

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, 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. 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, 2018, 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 "Lichter, Yu & Associates". The signature is written in a cursive, flowing style.

Lichter, Yu & Associates, Inc.
Woodland Hills, California
April 25, 2019

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(with comparative totals for 2017)

	2018	2017
ASSETS		
Cash	\$ 1,317,066	\$ 701,906
Accounts receivable, net	15,982	118,628
Loan receivable	-	5,000
Deposits and prepaid expenses	29,353	25,661
Property and equipment, net	972,410	981,927
 Total Assets	 \$ 2,334,811	 \$ 1,833,122
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 96,128	\$ 56,953
Deferred revenue	31,256	27,769
Deposits payable	1,704	6,477
Mortgage payable	554,750	592,363
 Total Liabilities	 683,838	 683,562
 NET ASSETS		
Unrestricted	1,610,620	1,148,176
Temporarily restricted	40,353	1,384
Total Net Assets	1,650,973	1,149,560
 Total Liabilities and Net Assets	 \$ 2,334,811	 \$ 1,833,122

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, 2018
(with comparative totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Revenue:				
Festival tickets	\$ 962,003	\$ -	\$ 962,003	\$ 667,588
Festival booths	279,673	-	279,673	238,364
Beverage sales	422,487	-	422,487	312,931
Merchandise	8,282	-	8,282	8,671
Parade	138,173	-	138,173	87,091
Interest and dividends	580	-	580	377
Rental	22,025	-	22,025	22,600
Miscellaneous	7,767	-	7,767	21,933
Public Support:				
Sponsorships and grants	572,010	39,099	611,109	486,675
Contribution	28,947	52,354	81,301	42,045
In-kind contributions	970,475	-	970,475	687,184
Net assests released from restrictions	52,484	(52,484)	-	-
Total Revenue and Public Support	3,464,906	38,969	3,503,875	2,575,459
Functional Expenses				
Total program	2,602,499	-	2,602,499	2,005,899
Management and general	360,811	-	360,811	385,829
Fundraising	39,152	-	39,152	-
Total Functional Expenses	3,002,462	-	3,002,462	2,391,728
Change in Net Assets	462,444	38,969	501,413	183,731
NET ASSETS - Beginning of Year	1,148,176	1,384	1,149,560	965,829
NET ASSETS - End of Year	\$ 1,610,620	\$ 40,353	\$ 1,650,973	\$ 1,149,560

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, 2018
(with comparative totals for 2017)

	2018						2017	
	Program			Total Program	Management & General	Fundraising	Total Expenses	Total Expenses
	Festival	Parade	Civic Engagement					
Salaries	\$ 154,197	\$ 33,976	\$ 94,086	\$ 282,259	\$ 114,994	\$ 20,908	\$ 418,161	\$ 309,975
Payroll taxes	12,664	2,790	7,727	23,181	9,445	1,717	34,343	27,840
Employee benefits	11,262	2,481	6,872	20,615	8,399	1,527	30,541	25,951
Total salaries, payroll taxes and benefits	178,123	39,247	108,685	326,055	132,838	24,152	483,045	363,766
Program expenses	989,065	72,159	59,689	1,120,913	-	-	1,120,913	976,879
In-kind donations	970,475	-	-	970,475	-	-	970,475	687,184
Interest expense	-	-	-	-	27,530	-	27,530	29,285
Office	-	-	-	-	74,354	-	74,354	68,360
Professional services	-	-	-	-	82,070	-	82,070	105,796
Insurance	-	-	-	-	13,552	-	13,552	8,981
Community outreach	-	-	13,073	13,073	-	-	13,073	16,082
Volunteer expenses	10,992	3,297	7,694	21,983	-	-	21,983	24,414
Depreciation expense	-	-	-	-	12,127	-	12,127	11,759
Miscellaneous	-	-	-	-	146	15,000	15,146	5,369
Travel	-	-	-	-	15,035	-	15,035	15,525
Memberships and dues	-	-	-	-	3,159	-	3,159	2,878
Grants and allocations	-	-	150,000	150,000	-	-	150,000	75,450
Total Expense	\$ 2,148,655	\$ 114,703	\$ 339,141	\$ 2,602,499	\$ 360,811	\$ 39,152	\$ 3,002,462	\$ 2,391,728

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, 2018
(with comparative totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 501,413	\$ 183,731
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	12,127	11,759
Decrease (increase) in:		
Accounts receivable	102,646	1,053
Deposits and other assets	(3,692)	(9,849)
(Decrease) increase in:		
Accounts payable and accrued expenses	39,175	(132)
Deferred revenue	3,487	2,769
Deposit payable	(4,773)	1,196
NET CASH PROVIDED BY OPERATING ACTIVITIES	650,383	190,527
CASH FLOW FROM INVESTING ACTIVITIES		
Building improvements	-	(10,583)
Purchase of fixed assets	(2,610)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,610)	(10,583)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments from loan receivable	5,000	5,000
Payments on mortgage payable	(37,613)	(35,860)
NET CASH USED IN FINANCING ACTIVITIES	(32,613)	(30,860)
NET INCREASE IN CASH	615,160	149,084
CASH at beginning of year	701,906	552,822
CASH at end of year	\$ 1,317,066	\$ 701,906

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, 2018

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 annual Pride celebration events including a parade, festival, and rally in San Diego, California, as well as year-round programming and events. The rally promotes civil rights for the LGBTQ community while the parade and festival are educational, cultural, and social events highlighting support for the LGBTQ community, promoting the exchange of ideas, and providing community members with direct access to services and care.

