other Expenses:										
Advertising, graphics, postage, and printing	85	12,432	14,537	6,879	1,683	35,616	77,127	13,066	90,193	125,809
Bank fees	-	1,312	167	-	-	1,479	36,774	3,333	40,107	41,586
Business meals and travel	666	1,195	1,646	364	4,677	8,548	425	1,814	2,239	10,787
Client services	483,808	215	64,426	3,400	146,721	698,570	289	4,700	4,989	703,559
Community events and outreach	-	-	38,667	838	2,282	41,787	3,119	8,960	12,079	53,866
Conferences and summits	-	-	1,574	3,179	1,624	6,377	952	4,800	5,752	12,129
Depreciation and amortization	-	-	-	-	150,605	150,605	2,736	106,840	109,576	260,181
Fundraising	-	-	-	-	-	-	176,874	-	176,874	176,874
Grant allocations	-	-	385,200	-	-	385,200	82,189	-	82,189	467,389
Insurance	3,810	17,316	18,023	20,375	51,069	110,593	11,575	27,183	38,758	149,351
Interest	-	-	-	-	116,362	116,362	-	-	-	116,362
Internet, telephone, and utilities	240	405	2,846	2,956	79,100	85,547	341	114,416	114,757	200,304
Loss on disposal of property and equipment	-	-	-	-	-	-	-	159,206	159,206	159,206
Memberships, dues, and subscriptions	-	400	1,196	120	372	2,088	1,392	9,664	11,056	13,144
Miscellaneous	-	-	-	-	99	99	-	3,251	3,251	3,350
Permits, fees, and property taxes	45	1,456	449	1,041	4,875	7,866	1,362	16,436	17,798	25,664
Professional fees and contracted services	2,767	6,532	22,478	87,609	347,463	466,849	8,705	427,476	436,181	903,030
Rent	4,579	2,600	-	-	115,342	122,521	1,200	8,841	10,041	132,562
Repairs and maintenance	-	-	-	-	26,953	26,953	-	34,478	34,478	61,431
Software, licensing, and maintenance	3,452	16,431	12,871	3,705	15,529	51,988	29,237	60,279	89,516	141,504
Staff development, training, and appreciation	75	6,381	2,139	9,382	1,790	19,767	5,585	37,185	42,770	62,537
Supplies	379	7,777	47,421	72,141	181,069	308,787	3,199	93,057	96,256	405,043
	$ 716,065	$ 1,185,735	$ 1,719,443	$ 1,498,395	$ 3,257,735	$ 8,377,373	$ 1,298,609	$ 1,867,781	$ 3,166,390	$ 11,543,763

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

Statement of Cash Flows

Year Ended June 30, 2024

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	$ (2,254,253)	$ 1,517,099
Adjustments to reconcile change in net assets to net cash and restricted cash provided (used) by operating activities:		
Depreciation and amortization	318,407	260,181
Loss on disposal of property and equipment	-	159,206
Noncash operating lease expense	4,574	7,858
Change in value of beneficial interests in assets held by others - endowment funds	(74,190)	(56,785)
Accrued interest	12,000	12,000
Changes in operating assets and liabilities:		
Accounts receivable	(114,098)	(6,450)
Government grants receivable	(89,300)	(383,197)
Promises to give	773,761	(481,894)
Prepaid expenses and deposits	48,376	(120,061)
Accounts payable and accrued expenses	(170,548)	299,253
Refundable advances	239,517	350,705
Net Cash and Restricted Cash Provided (Used) by Operating Activities	(1,305,754)	1,557,915
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(326,052)	(127,327)
Net Increase (Decrease) in Cash and Restricted Cash	(1,631,806)	1,430,588
Cash and Restricted Cash, beginning	15,110,784	13,680,196
Cash and Restricted Cash, ending	$ 13,478,978	$ 15,110,784
Cash and Restricted Cash Consist of the Following:		
Cash	$ 2,736,675	$ 4,834,740
Restricted cash	10,742,303	10,276,044
	$ 13,478,978	$ 15,110,784

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities
The San Diego Lesbian, Gay, Bisexual and Transgender Community Center (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 a 13-member Board of Directors, employing more than 90 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
Effective January 1, 2023, the Center adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivable, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability. Management has analyzed the provisions contained in Topic 326 and determined that there is no impact on net assets as of June 30, 2023, due to the adoption of the new policy.

