

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

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2025 and 2024



THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
Financial Statements and Supplemental Information
Years Ended June 30, 2025 and 2024

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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) (The Center), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 present fairly, in all material respects, the financial position of The Center as of June 30, 2025 and 2024, 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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 opinion.

Correction of an Error

As discussed in Note 15 to the financial statements, errors related to contribution revenue recognized in a prior period resulting in an overstatement of net assets without donor restrictions as of June 30, 2023, were discovered during the year ended June 30, 2025. Accordingly, the amounts reported for net assets without donor restrictions have been restated as of June 30, 2023, to correct the errors. Our opinion is not modified with respect to that matter.

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 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 GAAS 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

In performing an audit in accordance with GAAS 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 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 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 March 23, 2026, on our consideration of The Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Center's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
March 23, 2026

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

Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and restricted cash	\$ 22,068,775	\$ 13,478,978
Accounts receivable	63,657	153,755
Government grants receivable	1,132,336	1,345,612
Promises to give	615,692	9,031,466
Prepaid expenses	217,482	220,278
	<u>24,097,942</u>	<u>24,230,089</u>
Total Current Assets		
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation and amortization	6,178,413	6,485,393
Beneficial interests in assets held by others - endowment funds	1,028,708	940,036
Operating lease right-of-use assets, net of accumulated amortization	623,869	1,004,021
Deposits	48,200	42,200
	<u>7,879,190</u>	<u>8,471,650</u>
Total Noncurrent Assets		
Total Assets	<u>\$ 31,977,132</u>	<u>\$ 32,701,739</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 365,199	\$ 208,112
Accrued expenses	773,162	585,465
Current portion of operating lease liability	226,351	378,878
Refundable advances	446,908	935,758
	<u>1,811,620</u>	<u>2,108,213</u>
Total Current Liabilities		
Noncurrent Liabilities:		
Accrued interest	236,000	224,000
Operating lease liability, net of current portion	415,418	637,575
Notes payable	3,878,746	3,878,746
	<u>4,530,164</u>	<u>4,740,321</u>
Total Noncurrent Liabilities		
Total Liabilities	6,341,784	6,848,534
Net Assets:		
Without donor restrictions	4,941,789	4,905,526
With donor restrictions	20,693,559	20,947,679
	<u>25,635,348</u>	<u>25,853,205</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 31,977,132</u>	<u>\$ 32,701,739</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Government grants	\$ 9,222,397	\$ -	\$ 9,222,397
Contributions	2,574,573	1,008,391	3,582,964
Other grants	1,777,322	-	1,777,322
Investment return, net	729,736	88,672	818,408
Other income	209,079	-	209,079
Contributed nonfinancial assets	104,364	-	104,364
Net assets released from restrictions, satisfaction of program restrictions	1,351,183	(1,351,183)	-
Total Revenues and Support	15,968,654	(254,120)	15,714,534
Expenses:			
Program services	11,926,725	-	11,926,725
Supporting services:			
Management and general	2,571,510	-	2,571,510
Fundraising	1,434,156	-	1,434,156
Total Expenses	15,932,391	-	15,932,391
Change in Net Assets	36,263	(254,120)	(217,857)
Net Assets, beginning	4,905,526	20,947,679	25,853,205
Net Assets, ending	\$ 4,941,789	\$ 20,693,559	\$ 25,635,348

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	710,840	(710,840)	-
Total Operating Revenues and Support	12,853,779	(386,650)	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	(1,656,391)	(386,650)	(2,043,041)
Nonoperating Loss:			
Change in valuation of restricted contribution (Note 9)	-	(211,212)	(211,212)
Change in Net Assets	(1,656,391)	(597,862)	(2,254,253)
Net Assets, beginning, as previously stated	7,536,697	20,570,761	28,107,458
Restatement (Note 15)	(974,780)	974,780	-
Net Assets, beginning, as restated	6,561,917	21,545,541	28,107,458
Net Assets, ending	\$ 4,905,526	\$ 20,947,679	\$ 25,853,205

