

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2012

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

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TABLE OF CONTENTS

| | |
|-----------------------------------|---|
| Independent Accountant's Report | 2 |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
San Diego Lesbian, Gay, Bisexual, Transgender Pride
San Diego, California

We have reviewed the accompanying statement of financial position of the San Diego Lesbian, Gay, Bisexual, Transgender Pride as of December 31, 2012, and the related statement of activities and cash flow for the year ended December 31, 2012, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the San Diego Lesbian, Gay, Bisexual, Transgender Pride.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organizations' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Encino, California
February 26, 2013

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(UNAUDITED)
(with comparative totals for 2011)

| | 2012 | 2011 |
|---|--------------|--------------|
| ASSETS | | |
| Cash | \$ 275,095 | \$ 405,156 |
| Investments | 458,290 | 308,044 |
| Accounts receivable | - | 3,119 |
| Deposits and other assets | 213 | - |
| | 733,598 | 716,319 |
| Fixed Assets | | |
| Fixed assets (Net of accumulated depreciation of \$88,228 and \$62,466) | 1,033,287 | 1,059,049 |
| | 1,033,287 | 1,059,049 |
| Total Assets | \$ 1,766,885 | \$ 1,775,368 |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 24,636 | \$ 6,967 |
| Deposits payable | 855 | 855 |
| Current portion, note payable | 13,341 | 12,692 |
| | 38,832 | 20,514 |
| Total Current Liabilities | 38,832 | 20,514 |
| Note payable, net of current portion | 706,266 | 718,731 |
| Total Liabilities | 745,098 | 739,245 |
| NET ASSETS | | |
| Unrestricted Net Assets | 1,021,787 | 1,036,123 |
| Total Net Assets | 1,021,787 | 1,036,123 |
| Total Liabilities and Net Assets | \$ 1,766,885 | \$ 1,775,368 |

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(with comparative totals for 2011)

| | Unrestricted | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| REVENUE AND SUPPORT | | |
| Revenue: | | |
| Festival tickets | \$ 445,998 | \$ 419,926 |
| Festival booths | 173,919 | 176,674 |
| Beverage sales | 190,002 | 182,702 |
| Sponsorships | 234,400 | 153,408 |
| Publications | 15,157 | 24,097 |
| Merchandise | 13,315 | 6,872 |
| Parade | 28,068 | 17,496 |
| Contribution | 9,308 | 8,410 |
| Miscellaneous | 84,681 | 118,461 |
| | 1,194,848 | 1,108,046 |
| Support: | | |
| In-kind contributions | 236,997 | 374,163 |
| Total Revenue and Public Support | 1,431,845 | 1,482,209 |
| Expenses | | |
| Festival | 858,938 | 741,376 |
| Parade | 205,964 | 286,754 |
| Administration | 425,662 | 503,532 |
| Total Expenses | 1,490,564 | 1,531,662 |
| Change in Net Assets From Operations | (58,719) | (49,453) |
| Other Income and (Expense) | | |
| Interest and dividends | 19,961 | 17,270 |
| Investment gains (losses), net | 24,442 | (19,069) |
| Total Other Income and (Expense) | 44,403 | (1,799) |
| Change in Net Assets | (14,316) | (51,252) |
| NET ASSETS - Beginning of Year | 1,036,123 | 1,087,375 |
| NET ASSETS - End of Year | \$ 1,021,807 | \$ 1,036,123 |

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(with comparative totals for 2011)

| | 2012 | | | 2011 | |
|--------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | Festival | Parade/Events | Admin. | Total Expenses | Total Expenses |
| Salaries, payroll taxes and benefits | \$ 70,998 | \$ 70,598 | \$ 242,895 | \$ 384,491 | \$ 313,605 |
| Program expenses | 501,172 | 81,385 | - | 582,557 | 583,012 |
| In-kind expenses | 236,997 | - | - | 236,997 | 339,001 |
| Office | - | - | 119,389 | 119,389 | 220,667 |
| Public relations and advertising | 43,284 | 47,514 | - | 90,798 | 26,623 |
| Volunteer expenses | 6,487 | 6,487 | - | 12,974 | 17,146 |
| Bad debt | - | - | 24,575 | 24,575 | - |
| Depreciation expense | - | - | 25,762 | 25,762 | 20,831 |
| Miscellaneous | - | - | 7,855 | 7,855 | 4,929 |
| Travel | - | - | 2,998 | 2,998 | 3,572 |
| Memberships and dues | - | - | 2,188 | 2,188 | 2,276 |
| Total Expense | \$ 858,938 | \$ 205,984 | \$ 425,662 | \$ 1,490,584 | \$ 1,531,662 |