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 (U.S. 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and 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.

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 credit loss write-offs experienced in the past and expected future credit losses, and establish an allowance for credit losses for uncollectable amounts. No allowance was considered necessary at June 30, 2024 and 2023 because management believes all amounts are collectable.

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

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, 2024 and 2023 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, except for certain gifts with an undetermined future collection date. After promises to give are originally recorded, an allowance for uncollectable promises to give may be established based on specific circumstances and expected future conditions. No allowance was considered necessary at June 30, 2024 and 2023 because management believes all amounts are collectable.

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 32 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, 2024 and 2023, 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 statement of financial position. Changes in the value of the Funds are reported as operating items in the statement 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.

Leases
The Center adheres to the accounting standard for leases, which provides detailed guidance for financial statement recognition, measurement, and disclosure of leases.

The Center determines if an arrangement is or contains a lease at contract inception. The Center recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Center determines the discount rate, the lease term, and the lease payments.

The exercise of lease renewal options is generally at the Center’s sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Center elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Center to carry forward the historical lease classification.

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

Leases, continued
The Center has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred. When the discount rate implicit in a lease is not readily determinable, The Center calculates the lease liability using the risk-free rate.

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 performance 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.

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. Refundable advances are 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 statement 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 as an increase in 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.

Contributed Nonfinancial Assets
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.

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

Functional Expense Allocations, continued
Expenses allocated to staff that work at the Center are allocated by FTE to advertising, graphics, postage and printing, internet, telephone, software, licensing and maintenance, supplies or square footage to utilities, and 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 salaries and wages 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 years ended June 30, 2024 and 2023, the Center contributed $237,465 and $385,200, respectively, to such organizations. In addition, $86,878 and $82,189 was granted to several nonprofit organizations participating in Aids Walk San Diego for the years ended June 30, 2024 and 2023, respectively. The Center has not made any unfunded long-term grant commitments as of June 30, 2024 and 2023, therefore, no liability has been recorded.

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 its exempt purpose.

The Center follows U.S. 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, 2024 and 2023, 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 U.S. 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, payables, and operating lease liability approximate fair values as of June 30, 2024 and 2023, 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, 2024 and 2023.

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

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

Subsequent Events
The Center has evaluated subsequent events through January 2, 2025, which is the date the financial statements were available to be issued.

In September 2024, the Center received payment of $8,906,466 related to a material promise to give that was outstanding as of June 30, 2024.

Note 2 - Liquidity and Availability

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

	2024	2023
Cash and restricted cash	$ 13,478,978	$ 15,110,784
Accounts receivable	153,755	39,657
Government grants receivable	1,345,612	1,256,312
Promises to give	9,031,466	687,549
Total financial assets	24,009,811	17,094,302
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions	(15,984,764)	(10,547,237)
Internally designated funds	(2,871,603)	(2,871,603)
	(18,856,367)	(13,418,840)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,153,444	$ 3,675,462

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.

For the years ended June 30, 2024 and 2023, restricted cash of $10,742,303 and $10,276,044, respectively, is restricted by the donor for senior services. Internally designated funds are set aside by management for adult housing services, capital and other facilities projects. In the event of an unanticipated liquidity need, these funds could be utilized for general operations.

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 grantor comprised 26% of government grants receivable, and one donor comprised 98% of promises to give at June 30, 2024. One grantor comprised 21% of government grants, one donor comprised 34% of contributions, and one grantor comprised 14% of other grants for the year ended June 30, 2024.

One grantor comprised 16% of government grants receivable and one donor comprised 93% of promises to give at June 30, 2023. One grantor comprised 12% of government grants, one donor comprised 61% of contributions, and one grantor comprised 25% of other grants for the year ended June 30, 2023.

Note 4 - Property and Equipment

Property and equipment consist of the following for the years ended June 30:

	2024	2023
Building and improvements	$ 10,311,858	$ 10,067,023
Furniture and fixtures	137,904	56,687
Intangible assets	5,000	5,000
	10,454,762	10,128,710
Less accumulated depreciation and amortization	(3,969,369)	(3,650,962)
	$ 6,485,393	$ 6,477,748

Note 5 - Promises to Give

Promises to give consist of the following at June 30:

	2024	2023
Due within one year	$ 9,031,466	$ 687,549
Due within one to five years	-	9,117,678
Total Due	$ 9,031,466	$ 9,805,227

Note 6 - 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 years ended June 30:

	2024	2023
Fair value, beginning	$ 865,846	$ 809,061
Investment return, net	74,190	56,785
Fair value, ending	$ 940,036	$ 865,846

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.