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

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services					Supporting Services				Total
	Adult Housing Services	Behavioral Health Services	Community Services	HIV Services	Youth Drop-in and Housing Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses:										
Salaries and wages	\$ 728,342	\$ 814,357	\$ 1,669,239	\$ 972,356	\$ 1,235,451	\$ 5,419,745	\$ 1,295,193	\$ 871,435	\$ 2,166,628	\$ 7,586,373
Payroll taxes and fringe benefits	62,051	67,383	139,281	81,402	104,842	454,959	96,045	67,888	163,933	618,892
Employee benefits	58,092	64,737	146,810	82,117	111,032	462,788	69,498	66,999	136,497	599,285
	<u>848,485</u>	<u>946,477</u>	<u>1,955,330</u>	<u>1,135,875</u>	<u>1,451,325</u>	<u>6,337,492</u>	<u>1,460,736</u>	<u>1,006,322</u>	<u>2,467,058</u>	<u>8,804,550</u>
Other Expenses:										
Advertising, graphics, postage, and printing	4,142	2,250	14,049	4,600	1,241	26,282	22,764	46,811	69,575	95,857
Bank fees	18	(154)	840	111	67	882	11,392	32,757	44,149	45,031
Business meals and travel	1,281	63	4,698	390	10,374	16,806	12,337	118	12,455	29,261
Client services	1,113,560	-	62,906	7,335	325,109	1,508,910	-	-	-	1,508,910
Community events and outreach	1,119	377	76,664	3,830	1,801	83,791	8,291	3,725	12,016	95,807
Conferences and summits	-	-	4,877	-	-	4,877	2,465	1,616	4,081	8,958
Depreciation and amortization	17,169	18,995	17,169	17,169	212,126	282,628	59,763	-	59,763	342,391
Fundraising	91	91	91	194	91	558	97	151,438	151,535	152,093
Grant allocations	-	-	272,800	-	-	272,800	-	-	-	272,800
Insurance	7,574	7,024	14,994	9,232	37,375	76,199	73,684	5,912	79,596	155,795
Interest	-	-	-	-	116,364	116,364	-	-	-	116,364
Internet, telephone, and utilities	23,584	38,379	27,070	25,280	159,040	273,353	27,427	50	27,477	300,830
Memberships, dues, and subscriptions	29	699	399	29	59	1,215	11,490	2,000	13,490	14,705
Miscellaneous	-	-	17	-	-	17	-	350	350	367
Permits, fees, and property taxes	5,249	2,317	3,392	2,797	77,253	91,008	7,534	100	7,634	98,642
Professional fees and contracted services	697,448	16,827	51,157	122,192	1,142,458	2,030,082	623,856	100,700	724,556	2,754,638
Rent	63,727	63,164	21,195	2,087	78,876	229,049	41,549	-	41,549	270,598
Repairs and maintenance	19,670	20,907	19,670	19,670	100,208	180,125	33,071	-	33,071	213,196
Software, licensing, and maintenance	16,506	13,417	44,997	10,211	15,523	100,654	95,291	80,806	176,097	276,751
Staff development, training, and appreciation	899	3,150	34,331	7,959	2,017	48,356	21,853	497	22,350	70,706
Supplies	7,679	14,670	36,873	128,932	57,123	245,277	57,910	954	58,864	304,141
	<u>\$ 2,828,230</u>	<u>\$ 1,148,653</u>	<u>\$ 2,663,519</u>	<u>\$ 1,497,893</u>	<u>\$ 3,788,430</u>	<u>\$ 11,926,725</u>	<u>\$ 2,571,510</u>	<u>\$ 1,434,156</u>	<u>\$ 4,005,666</u>	<u>\$ 15,932,391</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services					Supporting Services			Total	
	Adult Housing Services	Behavioral Health Services	Community Services	HIV Services	Youth Drop-in and Housing Services	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and Related Expenses:										
Salaries and wages	\$ 343,073	\$ 829,989	\$ 1,300,450	\$ 1,051,604	\$ 1,347,456	\$ 4,872,572	\$ 866,364	\$ 888,158	\$ 1,754,522	\$ 6,627,094
Payroll taxes and fringe benefits	27,816	65,410	104,357	84,165	109,947	391,695	64,965	68,414	133,379	525,074
Employee benefits	21,244	68,048	109,799	83,492	90,965	373,548	32,892	72,450	105,342	478,890
	<u>392,133</u>	<u>963,447</u>	<u>1,514,606</u>	<u>1,219,261</u>	<u>1,548,368</u>	<u>5,637,815</u>	<u>964,221</u>	<u>1,029,022</u>	<u>1,993,243</u>	<u>7,631,058</u>
Other Expenses:										
Advertising, graphics, postage, and printing	754	22,831	18,545	10,184	5,615	57,929	29,283	58,874	88,157	146,086
Bank fees	12	1,040	1,724	82	2,035	4,893	7,100	33,306	40,406	45,299
Business meals and travel	457	428	2,171	564	4,453	8,073	3,785	1,378	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	2,820	6,371	9,191	80,523
Conferences and summits	-	-	9,872	3,282	7,316	20,470	3,091	2,193	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	137	495,715	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	56,228	10,296	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	33,499	1,306	34,805	231,437
Memberships, dues, and subscriptions	29	69	1,421	29	208	1,756	13,435	4,550	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	19,854	502	20,356	105,550
Professional fees and contracted services	460,142	14,963	68,071	130,391	1,085,972	1,759,539	649,154	69,372	718,526	2,478,065
Rent	9,078	114,785	2,097	197	160,627	286,784	40,054	1,140	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	118,621	57,747	176,368	254,983
Staff development, training, and appreciation	4,278	18,480	15,612	8,912	5,388	52,670	29,781	490	30,271	82,941
Supplies	27,410	57,013	49,792	111,615	46,680	292,510	89,395	3,305	92,700	385,210
	<u>\$ 1,677,648</u>	<u>\$ 1,281,212</u>	<u>\$ 2,221,990</u>	<u>\$ 1,566,171</u>	<u>\$ 3,781,902</u>	<u>\$ 10,528,923</u>	<u>\$ 2,118,802</u>	<u>\$ 1,862,445</u>	<u>\$ 3,981,247</u>	<u>\$ 14,510,170</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (217,857)	\$ (2,254,253)
Adjustments to reconcile change in net assets to net cash and restricted cash provided (used) by operating activities:		
Depreciation and amortization	342,391	318,407
Noncash operating lease expense	5,468	4,574
Change in value of beneficial interests in assets held by others - endowment funds	(88,672)	(74,190)
Accrued interest	12,000	12,000
Changes in operating assets and liabilities:		
Accounts receivable	90,098	(114,098)
Government grants receivable	213,276	(89,300)
Promises to give	8,415,774	773,761
Prepaid expenses and deposits	(3,204)	48,376
Accounts payable and accrued expenses	344,784	(170,548)
Refundable advances	(488,850)	239,517
	<u>8,625,208</u>	<u>(1,305,754)</u>
Net Cash and Restricted Cash Provided (Used) by Operating Activities		
	8,625,208	(1,305,754)
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(35,411)	(326,052)
	<u>8,589,797</u>	<u>(1,631,806)</u>
Net Increase (Decrease) in Cash and Restricted Cash		
	8,589,797	(1,631,806)
Cash and Restricted Cash, beginning	<u>13,478,978</u>	<u>15,110,784</u>
Cash and Restricted Cash, ending	<u>\$ 22,068,775</u>	<u>\$ 13,478,978</u>
Cash and Restricted Cash Consists of the Following:		
Cash	\$ 3,436,364	\$ 2,736,675
Restricted cash	<u>18,632,411</u>	<u>10,742,303</u>
	<u>\$ 22,068,775</u>	<u>\$ 13,478,978</u>

