

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

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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(A NONPROFIT ORGANIZATION)**

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DECEMBER 31, 2014**

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LICHTER, YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

16133 VENTURA BLVD., SUITE 450
ENCINO, CALIFORNIA 91436
TEL (818)789-0265 FAX (818) 789-3949

INDEPENDENT ACCOUNTANT'S REVIEW 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 San Diego Lesbian, Gay, Bisexual, Transgender Pride (Pride)(a nonprofit organization) as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 controls 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.

We previously reviewed Pride's 2013 financial statements and in our report dated August 22, 2014, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2013 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2013 for it to be consistent with the reviewed financial statements from which it has been derived.



Encino, California
August 19, 2015

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(UNAUDITED)
(with comparative totals for 2013)

	2014	2013
ASSETS		
Cash	\$ 177,095	\$ 283,891
Investments	538,126	526,066
Accounts receivable, net	44,623	32,233
Deposits and other assets	21,163	25,143
Fixed assets, net	1,013,583	1,020,284
Total Assets	\$ 1,794,590	\$ 1,887,617
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 35,694	\$ 37,416
Deposits payable	1,600	855
Note payable	694,944	707,032
Total Liabilities	732,238	745,303
NET ASSETS		
Unrestricted Net Assets	1,062,352	1,142,314
Total Net Assets	1,062,352	1,142,314
Total Liabilities and Net Assets	\$ 1,794,590	\$ 1,887,617

See accompanying notes and independent accountant's review report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(with comparative totals for 2013)

	Unrestricted	
	2014	2013
REVENUE AND SUPPORT		
Revenue:		
Festival tickets	\$ 448,685	\$ 464,796
Festival booths	217,552	253,722
Beverage sales	252,127	285,021
Sponsorships	217,710	243,347
Publications	17,532	12,509
Merchandise	12,431	12,746
Parade	27,368	23,265
Contribution	5,421	10,483
Miscellaneous	69,703	75,711
	1,268,529	1,381,600
Support:		
In-kind contributions	-	8,736
Total Revenue and Public Support	1,268,529	1,390,336
Expenses		
Festival	978,462	748,705
Parade	134,797	146,110
Administration	247,385	457,522
Total Expenses	1,360,644	1,352,337
Change in Net Assets From Operations	(92,115)	37,999
Other Income and (Expense)		
Interest and dividends	11,217	18,558
Investment gains, net	936	49,308
Total Other Income and (Expense)	12,153	67,866
Change in Net Assets	(79,962)	105,865
NET ASSETS - Beginning of Year	1,142,314	1,036,449
NET ASSETS - End of Year	\$ 1,062,352	\$ 1,142,314

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(with comparative totals for 2013)

	2014			2013	
	Festival	Parade/Events	Admin.	Total Expenses	Total Expenses
Salaries, payroll taxes and benefits	\$ 133,418	\$ 27,560	\$ 84,985	\$ 245,963	\$ 227,129
Payroll taxes	12,470	2,574	7,927	22,971	19,354
Employee benefits	17,028	3,517	10,845	31,390	22,415
Total salaries, payroll taxes and benefits	<u>162,916</u>	<u>33,651</u>	<u>103,757</u>	<u>300,324</u>	<u>268,898</u>
Program expenses	776,411	62,011	-	838,422	747,385
Interest expense	-	-	34,480	34,480	36,190
Office	-	-	65,758	65,758	84,243
Community outreach	25,090	25,090	-	50,180	131,686
Volunteer expenses	14,045	14,045	-	28,090	18,006
Bad debt	-	-	-	-	4,668
Depreciation expense	-	-	10,638	10,638	25,038
Miscellaneous	-	-	12,371	12,371	31,140
Travel	-	-	17,662	17,662	3,735
Memberships and dues	-	-	2,719	2,719	1,348
Total Expense	<u>\$ 978,462</u>	<u>\$ 134,797</u>	<u>\$ 247,385</u>	<u>\$ 1,360,644</u>	<u>\$ 1,352,337</u>

