

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

LICHTER, YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, and the related statement of activities, 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, 2016, 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

We have previously audited Pride's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Lichter, Yu & Associates, Inc.
Certified Public Accountants

Woodland Hills, California
March 28, 2017

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with comparative totals for 2015)

	2016	2015
ASSETS		
Cash	\$ 552,822	\$ 92,338
Investments	-	326,757
Accounts receivable, net	119,681	108,780
Loan receivable	10,000	-
Deposits and other assets	15,812	10,143
Property and equipment, net	983,103	997,278
Total Assets	\$ 1,681,418	\$ 1,535,296
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 82,085	\$ 43,742
Deposits payable	5,281	1,675
Mortgage payable	628,223	662,326
Total Liabilities	715,589	707,743
NET ASSETS		
Unrestricted	965,829	827,553
Total Net Assets	965,829	827,553
Total Liabilities and Net Assets	\$ 1,681,418	\$ 1,535,296

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

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for 2015)

	Unrestricted	
	2016	2015
REVENUE AND SUPPORT		
Revenue:		
Festival tickets	\$ 646,001	\$ 460,152
Festival booths	214,479	212,021
Beverage sales	254,507	138,290
Publications	-	8,378
Merchandise	6,505	6,240
Parade	60,439	26,230
Block party	-	41,548
Interest and dividends	268	14,529
Investment gains, net	(13,121)	(19,738)
Rental	19,043	17,150
Miscellaneous	51,153	81,208
Public Support:		
Sponsorships and grants	538,840	341,370
Contribution	19,399	14,377
In-kind contributions	541,500	-
Total Revenue and Public Support	2,339,013	1,341,755
Functional Expenses		
Festival	1,618,862	1,139,991
Parade	124,840	144,407
Administration	457,035	292,156
Total Expenses	2,200,737	1,576,554
Change in Net Assets	138,276	(234,799)
NET ASSETS - Beginning of Year	827,553	1,062,352
NET ASSETS - End of Year	\$ 965,829	\$ 827,553

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

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for 2015)

	2016				2015
	Festival	Parade/Events	Admin.	Total Expenses	Total Expenses
Salaries, payroll taxes and benefits	\$ 145,483	\$ 45,000	\$ 116,750	\$ 307,233	\$ 317,103
Payroll taxes	13,856	3,600	9,340	26,796	26,686
Employee benefits	11,669	5,835	11,669	29,173	31,961
Total salaries, payroll taxes and benefits	<u>171,008</u>	<u>54,435</u>	<u>137,759</u>	<u>363,202</u>	<u>375,750</u>
Program expenses	892,280	56,281	-	948,561	967,986
In-kind donations	541,450	-	-	541,450	-
Interest expense	-	-	31,041	31,041	32,526
Office	-	-	59,487	59,487	41,580
Professional services	-	-	73,938	73,938	32,957
Insurance	-	-	3,137	3,137	7,120
Community outreach	5,358	5,358	-	10,716	16,668
Volunteer expenses	8,766	8,766	-	17,532	29,974
Bad debt	-	-	4,000	4,000	10,358
Depreciation expense	-	-	14,175	14,175	16,305
Miscellaneous	-	-	39,821	39,821	17,911
Travel	-	-	13,552	13,552	23,919
Memberships and dues	-	-	3,775	3,775	3,500
Grants and allocations	-	-	76,350	76,350	-
Total Expense	<u>\$ 1,618,862</u>	<u>\$ 124,840</u>	<u>\$ 457,035</u>	<u>\$ 2,200,737</u>	<u>\$ 1,576,554</u>

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

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 138,276	\$ (234,799)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	14,175	16,305
Bad debt	4,000	10,358
Realized and unrealized investment gains, net	13,121	19,738
(Increase) in accounts receivable	(14,901)	(74,515)
Decrease (increase) in deposits and other assets	(5,669)	11,020
(Decrease) increase in accounts payable and accrued expenses	38,343	8,048
Increase (decrease) in deposit payable	3,606	75
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	190,951	(243,770)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	-	(42,303)
Proceeds from sale of investments	313,636	233,934
NET CASH PROVIDED BY INVESTING ACTIVITIES	313,636	191,631
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of loan receivable	(10,000)	-
Payments on note payable	(34,103)	(32,618)
NET CASH USED IN FINANCING ACTIVITIES	(44,103)	(32,618)
NET INCREASE (DECREASE) IN CASH	460,484	(84,757)
CASH at beginning of year	92,338	177,095
CASH at end of year	\$ 552,822	\$ 92,338

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

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 no allowance for doubtful accounts at December 31, 2016 and 2015.

The total amount of accounts receivable of \$119,681 and \$108,780 as of December 31, 2016 and 2015, 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, 2016.

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, 2016.

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, 2016 and 2015:

December 31, 2016		Total	Level 1	Level 2	Level 3
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Asset:					
Cash		\$ 552,822	\$ 552,822	\$ -	\$ -
Total		<u>\$ 552,822</u>	<u>\$ 552,822</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2015		Total	Level 1	Level 2	Level 3
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Asset:					
Cash		\$ 92,338	\$ 92,338	\$ -	\$ -
Investment:					
Money market		20,890	20,890	-	-
Mutual funds		305,867	305,867	-	-
Total		<u>\$ 419,095</u>	<u>\$ 419,095</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.

Property and Equipment

Property and equipments 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

Contributed Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if no provided by donations. Details for the in-kind contributions recorded at their estimated fair market values are as follows:

	<u>December 31, 2016</u>
Advertising/Marketing	\$ 474,449
Wheel chairs	67,051
	<u>\$ 541,500</u>

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 2016.

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, 2016, 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 2013.

Advertising

Advertising costs are expensed in the year incurred.

Comparative Totals for December 31, 2015

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, 2015, from which the summarized information was derived.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2016 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, 2016 and 2015, Pride had uninsured balances of \$302,621 and \$0, respectively, 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>2016</u>	<u>2015</u>
Money market	\$ -	\$ 20,890
Mutual funds	-	305,867
	<u>\$ -</u>	<u>\$ 326,757</u>

Investment return consists of the following for the year ended:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 268	\$ 14,529
Realized and unrealized gains	(19,738)	(19,738)
	<u>\$ (19,470)</u>	<u>\$ (5,209)</u>

NOTE 5 – LOAN RECEIVABLE

On September 7, 2016, Pride made a loan to another non profit organization \$10,000. The loan is interest free and due on May 9, 2017.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</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	(154,384)	(140,209)
	<u>\$ 983,103</u>	<u>\$ 997,278</u>

Depreciation expense was \$14,175 and \$16,305 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – 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, 2016 and 2015, vacation liability exists in the amount of \$7,596 and \$14,960, respectively.

NOTE 8 – 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, 2016, Pride had an aggregate outstanding balance of \$628,223.

As of December 31, 2016, the total loan outstanding was classified as follows:

Current portion	\$	36,270
Long term portion		<u>591,953</u>
Total due	\$	<u><u>628,223</u></u>

A five year maturity of the loan is as follows as of December 31, 2016:

<u>December 31,</u>	
2017	\$ 36,270
2018	38,020
2019	41,776
2020	43,791
Thereafter	<u>468,366</u>
	<u><u>\$ 628,223</u></u>

Mortgage interest expense was \$31,041 and \$32,526 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, Pride has evaluated events and transactions for potential recognition or disclosure through March 28, 2017, the date the financial statements were available to be issued. No such material events or transactions were noted to have occurred.