

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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
October 9, 2020

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(with comparative totals for 2018)

	2019	2018
ASSETS		
Cash	\$ 921,529	\$ 1,317,066
Investments	600,000	-
Accounts receivable, net	189,843	15,982
Deposits and prepaid expenses	30,447	29,353
Property and equipment, net	961,548	972,410
Total Assets	\$ 2,703,367	\$ 2,334,811
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 74,638	\$ 96,128
Deferred revenue	36,526	31,256
Deposits payable	147	1,704
Mortgage payable	515,296	554,750
Total Liabilities	626,607	683,838
 NET ASSETS		
Without Donor Restrictions	1,991,752	1,610,620
With Donor Restrictions	85,008	40,353
Total Net Assets	2,076,760	1,650,973
Total Liabilities and Net Assets	\$ 2,703,367	\$ 2,334,811

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, 2019
(with comparative totals for 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
REVENUE AND SUPPORT				
Revenue:				
Festival tickets	\$ 999,776	\$ -	\$ 999,776	\$ 962,003
Festival booths	272,917	-	272,917	279,673
Beverage sales	428,593	-	428,593	422,487
Merchandise	12,824	-	12,824	8,282
Parade	90,912	-	90,912	138,173
Interest	5,364	-	5,364	580
Rental	13,381	-	13,381	22,025
Miscellaneous	9,788	-	9,788	7,767
Public Support:				
Sponsorships and grants	777,343	42,500	819,843	611,109
Contributions	52,940	80,858	133,798	81,301
In-kind contributions	980,152	-	980,152	970,475
Net assets released from purpose restrictions	78,703	(78,703)	-	-
Total Revenue and Public Support	3,722,693	44,655	3,767,348	3,503,875
Functional Expenses				
Total program	2,951,533	-	2,951,533	2,602,499
Management and general	365,571	-	365,571	360,811
Fundraising	24,457	-	24,457	39,152
Total Functional Expenses	3,341,561	-	3,341,561	3,002,462
CHANGES IN NET ASSETS	381,132	44,655	425,787	501,413
NET ASSETS - Beginning of Year	1,610,620	40,353	1,650,973	1,149,560
NET ASSETS - End of Year	\$ 1,991,752	\$ 85,008	\$ 2,076,760	\$ 1,650,973

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, 2019
(with comparative totals for 2018)

	2019						2018	
	Program			Total Program	Management & General	Fundraising	Total Expenses	Total Expenses
	Festival	Parade	Civic Engagement					
Salaries	\$ 138,998	\$ 32,076	\$ 184,439	\$ 355,513	\$ 106,921	\$ 18,711	\$ 481,145	\$ 418,161
Payroll taxes	12,202	2,816	16,191	31,209	9,386	1,643	42,238	34,343
Employee benefits	8,892	2,052	11,799	22,743	6,840	1,197	30,780	30,541
Total salaries, payroll taxes and benefits	160,092	36,944	212,429	409,465	123,147	21,551	554,163	483,045
Program expenses	1,123,004	115,384	72,389	1,310,777	-	-	1,310,777	1,120,913
In-kind donations	977,152	-	3,000	980,152	-	-	980,152	970,475
Interest expense	-	-	-	-	25,690	-	25,690	27,530
Office	-	-	621	621	81,448	-	82,069	74,354
Professional services	-	-	62	62	76,185	-	76,247	82,070
Insurance	-	-	-	-	16,912	-	16,912	13,552
Community outreach	262	-	17,118	17,380	16	-	17,396	13,073
Volunteer expenses	16,662	5,490	2,656	24,808	716	-	25,524	21,983
Bad debt	7,788	-	-	7,788	-	-	7,788	-
Depreciation expense	-	-	-	-	12,903	-	12,903	12,127
Miscellaneous	255	-	-	255	5,162	-	5,417	15,146
Travel	-	-	-	-	20,908	2,906	23,814	15,035
Memberships and dues	-	-	-	-	2,484	-	2,484	3,159
Grants and allocations	-	-	200,225	200,225	-	-	200,225	150,000
Total Expense	\$ 2,285,215	\$ 157,818	\$ 508,500	\$ 2,951,533	\$ 365,571	\$ 24,457	\$ 3,341,561	\$3,002,462