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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 a 14-member Board of Directors, employing more than 100 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.

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 its 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.

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, 2025 and 2024 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, 2025 and 2024 because management believes all amounts are collectable.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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

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, 2025 and 2024 because management believes all amounts are collectable. All promises to give are due within one year.

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, 2025 and 2024, 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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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, 2025 and 2024, The Center contributed \$252,800 and \$237,465, respectively, to such organizations. In addition, \$0 and \$86,878 was granted to several nonprofit organizations participating in Aids Walk San Diego for the years ended June 30, 2025 and 2024, respectively. The Center has not made any unfunded long-term grant commitments as of June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024.

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

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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

Subsequent Events

The Center has evaluated subsequent events through March 23, 2026, which is the date the financial statements were available to be issued.

On September 4, 2025, The Center's Board of Directors and Engage San Diego's Board of Directors approved the transfer of Engage San Diego to a new fiscal sponsor. Management anticipates that the transfer will be finalized on or before June 30, 2026. Upon completion, Engage San Diego's net assets will be transferred to the new fiscal sponsor. The Center is evaluating the financial statement impact of the transfer in the year in which the transaction is completed.

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.

	<u>2025</u>	<u>2024</u>
Cash and restricted cash	\$ 22,068,775	\$ 13,478,978
Accounts receivable	63,657	153,755
Government grants receivable	1,132,336	1,345,612
Promises to give	<u>615,692</u>	<u>9,031,466</u>
Total financial assets	23,880,460	24,009,811
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions	(18,658,147)	(15,984,764)
Internally designated funds	<u>-</u>	<u>(2,871,603)</u>
	<u>(18,658,147)</u>	<u>(18,856,367)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,222,313</u>	<u>\$ 5,153,444</u>

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, 2025 and 2024, restricted cash of \$18,632,411 and \$10,742,303, respectively, is restricted by the donor for LGBT senior housing and related services.