In addition to the annual festivities - a full week that has grown from a small grassroots march for equal rights into the largest civic event in the region - Pride has donated over \$2.5 million dollars to LGBTQ-serving nonprofits through community grants and runs multiple year-round education, advocacy, and community service programs. Pride’s programs focus on LGBTQ youth, communities of color, people with disabilities, lesbians, and military members and veterans. Over 42 volunteer-led projects benefiting LGBTQ San Diegans take place throughout of the year including: the annual Youth Leadership Academy, Orgullo Sin Fronteras (Binational LGBTQ Conference), She Fest, the #MeTooLGBT Summit, Pride World Forum, the Pride Youth Marching band, trainings, and various intersectional identity coalition meetings, such as the LatinX or APIMEDA coalitions.

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.

Temporarily restricted net assets activities consisted of the following:

	<u>Beginning Balance</u>	<u>Support</u>	<u>Expenses</u>	<u>Ending Balance</u>
Military	\$ 1,248	\$ 4,784	\$ (4,631)	\$ 1,401
Youth Zone	136	19,653	(2,017)	17,772
Trans Scholarship	-	34,548	(22,558)	11,990
Binational LGBTQ Task Force	-	5,043	(3,355)	1,688
Youth Leadership Academy	-	3,500	(2,498)	1,002
Voter Engagement	-	10,000	(3,500)	6,500
	<u>\$ 1,384</u>	<u>\$ 77,528</u>	<u>\$ (38,559)</u>	<u>\$ 40,353</u>

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, 2018.

The total amount of accounts receivable of \$15,982 as of December 31, 2018 consists of sponsorship from various entities which are deemed fully collectible within one year.

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, 2018.

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, 2018.

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, 2018:

December 31, 2018		Total	Level 1	Level 2	Level 3
Asset:					
Cash		\$ 1,317,066	\$ 1,317,066	\$ -	\$ -
Total		\$ 1,317,066	\$ 1,317,066	\$ -	\$ -

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, 2018</u>	
Media	\$	621,237
Sponsors		321,392
Food/ Store Support		27,846
	\$	<u>970,475</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 2018.

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, 2018, 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 2015.

Advertising

Advertising costs are expensed in the year incurred.

Comparative Totals for December 31, 2017

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, 2017, from which the summarized information was derived.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2018 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, 2018, Pride had uninsured balances of \$1,067,023, held at the banks. No reserve has been made on the financial statements for any possible loss due to any financial institution failure. Pride's management believes that the financial institutions holding its cash balances are financially secure.

NOTE 4 – LOAN RECEIVABLE

On September 7, 2016, Pride made a loan to another non profit organization in the amount of \$10,000. The loan is interest free and was due on May 9, 2017. Board of Directors approved an extension of the loan until November 9, 2017. As of December 31, 2017, \$5,000 remained uncollected. The amount was subsequently collected in January 2018.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>
Furniture and equipment	\$ 86,636
Building and land	1,043,106
Building improvements	20,938
Accumulated depreciation	<u>(178,270)</u>
	<u>\$ 972,410</u>

Depreciation expense was \$12,127 for the year ended December 31, 2018.

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, 2018, vacation liability exists in the amount of \$15,230.

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 was 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, 2018, Pride had an aggregate outstanding balance of \$554,750.

As of December 31, 2018, the total loan outstanding is as follows:

Current portion	\$ 39,678
Long term portion	<u>515,072</u>
Total due	<u>\$ 554,750</u>

A five year maturity of the loan is as follows as of December 31, 2018:

<u>December 31,</u>	
2019	\$ 39,678
2020	41,592
2021	43,598
2022	45,701
Thereafter	<u>384,181</u>
	<u>\$ 554,750</u>

Mortgage interest expense was \$27,530 for the year ended December 31, 2018.

NOTE 8 – LEGAL MATTERS

On November 14, 2017, Pride received notification of a claim alleging wrongful termination and defamation from a former executive director. In April 2019, the matter was settled between the plaintiff and the insurance company.

In the ordinary course of business, Pride may become subject to certain lawsuits and other potential legal actions. In the opinion of the management, such matters will not have a material effect on the financial position of the Organization as of December 31, 2018.

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, Pride has evaluated events and transactions for potential recognition or disclosure through April 25, 2019, the date the financial statements were available to be issued. No such material events or transactions were noted to have occurred.