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 7 - Leases

The Center has operating leases of office buildings, residential buildings, and copiers under agreements with contractual periods ranging from 1 to 5 years. The buildings are located in the San Diego region. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Some of the leases contain one or more options to extend. The lease agreements do not contain any material residual value guarantees.

The following summarizes the operating leases as of June 30:

	2024	2023
Operating lease right-of-use assets	$ 1,004,021	$ 287,206
Current portion of operating lease liabilities	$ 378,878	$ 267,439
Operating lease liabilities, net of current portion	637,575	27,625
Total operating lease liabilities	$ 1,016,453	$ 295,064

The amounts contractually due on lease liabilities as of June 30, 2024 were as follows:

2025	$ 411,210
2026	242,827
2027	197,867
2028	197,819
2029	37,551
Total lease payments	1,087,274
Less: present value discount	70,821
Present value of lease liabilities	$ 1,016,453

The following summarizes the line items in the statement of activities which include the components of lease expense for the years ended June 30:

	2024	2023
Operating lease expense, included in advertising, graphics, postage, and printing, client services, and rent	$ 614,792	$ 288,007
Short-term lease expense, included in client services and rent	525,490	372,789
Total lease cost	$ 1,140,282	$ 660,796

Supplemental cash flow information related to leases was as following for the years ended June 30:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 559,054	$ 257,375
Lease assets obtained in exchange for lease liabilities		
Operating leases	$ 1,202,222	$ 543,741

Note 7 - Leases, continued

Supplemental statement of financial position information related to leases as of June 30 were as follows:

	2024	2023
Weighted average remaining lease term	3.4	1.1
Weighted average discount rate	4.25%	4.28%

Note 8 - 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, California 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.

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 contributed nonfinancial asset revenue and expense, recorded within contributed nonfinancial assets 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.

Note 8 - Notes Payable, continued

San Diego Housing Commission, continued
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 contributed nonfinancial asset revenue and expense, recorded within contributed nonfinancial assets 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 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 consist of:

		2024	2023
Noncurrent, due in 2060:			
Centre City Development Corporation	$	2,544,746	2,544,746
San Diego Housing Commission		934,000	934,000
San Diego County Department of Housing and Community Development		400,000	400,000
	$	3,878,746	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, 2024 and 2023 was $224,000 and $212,000, respectively. The contributed nonfinancial asset in the form of interest related to the loans from the CCDC and SDHC totaled $104,825 and $104,362 for the years ended June 30, 2024 and 2023, respectively.

Note 9 - Restrictions on Net Assets

Net assets with donor restrictions consist of the following as of June 30:

		2024		2023
Purpose Restrictions:				
Senior services	$	18,606,367	$	18,957,715
Unappropriated endowment earnings		591,766		517,576
Youth drop-in and housing services		250,000		40,000
Crisis services		-		456,000
Engage San Diego		-		201,200
Property and equipment and capital improvements		-		50,000
		19,448,133		20,222,491
Perpetual in Nature:				
Beneficial interests in assets held by others		348,270		348,270
	$	19,796,403	$	20,570,761

Note 9 - Restrictions on Net Assets, continued

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 as of June 30:

	2024	2023
Satisfaction of Purpose Restrictions:		
Crisis services	$ 456,000	$ -
Engage San Diego	201,200	63,547
Senior services	140,136	81,675
Youth drop-in and housing services	40,000	119,515
Property and equipment and capital improvements	50,000	18,649
	$ 887,336	$ 283,386

The Center entered into a revised gift agreement related to senior services with one donor during the year ended June 30, 2024. The agreement updated the value of the promise to give and contribution that was previously recognized in prior years. The adjustment has been recognized as change in valuation of restricted contribution in the statement of activities.

Note 10 - 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 employees of the Center 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 $129,881 and $117,595 for the years ended June 30, 2024 and 2023, respectively.

Note 11 - 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 U.S. 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.

