NOVOGRADAC & COMPANY LLP®

San Francisco Lesbian Gay Bisexual Transgender Community Center

Financial Statements
with Report of Independent Auditors

June 30, 2019 and 2018

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

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Report of Independent Auditors

To the Board of Directors of
San Francisco Lesbian Gay Bisexual Transgender Community Center:

We have audited the accompanying financial statements of San Francisco Lesbian Gay Bisexual Transgender Community Center, which comprise the statements of financial position as of June 30, 2019, and the related statements 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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 San Francisco Lesbian Gay Bisexual Transgender Community Center as of June 30, 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 San Francisco Lesbian Gay Bisexual Transgender Community Center's 2018 financial statements, and our report dated December 26, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, San Francisco Lesbian Gay Bisexual Transgender Community Center adopted a change in accounting principle for financial reporting, primarily related to the presentation of net assets and required disclosures related to liquidity and functional expenses. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2020, on our consideration of San Francisco Lesbian Gay Bisexual Transgender Community Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Francisco Lesbian Gay Bisexual Transgender Community Center's internal control over financial reporting and compliance.

Novogradac & Company LLP

Long Beach, California
April 17, 2020

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(with comparative totals as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 132,730	$ 242,819
Accounts receivable, net	123,034	93,312
Grants and pledges receivable	484,438	416,507
Prepaid expenses	29,712	18,436
Note receivable - current portion (Note 6)	62,047	56,024
Total current assets	831,961	827,098
Noncurrent assets		
Restricted cash (Note 4)	255,374	281,164
Note receivable (Note 6)	160,534	222,581
Fixed assets, net (Note 2)	13,868,827	14,210,291
Deferred charges, net (Note 2)	27,103	31,355
Artwork and other assets	15,000	15,000
Total noncurrent assets	14,326,838	14,760,391
Total assets	$ 15,158,799	$ 15,587,489
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 215,085	$ 340,756
Deposits and funds held for others	53,184	53,874
Short term loans (Note 5)	5,000	5,000
Notes payable - current portion (Note 7)	3,978	3,876
Total current liabilities	277,247	403,506
Noncurrent liabilities		
Notes payable, net (Note 7)	10,015,740	9,980,568
Total noncurrent liabilities	10,015,740	9,980,568
Total liabilities	10,292,987	10,384,074
Net assets		
Without donor restrictions (Note 8)		
Board designated reserve	35,000	35,000
Undesignated	4,830,812	5,147,269
Total without donor restrictions	4,865,812	5,182,269
With donor restrictions (Note 8)	-	21,146
Total net assets	4,865,812	5,203,415
Total liabilities and net assets	$ 15,158,799	$ 15,587,489

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	With Donor Restrictions	Without Donor Restrictions	Total 2019	Total 2018
PUBLIC SUPPORT AND OTHER REVENUES				
Public support:				
Government grants	$ 1,680,018	$ -	$ 1,680,018	$ 1,630,934
Donations	932,196	2,000	934,196	677,776
Foundation and corporate	319,138	140,500	459,638	439,507
Fundraising events	220,926	-	220,926	172,456
Total public support	3,152,278	142,500	3,294,778	2,920,673
Other revenues:				
Facility rental	810,137	-	810,137	757,740
Program revenue	43,956	-	43,956	73,854
Total other revenues	854,093	-	854,093	831,594
Net assets released from temporary donor restriction	163,646	(163,646)	-	-
Total public support and other revenues	4,170,017	(21,146)	4,148,871	3,752,267
EXPENDITURES				
Program services	3,149,631	-	3,149,631	2,788,290
Management and general	193,142	-	193,142	171,778
Fundraising	569,210	-	569,210	505,649
Total expenditures	3,911,983	-	3,911,983	3,465,717
Change in net assets before depreciation and amortization	258,034	(21,146)	236,888	286,550
Depreciation expense	570,239	-	570,239	551,385
Amortization expense	4,252	-	4,252	11,162
Total depreciation and amortization	574,491	-	574,491	562,547
Change in net assets	(316,457)	(21,146)	(337,603)	(275,997)
NET ASSETS AT BEGINNING OF YEAR	5,182,269	21,146	5,203,415	5,479,412
NET ASSETS AT END OF YEAR	$ 4,865,812	$ -	$ 4,865,812	$ 5,203,415