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(with comparative totals for 2011)

| | 2012 | 2011 |
|--|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (14,336) | \$ (51,252) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation expense | 25,762 | 20,831 |
| Bad debt | 24,575 | - |
| In-kind donation of fixed assets | - | (35,162) |
| Investment (gains) losses, net | (24,442) | 19,069 |
| (Increase) decrease in accounts receivable | 3,119 | (619) |
| (Increase) decrease in deposits and other assets | (213) | 500 |
| Increase (decrease) in accounts payable and accrued expenses | 17,669 | (1,544) |
| Increase (decrease) in deposit payable | - | (1,625) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 32,134 | (49,802) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Proceeds (purchase) of investments | (150,379) | (16,954) |
| NET CASH USED IN INVESTING ACTIVITIES | (150,379) | (16,954) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments on note payable | (11,816) | (11,564) |
| NET CASH USED IN FINANCING ACTIVITIES | (11,816) | (11,564) |
| NET DECREASE IN CASH | (130,061) | (78,320) |
| CASH at beginning of year | 405,156 | 483,476 |
| CASH at end of year | \$ 275,095 | \$ 405,156 |

See accompanying notes and accountant's report

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2012**

NOTE 1 – NATURE OF OPERATIONS

The San Diego Lesbian, Gay, Bisexual, Transgender Pride (the “Organization” or “Pride”) is a California not-for-profit corporation.

The Organization coordinates and presents an annual lesbian, gay, bisexual and transgender parade, festival and rally in San Diego, California. The rally promotes civil rights for lesbians and gays. The parade and festival are an educational, cultural and social event to show support for the lesbian and gay community and promote the exchange of ideas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of Pride have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

Pride invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Pride considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Pride values their investments at quoted market prices in the statement of financial position with unrealized gains and losses reflected in the statement of activities.

Fair Value Measurements

Pride has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

Pride's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and index funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in certificates of deposit are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.

Contributions

Contributions are recognized when the donor makes a promise to give to Pride that is in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fixed Assets

Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures and equipment over 3 to 10 years and buildings over 31 to 40 years

Donated Services

Pride utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amount was recognized for donated services for the years ended December 31, 2012 and 2011, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the festival, parade and supporting services benefited in a manner management believes to be reasonable and appropriate.

Income Taxes

Pride is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, under 509(a) of the Internal Revenue Code, Pride is not a private foundation. Further, Pride has no unrelated business taxable income arising from its activities that are subject to taxation.

Advertising

Advertising costs are expensed in the year incurred.

Comparative Totals for December 31, 2011

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Pride's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, Pride has evaluated events and transactions for potential recognition or disclosure through February 26, 2013, the date the financial statements were available to be issued.

NOTE 3 – CASH

Pride maintains its cash balances at various banks in the San Diego area that management deems financially secure. As of December 31, 2012, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2012, Pride did not have any uninsured portion of the balances held at the banks. No reserve has been made on the financial statements for any possible loss due to any financial institution failure.

NOTE 4 – INVESTMENTS

Investments are carried at market and realized and unrealized gains are reflected in the statement of activities. Pride owns a mixture of stocks, bonds, and mutual funds consisting of shares in mutual funds which own common shares of New York Stock Exchange listed company, US Treasury Notes and Bonds, shares in small capitalization companies listed on NASDAQ, and notes of US government.

Investments at fair value at:

| | <u>Cost</u> <u>(Unaudited)</u> | <u>Fair Value</u> <u>(Unaudited)</u> |
|-------------------|-----------------------------------|---|
| December 31, 2012 | | |
| Mutual funds | \$ 458,386 | \$ 458,290 |
| | <u>\$ 458,386</u> | <u>\$ 458,290</u> |
| | | |
| | <u>Cost</u> <u>(Unaudited)</u> | <u>Fair Value</u> <u>(Unaudited)</u> |
| December 31, 2011 | | |
| Mutual funds | \$ 366,468 | \$ 308,044 |
| | <u>\$ 366,468</u> | <u>\$ 308,044</u> |

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following:

| | <u>2012</u> <u>(Unaudited)</u> | <u>2011</u> <u>(Unaudited)</u> |
|--------------------------|-----------------------------------|-----------------------------------|
| Furniture and equipment | \$ 68,054 | \$ 68,054 |
| Building and land | 1,043,106 | 1,043,106 |
| Building improvements | 10,355 | 10,355 |
| Accumulated depreciation | <u>(88,228)</u> | <u>(62,466)</u> |
| Net fixed assets | <u>\$ 1,033,287</u> | <u>\$ 1,059,049</u> |

Depreciation expense was \$26,691 and \$20,831 for the years ended December 31, 2012 and 2011, respectively.

NOTE 6 – MORTGAGE PAYABLE

In September 2009, Pride purchased a building in the amount of \$1,030,000 to be used as its primary location. The Organization made a cash down payment of \$275,000 and entered into a mortgage payable arrangement with Wells Fargo Bank for \$755,000. The terms of the mortgage payable is interest at 5% per annum, monthly payments of \$4,087 until October 15, 2014 when the final payment of approximately \$688,544 is due. The mortgage note is a first trust deed secured by the building. As of December 31, 2012, Pride had an aggregate outstanding balance of \$719,607.

As of December 31, 2012, the total loan outstanding was classified as follows:

| | <u>2012</u> |
|-------------------|-------------------|
| Current portion | \$ 13,341 |
| Long term portion | <u>706,266</u> |
| Total due | <u>\$ 719,607</u> |

A five year maturity of the loan is as follows as of December 31, 2012:

| <u>December 31,</u> | |
|---------------------|-------------------|
| 2013 | <u>13,341</u> |
| 2014 | <u>706,266</u> |
| | <u>\$ 719,607</u> |