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, 2019
(with comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 425,787	\$ 501,413
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	12,903	12,127
Changes in assets and liabilities		
Accounts receivable	(173,861)	102,646
Deposits and other assets	(1,094)	(3,692)
Accounts payable and accrued expenses	(21,490)	39,175
Deferred revenue	5,270	3,487
Deposit payable	(1,557)	(4,773)
NET CASH PROVIDED BY OPERATING ACTIVITIES	245,958	650,383
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(600,000)	-
Proceeds from loan receivable	-	5,000
Purchase of fixed assests	(2,041)	(2,610)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(602,041)	2,390
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on mortgage payable	(39,454)	(37,613)
NET CASH USED IN FINANCING ACTIVITIES	(39,454)	(37,613)
NET CHANGE IN CASH	(395,537)	615,160
CASH at beginning of year	1,317,066	701,906
CASH at end of year	\$ 921,529	\$ 1,317,066

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, 2019

NOTE 1 – ORGANIZATION

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

Pride 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

Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has discretionary control over these resources. Designated amount represent those net assets that the board has set aside for a particular purpose.
- Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

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.

Comparative Financial Information

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, 2018, from which the summarized information was derived.

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 invests a portion of its cash not required for current operations in certificates of deposit. The investments are invested with the intent to hold them until maturity.

Investments were comprised of the following:

	December 31, 2019
Certificate of Deposit	\$ 600,000
Total Investments	\$ 600,000

Investment return for the years ended December 31, 2019 was as follows:

	December 31, 2019
Interest	\$ 5,364
Total Investment Income	\$ 5,364

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 an allowance of \$6,288 for doubtful accounts at December 31, 2019.

The net amount of accounts receivable of \$189,843 as of December 31, 2019 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, 2019.

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, 2019.

The level in the fair value hierarchy within which a fair value measurement in it's entirely 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, 2019:

December 31, 2019	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Certificate of Deposit	\$ 600,000	\$ 600,000	\$ -	\$ -
Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ -</u>

Revenue Recognition

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 Pride'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 donor-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, 2019</u>
Media	\$ 611,887
Sponsors	332,137
Food/ Store Support	36,128
	<u>\$ 980,152</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. Therefore, no provision for federal or California income tax is reflected in the financial statements.

Pride follows the provisions of FASB ASC 740-10, *Income Taxes*, and accordingly, Pride accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. Pride recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. Pride does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements

Concentration of credit risk

Cash and investments are financial instruments which potentially subject Pride to a concentration of credit risk. Cash in bank accounts may, at times, exceed federally insured limits. Pride has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash deposits.

Advertising

Advertising costs are expensed in the year incurred.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2019 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, 2019, Pride had uninsured balances of approximately \$660,000 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 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019
Furniture and equipment	\$ 88,678
Building and land	1,043,106
Building improvements	20,938
Accumulated depreciation	(191,174)
	<u>\$ 961,548</u>

Depreciation expense was \$12,903 for the year ended December 31, 2019.

NOTE 5 – COMPENSATED ABSENCES

All regular full-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment. 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, 2019, vacation liability exists in the amount of \$19,706.

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. Pride 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, 2019, Pride had an aggregate outstanding balance of \$515,296.

As of December 31, 2019, the total loan outstanding is as follows:

Current portion	\$	41,592
Long term portion		<u>473,704</u>
Total due	\$	<u><u>515,296</u></u>

A five year maturity of the loan is as follows as of December 31, 2019:

<u>December 31,</u>	
2020	\$ 41,592
2021	43,598
2022	45,701
2023	47,905
Thereafter	<u>336,500</u>
	<u><u>\$ 515,296</u></u>

Mortgage interest expense was \$25,690 for the year ended December 31, 2019.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2019</u>
Trans Scholarship	\$ 11,990	\$ 13,585
Binational	1,688	3,303
YLA	1,002	-
Voter Engagement	6,500	-
Youth	17,772	27,592
Military	1,401	3,063
Youth McCarthy	-	28,304
Youth Chorus	-	6,992
SheFest	-	1,875
Me Too	-	294
	<u>\$ 40,353</u>	<u>\$ 85,008</u>

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 Pride as of December 31, 2019.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Prides financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	<u>December 31, 2019</u>
Financial assets as of:	
Cash and cash equivalents	\$ 921,529
Investments	600,000
Accounts receivable, current portion	189,843
Less contractual or donor-imposed restrictions:	
Donor restrictions for specific purpose	(85,044)
	<u>\$ 1,626,328</u>

As part of the Pride’s liquidity management, it will structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 10 – SUBSEQUENT EVENTS

The financial statements were issued on and subsequent events were evaluated through October 9, 2020.

On May 7, 2020, Pride received loan proceeds in the amount of \$101,098 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.