

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

LICHTER, YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

21031 VENTURA BLVD., SUITE 316
WOODLAND HILLS, CALIFORNIA 91364
TEL (818)789-0265 FAX (818) 789-3949

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of San Diego Lesbian, Gay, Bisexual, Transgender Pride (Pride)(a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraph. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pride as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2014, derived from those unaudited financial statements, has not been audited and accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Lichter, Yu & Associates". The signature is written in a cursive, flowing style.

Lichter, Yu & Associates, Inc.
Certified Public Accountants

Woodland Hills, California
September 6, 2016

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(with comparative totals for 2014)

	2015	2014 (Unaudited)
ASSETS		
Cash	\$ 92,338	\$ 177,095
Investments	326,757	538,126
Accounts receivable, net	108,780	44,623
Deposits and other assets	10,143	21,163
Fixed assets, net	997,278	1,013,583
Total Assets	\$ 1,535,296	\$ 1,794,590
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 43,742	\$ 35,694
Deposits payable	1,675	1,600
Note payable	662,326	694,944
Total Liabilities	707,743	732,238
NET ASSETS		
Unrestricted Net Assets	827,553	1,062,352
Total Net Assets	827,553	1,062,352
Total Liabilities and Net Assets	\$ 1,535,296	\$ 1,794,590

The accompanying notes are an integral part of the financial statements.

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for 2014)

	Unrestricted	
	2015	2014 (Unaudited)
REVENUE AND SUPPORT		
Revenue:		
Festival tickets	\$ 460,152	\$ 448,685
Festival booths	212,021	217,552
Beverage sales	138,290	252,127
Sponsorships and grants	341,370	217,710
Publications	8,378	17,532
Merchandise	6,240	12,431
Parade	26,230	27,368
Block party	41,548	-
Contribution	14,377	5,421
Rental	17,150	18,255
Miscellaneous	56,442	51,448
Total Revenue and Public Support	1,322,198	1,268,529
Expenses		
Festival	1,139,991	978,462
Parade	144,407	134,797
Administration	284,493	247,385
Total Expenses	1,568,891	1,360,644
Change in Net Assets From Operations	(246,693)	(92,115)
Other Income and (Expense)		
Interest and dividends	14,529	11,217
Investment gains, net	(19,738)	936
Other income	24,766	-
Other expenses	(7,663)	-
Total Other Income and (Expense)	11,894	12,153
Change in Net Assets	(234,799)	(79,962)
NET ASSETS - Beginning of Year	1,062,352	1,142,314
NET ASSETS - End of Year	\$ 827,553	\$ 1,062,352

The accompanying notes are an integral part of the financial statements.

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for 2014)

	2015				2014 (Unaudited)
	Festival	Parade/Events	Admin.	Total Expenses	Total Expenses
Salaries, payroll taxes and benefits	\$ 185,103	\$ 43,000	\$ 89,000	\$ 317,103	\$ 245,963
Payroll taxes	14,806	3,870	8,010	26,686	22,971
Employee benefits	18,657	4,334	8,970	31,961	31,390
Total salaries, payroll taxes and benefits	218,566	51,204	105,980	375,750	300,324
Program expenses	898,104	69,882	-	967,986	838,422
Interest expense	-	-	32,526	32,526	34,480
Office	-	-	41,580	41,580	31,946
Professional services	-	-	32,957	32,957	29,215
Insurance	-	-	7,120	7,120	4,597
Community outreach	8,334	8,334	-	16,668	50,180
Volunteer expenses	14,987	14,987	-	29,974	28,090
Bad debt	-	-	10,358	10,358	-
Depreciation expense	-	-	16,305	16,305	10,638
Miscellaneous	-	-	10,248	10,248	12,371
Travel	-	-	23,919	23,919	17,662
Memberships and dues	-	-	3,500	3,500	2,719
Total Expense	<u>\$ 1,139,991</u>	<u>\$ 144,407</u>	<u>\$ 284,493</u>	<u>\$ 1,568,891</u>	<u>\$ 1,360,644</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for 2014)