See accompanying notes and independent accountant's review report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)
(with comparative totals for 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (79,962)	\$ 105,865
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	10,638	25,038
Bad debt	-	4,668
In-kind donation of fixed assets	-	(8,736)
Realized and unrealized investment gains, net	(936)	(49,308)
(Increase) in accounts receivable	(12,390)	(22,239)
Decrease (increase) in deposits and other assets	3,980	(24,930)
(Decrease) increase in accounts payable and accrued expenses	(1,722)	12,780
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(79,647)	43,138
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(489,826)	(247,220)
Proceeds from sale of investments	478,701	228,753
Purchase of fixed assets	(3,936)	(3,300)
NET CASH USED IN INVESTING ACTIVITIES	(15,061)	(21,767)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on note payable	(12,088)	(12,575)
NET CASH USED IN FINANCING ACTIVITIES	(12,088)	(12,575)
NET (DECREASE) INCREASE IN CASH	(106,796)	8,796
CASH at beginning of year	283,891	275,095
CASH at end of year	\$ 177,095	\$ 283,891

See accompanying notes and independent accountant's review report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2014

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.

Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. There was \$1,212 in allowance for doubtful accounts at December 31, 2014 and 2013.

The total amount of accounts receivable of \$44,623 and \$32,233 as of December 31, 2014 and 2013, respectively consists of sponsorship from various entities which are deemed fully collectible within one year.

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

For certain of Pride's financial instruments, including cash and equivalents and grants payable, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by Pride. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for current liabilities qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

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

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Pride had no Level 2 assets as of December 31, 2014.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Pride had no Level 3 assets as of December 31, 2014.

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

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2014 and 2013:

December 31, 2014				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Investment:				
Money market	\$ 21,608	\$ 21,608	\$ -	\$ -
Mutual funds	516,518	516,518	-	-
Total	<u><u>\$ 538,126</u></u>	<u><u>\$ 538,126</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
December 31, 2013				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Investment:				
Money market	\$ 36,726	\$ 36,726	\$ -	\$ -
Mutual funds	489,340	489,340	-	-
Total	<u><u>\$ 526,066</u></u>	<u><u>\$ 526,066</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2014 and 2013.

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, 2013

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, 2013, from which the summarized information was derived.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2014 presentation.

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, 2014 and 2013, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2014 and 2013, 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 consist of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Money market	\$ 21,608	\$ 36,726
Mutual funds	516,518	489,340
	<u>\$ 538,126</u>	<u>\$ 526,066</u>

Investment return consists of the following for the year ended:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 11,217	\$ 18,558
Realized and unrealized gains	936	49,308
	<u>\$ 12,153</u>	<u>\$ 67,866</u>

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Furniture and equipment	\$ 84,026	\$ 80,090
Building and land	1,043,106	1,043,106
Building improvements	10,355	10,355
Accumulated depreciation	<u>(123,904)</u>	<u>(113,267)</u>
Net fixed assets	<u>\$ 1,013,583</u>	<u>\$ 1,020,284</u>

Depreciation expense was \$10,638 and \$25,038 for the years ended December 31, 2014 and 2013, 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. This mortgage was subsequently refinanced in the amount of \$696,112 on December 11, 2014 with Wells Fargo Bank. The terms of the current note payable is interest at 4.72% per annum, monthly payments of \$5,428.68 until December 15, 2029. The mortgage note is a first trust deed secured by building. As of December 31, 2014, Pride had an aggregate outstanding balance of \$694,944.

As of December 31, 2014, the total loan outstanding was classified as follows:

Current portion	\$ 33,052
Long term portion	<u>661,892</u>
Total due	<u>\$ 694,944</u>

A five year maturity of the loan is as follows as of December 31, 2014:

<u>December 31,</u>	
2015	\$ 33,052
2016	34,646
2017	36,317
2018	38,069
Thereafter	<u>552,860</u>
	<u>\$ 694,944</u>

NOTE 7 – IN-KIND CONTRIBUTION AND EXPENSE

During the year ended December 31, 2014 and 2013, Pride underwent changes in its executive leadership and accounting staff. Differing management philosophies and procedures resulted in incomplete recording of in-kind contributions and expenses. Due to this fact, in-kind contribution and expenses are not being fully reported for 2014 and 2013.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, Pride has evaluated events and transactions for potential recognition or disclosure through August 19, 2015, the date the financial statements were available to be issued.