Separately, internally designated funds are amounts 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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 3 - Concentrations of Credit Risk, continued

Three grantors comprised 53% of government grants receivable, and three donors comprised 72% of promises to give at June 30, 2025. One grantor comprised 29% of government grants, two donors comprised 31% of contributions, and three grantors comprised 44% of other grants for the year ended June 30, 2025.

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.

Note 4 - Property and Equipment

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

	2025	2024
Building and improvements	\$ 10,347,269	\$ 10,311,858
Furniture and fixtures	137,904	137,904
Intangible assets	5,000	5,000
	<u>10,490,173</u>	<u>10,454,762</u>
Less accumulated depreciation and amortization	<u>(4,311,760)</u>	<u>(3,969,369)</u>
	<u>\$ 6,178,413</u>	<u>\$ 6,485,393</u>

Note 5 - 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:

	2025	2024
Fair value, beginning	\$ 940,036	\$ 865,846
Investment return, net	88,672	74,190
Fair value, ending	<u>\$ 1,028,708</u>	<u>\$ 940,036</u>

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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 6 - 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:

	2025	2024
Operating lease right-of-use assets	\$ <u>623,869</u>	\$ <u>1,004,021</u>
Current portion of operating lease liabilities	\$ 226,351	\$ 378,878
Operating lease liabilities, net of current portion	<u>415,418</u>	<u>637,575</u>
Total operating lease liabilities	\$ <u>641,769</u>	\$ <u>1,016,453</u>

The amounts contractually due on lease liabilities as of June 30, 2025 were as follows:

2026	\$ 246,977
2027	197,867
2028	197,819
2029	<u>37,551</u>
Total lease payments	680,214
Less: present value discount	<u>(38,445)</u>
Present value of lease liabilities	\$ <u>641,769</u>

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

	2025	2024
Operating lease expense, included in advertising, graphics, postage, and printing, client services, and rent	\$ 513,834	\$ 614,792
Short-term lease expense, included in client services and rent	<u>936,056</u>	<u>525,490</u>
Total lease cost	\$ <u>1,449,890</u>	\$ <u>1,140,282</u>

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

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 500,310	\$ 559,054
Lease assets obtained in exchange for lease liabilities:		
Operating leases	\$ 90,866	\$ 1,202,222

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 6 – Leases, continued

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

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	3.0	3.4
Weighted average discount rate	4.06%	4.25%

Note 7 - Line of Credit

The Center has a line of credit from Bank of America in the amount of \$750,000 and \$100,000 for the years ended June 30, 2025 and 2024, respectively. During the years ended June 30, 2025 and 2024, the line of credit bore interest at a rate equal to the greater of 3.25% or Bank of America's prime rate, plus 0.25% (7.75% at June 30, 2025, 8.75% at June 30, 2024). There were no borrowings as of June 30, 2025 and 2024, respectively. The line of credit requires the maintenance of certain covenants and matures on March 2, 2027.

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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 8 - Notes Payable, continued

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 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:

	<u>2025</u>	<u>2024</u>
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
	<u>\$ 3,878,746</u>	<u>3,878,746</u>

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, 2025 and 2024 was \$236,000 and \$224,000, respectively. The contributed nonfinancial asset in the form of interest related to the loans from the CCDC and SDHC totaled \$104,364 and \$104,825 for the years ended June 30, 2025 and 2024, respectively.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 9 - Restrictions on Net Assets

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

	<u>2025</u>	<u>2024</u>
Purpose Restrictions:		
Senior services	\$ 18,478,094	\$ 18,606,367
Engage San Diego (Note 15)	1,006,704	1,151,276
Unappropriated endowment earnings	680,438	591,766
Youth drop-in and housing services	144,470	250,000
Sexual health and wellness	26,600	-
Adult housing	8,983	-
	<u>20,345,289</u>	<u>20,599,409</u>
Perpetual in Nature:		
Beneficial interests in assets held by others	348,270	348,270
	<u>\$ 20,693,559</u>	<u>\$ 20,947,679</u>

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:

	<u>2025</u>	<u>2024</u>
Satisfaction of Purpose Restrictions:		
Engage San Diego	\$ 1,074,659	\$ 24,704
Senior services	150,818	140,136
Youth drop-in and housing services	105,523	40,000
Sexual health and wellness	20,183	50,000
Crisis services	-	456,000
	<u>\$ 1,351,183</u>	<u>\$ 710,840</u>

The Center entered into a revised gift agreement related to LGBT senior housing and related 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 for the year ended June 30, 2024.