	2015	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (234,799)	\$ (79,962)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	16,305	10,638
Bad debt	10,358	-
Realized and unrealized investment gains, net	19,738	(936)
(Increase) in accounts receivable	(74,515)	(12,390)
Decrease (increase) in deposits and other assets	11,020	3,980
(Decrease) increase in accounts payable and accrued expenses	8,048	(1,722)
Increase (decrease) in deposit payable	75	745
NET CASH USED IN OPERATING ACTIVITIES	(243,770)	(79,647)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(42,303)	(489,826)
Proceeds from sale of investments	233,934	478,701
Purchase of fixed assests	-	(3,936)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	191,631	(15,061)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on note payable	(32,618)	(12,088)
NET CASH USED IN FINANCING ACTIVITIES	(32,618)	(12,088)
NET DECREASE IN CASH	(84,757)	(106,796)
CASH at beginning of year	177,095	283,891
CASH at end of year	\$ 92,338	\$ 177,095

The accompanying notes are an integral part of the financial statements.

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – ORGANIZATION

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

Financial Statement Presentation and Basis of Accounting

The financial statements are prepared in accordance with the AICPA Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958 *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

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 \$0 and \$1,212 in allowance for doubtful accounts at December 31, 2015 and 2014.

The total amount of accounts receivable of \$108,780 and \$44,623 as of December 31, 2015 and 2014, 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, 2015.

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, 2015.

The level in the fair value hierarchy within which a fair value measurement in it's 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, 2015 and 2014:

December 31, 2015				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Investment:				
Money market	\$ 20,890	\$ 20,890	\$ -	\$ -
Mutual funds	<u>305,867</u>	<u>305,867</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 326,757</u></u>	<u><u>\$ 326,757</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
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	<u>516,518</u>	<u>516,518</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 538,126</u></u>	<u><u>\$ 538,126</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Contributions and Promises to Give

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give, in substance and unconditionally. It is the Organization's policy to treat donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted. Donations that are not expended in the current year are classified as temporarily restricted.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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, 2015 and 2014.

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.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Pride may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the calendar year 2015.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of December 31, 2015, the Organization believes it does not have any taxable unrelated business income, and has not accrued interest or penalties related to uncertain tax positions. Pride files its Form 990 in the U.S. federal jurisdiction and a copy of it with the Office of the State's Attorney General for the State of California. Pride is generally no longer subject to examination by the Internal Revenue Service and the State of California for years before 2012.

Advertising

Advertising costs are expensed in the year incurred.

Comparative Totals for December 31, 2014

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, 2014, from which the summarized information was derived.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2015 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, 2015 and 2014, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2015 and 2014, 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>2015</u>	<u>2014</u>
Money market	\$ 20,890	\$ 21,608
Mutual funds	327,009	516,518
	<u>\$ 347,899</u>	<u>\$ 538,126</u>

Investment return consists of the following for the year ended:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 14,529	\$ 11,217
Realized and unrealized gains	(19,738)	936
	<u>\$ (5,209)</u>	<u>\$ 12,153</u>

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 84,026	\$ 84,026
Building and land	1,043,106	1,043,106
Building improvements	10,355	10,355
Accumulated depreciation	(140,209)	(123,904)
Net fixed assets	<u>\$ 997,278</u>	<u>\$ 1,013,583</u>

Depreciation expense was \$16,305 and \$10,638 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 – COMPENSATED ABSENCES

All regular full-time and part-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment and prorated by full-time equivalency. Once an employee has reached his or her vacation accrual cap, no additional time will be accrued until some vacation time is used. The date of hire will be considered the anniversary date for vacation purposes. Upon termination, employees are paid for any accumulated unpaid vacation leave. As of December 31, 2015 and 2014, vacation liability exists in the amount of \$14,960 and \$7,844, respectively.

NOTE 7 – 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 was 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, 2015, Pride had an aggregate outstanding balance of \$662,326.

As of December 31, 2015, the total loan outstanding was classified as follows:

Current portion	\$	34,105
Long term portion		<u>628,221</u>
Total due	\$	<u><u>662,326</u></u>

A five year maturity of the loan is as follows as of December 31, 2015:

<u>December 31,</u>	
2016	\$ 34,105
2017	35,775
2018	37,526
2019	39,363
Thereafter	<u>515,557</u>
	<u><u>\$ 662,326</u></u>

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, Pride has evaluated events and transactions for potential recognition or disclosure through September 6, 2016, the date the financial statements were available to be issued.