Note 11 - Endowments, continued

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, 2024, 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	-	591,766	591,766
Total endowment funds	$ -	$ 940,036	$ 940,036

At June 30, 2023, 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	-	517,576	517,576
Total endowment funds	$ -	$ 865,846	$ 865,846

Changes in endowment net assets for the year ended June 30, 2024 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 865,846	$ 865,846
Investment return, net	-	74,190	74,190
Endowment net assets, end of year	$ -	$ 940,036	$ 940,036

Note 11 - Endowments, continued

Changes in endowment net assets for the year ended June 30, 2023 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 809,061	$ 809,061
Investment return, net	-	56,785	56,785
Endowment net assets, end of year	$ -	$ 865,846	$ 865,846

Note 12 - Contingencies

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, 2024 and 2023, no notice of any disallowance has been received.

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.

Note 13 - 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 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 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 20 years from the completion of the project.

Note 14 - 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 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.

Note 14 - Youth Housing Project, continued

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.

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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, 2024, and the related statements 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 January 2, 2025.

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 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 or significant deficiencies may exist that were not identified.

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*.

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
January 2, 2025

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, 2024. 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, 2024.

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 ABC Organization'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.

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

Auditor's Responsibilities for the Audit of Compliance, continued
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.

Report on 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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
January 2, 2025

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal/Pass-Through Grantor and Program or Cluster Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor Number	Expenditures	Expenditures to 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	$ 75,652	$ -
Total Research and Development Cluster			75,652	-
Other Awards:				
Department of the Treasury				
Pass-through County of San Diego:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	569539, 569762	927,356	448,398
U.S. Department of Housing and Urban Development				
Pass-through San Diego Housing Commission:				
Continuum of Care Program	14.267	HHI-24-12, HHI-24-10	924,882	-
Pass-through Regional Task Force on The Homeless:				
Youth Homelessness Demonstration Program	14.276	YHDP-2021-Center-2, YHDP-2021-Center-3, YHDP-2021-Center-1	172,755	-
Total U.S. Department of Housing and Urban Development			1,097,637	-
U.S. Department of Justice				
Pass-through North County Lifeline:				
Services for Trafficking Victims	16.320	#772 OVC Comprehensive	3,000	-
Pass-through Cal OES:				
Crime Victim Assistance	16.575	KE22 01 1307, AT22 03 1307, KI23 01 1307	468,379	156,607
Pass-through Center for Community Solutions				
Center for Community Solutions	16.888	15JOVW-23-GG-01405-CY	9,316	-
Total U.S. Department of Justice			480,695	156,607
U.S. Department of Health and Human Services				
Pass-through Substance Abuse and Mental Health Services Administration:				
SAMHSA HIV Prevention, Training Institute, Minority AIDS Project	93.243	6h79SP0821172-02M001, 1H79SM084562-01, 1H79SM086229-01	910,216	-
Pass-through Cal OES:				
Domestic Violence Shelter and Supportive Services	93.671	RP21 01 1307	18,820	-
Pass-through Sierra Health Foundation:				
Opioid STR	93.788	CA223MAT090	136,258	-
Pass-through County of San Diego:				
Clinical Quality Management	93.914	566515, 566517	274,369	-
Pass-through Family Health Centers of San Diego:				
HIV Emergency Relief Project Grants	93.914	559094	391,389	-
Special Projects of National Significance	93.928	H9746078	70,000	-
HIV Prevention Activities	93.939	PS21-2102	79,708	-
Pass-through County of San Diego:				
Ryan White Treatment Modernization Act Funds	93.940	563861, 563738, 562137	299,420	59,306
Total U.S. Department of Health and Human Services			2,180,180	59,306
Total Other Awards			4,685,868	664,311
Total Expenditures of Federal Awards			$ 4,761,520	$ 664,311

See independent auditor’s report and notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2024. 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 did not elect 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	No
Material weakness(es) identified?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) identified?	No
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)?	No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

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

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - Schedule of Prior Year Findings and Questioned Costs

Findings - Financial Statement Audit

2023-001	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:	Resolved.

Findings - Single Audit

2023-002	Program Income
Program:	14.267 Continuum of Care Program
Condition:	For one out of 12 transactions tested, the Center collected $344.40 which could not be directly traced to an individual tenant. Because it could not be directly traced, the Tenant Income Certification or Re-certification of Permanent Supportive Housing – Eligibility and Rent Determination forms could not be identified and tested for accuracy or completeness and compliance with the tenant's share of the rental payment could not be determined.
Status:	Resolved.
2023-003	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:	Resolved.