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 \$89,246 and \$129,881 for the years ended June 30, 2025 and 2024, respectively.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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.

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, 2025, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 940,036	\$ 940,036
Investment return, net	-	88,672	88,672
Endowment net assets, end of year	\$ -	\$ 1,028,708	\$ 1,028,708

At June 30, 2024, the endowment net assets composition by type of fund 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

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

Note 11 - Endowments, continued

Changes in endowment net assets for the year ended June 30, 2025 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 940,036	\$ 940,036
Investment return, net	-	88,672	88,672
Endowment net assets, end of year	\$ -	\$ 1,028,708	\$ 1,028,708

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 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, 2025 and 2024, 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.

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

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

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.

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.

Note 15 - Restatement

During the year, The Center identified an error in the classification of certain contributions that had been previously reported as net assets without donor restrictions. Upon further review, management determined that these amounts were subject to donor-imposed restrictions and should have been classified as net assets with donor restrictions. Accordingly, the accompanying financial statements have been restated to reclassify \$974,780 from net assets without donor restrictions to net assets with donor restrictions as of June 30, 2023.

**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) (The Center), which comprise the statements of financial position as of June 30, 2025, 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 March 23, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Center's internal control over financial reporting (internal control) 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The 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 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**

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
March 23, 2026

SUPPLEMENTAL AWARDS INFORMATION

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 (The Center) 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 Center's major federal programs for the year ended June 30, 2025. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 (GAAS); 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 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 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 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 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 GAAS, *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 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 GAAS, *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 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 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 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
March 23, 2026

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

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>U.S. Department of Health and Human Services</u>				
Pass-through University of California, San Diego:				
Mental Health Research Grants	93.242	703797	\$ 49,431	\$ -
Total Research and Development Cluster			49,431	-
Other Awards:				
<u>Department of the Treasury</u>				
Pass-through County of San Diego:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	569539, 569762	2,052,543	683,365
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through San Diego Housing Commission:				
Continuum of Care Program	14.267	SIHI-25-01, SIHI-25-13	993,865	-
Pass-through Regional Task Force on The Homeless:				
Youth Homelessness Demonstration Program	14.276	Y-2022-Center-1, Y-2022-Center-2, Y-2022-Center-3	97,379	-
Total U.S. Department of Housing and Urban Development			1,091,244	-
<u>U.S. Department of Justice</u>				
Pass-through North County Lifeline:				
Services for Trafficking Victims	16.320	#772 OVC Comprehensive	3,200	-
Pass-through Cal OES:				
Crime Victim Assistance	16.575	KE23 02 1307, KE24019201, AT23 04 1307, AT24019201, KI23 01 1307	894,009	183,701
Pass-through Center for Community Solutions				
Consolidated Youth/Engaging Men	16.888	15JOVW-23-GG-01405-CY	28,634	-
Total U.S. Department of Justice			925,843	183,701
<u>U.S. Department of Health and Human Services</u>				
Pass-through Substance Abuse and Mental Health Services Administration:				
SAMHSA HIV Prevention, Training Institute, Minority AIDS Project	93.243	6H79SP082172-02M001, 1H79SM084562-01, 1H79SM086229-01	824,179	6,667
Pass-through County of San Diego:				
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	93.686	573155, 573157, 572637	93,397	6,106
Clinical Quality Management	93.914	566515, 566517	311,341	-
Pass-through Family Health Centers of San Diego:				
HIV Emergency Relief Project Grants	93.914	559094	384,737	-
Special Projects of National Significance	93.928	H9746078	70,000	-
HIV Prevention Activities	93.939	PS21-2102	89,273	-
Pass-through County of San Diego:				
Ryan White Treatment Modernization Act Funds	93.940	563861	184,034	51,490
Total U.S. Department of Health and Human Services			1,956,961	64,263
Total Other Awards			6,026,591	931,329
Total Expenditures of Federal Awards			\$ 6,076,022	\$ 931,329

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

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

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, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 (15% after October 1, 2024) as covered in the Uniform Guidance 2 CFR section 200.414 Indirect Costs.

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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	None reported
Material weakness(es) identified?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs: Significant deficiency(ies) identified?	None reported
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:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
16.575	Crime Victim Assistance
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

THE SAN DIEGO LESBIAN, GAY, BISEXUAL AND TRANSGENDER COMMUNITY CENTER
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2025

Section IV - Schedule of Prior Year Findings and Questioned Costs

None noted.