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	Program Services				Support Services		Total	
EXPENSES	Economic Development	Community Programs	Building Services	Youth Program	Management and General	Fundraising	2019	2018
Salaries	$ 437,276	$ 170,871	$ 306,169	$ 484,147	$ 128,294	$ 314,704	$ 1,841,461	$ 1,679,614
Employee benefits	33,781	17,089	51,538	29,015	10,181	24,884	166,488	134,039
Payroll taxes	37,057	14,711	26,104	40,752	11,312	26,551	156,487	141,681
Total personnel	508,114	202,671	383,811	553,914	149,787	366,139	2,164,436	1,955,334
Professional services	194,014	10,934	50,442	87,404	660	33,023	376,477	347,372
Interest	-	-	340,770	-	-	-	340,770	372,853
Grant expenses	-	-	285,944	-	-	-	285,944	167,088
Program supplies and materials	17,448	8,812	17,175	134,716	-	500	178,651	163,654
Occupancy	-	-	179,954	-	548	-	180,502	114,512
Direct mail and donor cultivation	-	-	-	-	-	142,133	142,133	123,402
Office expense	24,617	6,986	13,385	19,390	40,838	19,523	124,739	128,843
Equipment rental	11,297	6,305	6,674	17,638	659	5,348	47,921	36,718
Dues, service fees, and insurance	8,567	4,289	15,186	8,314	615	2,450	39,421	35,392
Travel and meals	7,272	5,023	834	17,731	35	94	30,989	14,416
Conferences and meetings	-	-	-	-	-	-	-	6,133
Total expenses	$ 771,329	$ 245,020	$ 1,294,175	$ 839,107	$ 193,142	$ 569,210	$ 3,911,983	$ 3,465,717

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (337,603)	$ (275,997)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense - debt issuance costs	39,150	38,436
Depreciation expense	570,239	551,385
Amortization expense	4,252	11,162
Changes in assets and liabilities:		
Increase in accounts receivable	(29,722)	(24,201)
Increase in grants and pledges receivable	(67,931)	(258,505)
Increase in prepaid expenses	(11,276)	(5,531)
(Decrease) increase in accounts payable and accrued expenses	(63,171)	23,884
Decrease in unearned revenue	-	(24,923)
(Decrease) increase in deposits and funds held for others	(690)	6,699
Net cash provided by operating activities	103,248	42,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawals from restricted cash	25,790	733,516
Payments received on loans receivable	56,024	54,645
Purchases of fixed assets	(291,275)	(623,548)
Net cash (used in) provided by investing activities	(209,461)	164,613
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(3,876)	(158,123)
Net cash used in financing activities	(3,876)	(158,123)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(110,089)	48,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	242,819	193,920
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 132,730	$ 242,819

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 301,620	$ 334,417
NONCASH TRANSACTION FROM INVESTING AND FINANCING ACTIVITIES		
Disposal of fixed assets	$ 37,735	$ -
Decrease in accumulated depreciation from disposal of fixed assets	$ 37,735	$ -
Increase in fixed assets due to accounts payable	$ -	$ 62,500

see accompanying notes

1. Organization

San Francisco Lesbian Gay Bisexual Transgender Community Center (the "Organization") is a California nonprofit public benefit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code ("IRC") of 1986. The Organization was organized in 1996 and serves as the social, cultural, and civic center for the Bay Area's lesbian, gay, bisexual, and transgender ("LGBT") communities. The Organization is to qualify and operate as a qualified active low-income community business ("QALICB") in compliance with IRC Section 45D and the related Treasury Regulations pursuant to the New Markets Tax Credit ("NMTC") program requirements. SF LGBT Capital Fund ("Capital Fund"), a California nonprofit public benefit corporation, is a supporting organization of the Organization, formed for the benefit of, to perform on behalf of, and/or support the Organization. The Organization's programs include:

1. **Economic Development** comprehensively addresses the economic barriers faced by low- and moderate- income LGBTQ+ individuals and families by providing a combination of employment, financial, and small business services.
2. **Community Programs** help LGBTQ+ people connect to resources and build community, through Information & Referral services, Arts & Culture programming, Community Building & Policy Initiatives, and a Volunteer Program.
3. **Building Services** manage a 35,000-square-foot, state-of-the-art building, providing 15,000 square feet of below-market-rate rental space to four building tenants; 60+ hours per month of free computer, printer, & Internet access in the Cyber Center; and affordable event & meeting rental space for over 1,800 community events every year.
4. **Youth Program** provides multifaceted services and resources to address their needs and put them on the path to connection and stability, such as hot meals, drop-in space, mental health services, peer support, case management, temporary housing placement, and financial assistance.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)
Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations
The Organization acquires, renovates and leases out commercial space located in San Francisco County, California. Future operations could be affected by changes in the economic conditions in that geographic area. The Organization also receives a large portion of its support from local government sources. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of debt service and capital replacements. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk
The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

2. Summary of significant accounting policies (continued)

Contributions and pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of June 30, 2019 and 2018, the Organization's contributions receivable consisted of unconditional promises to give in the amount of $484,438 and $416,507, respectively, all of which are expected to be collected within one year.

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of June 30, 2019 and 2018, the balance of the allowance for doubtful accounts was $0 and $4,348, respectively.

Notes receivable and allowance for loan losses

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses and net of deferred loan origination fees and unearned discounts, as applicable.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

2. Summary of significant accounting policies (continued)

Notes receivable and allowance for loan losses (continued)
The Organization considers a loan impaired when based on current information or factors, it is probable that the Organization will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Organization has received specific information concerning the loan impairment. The Organization reviews delinquent loans to determine impaired accounts. The Organization measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows. None of the Organization loans are impaired as of June 30, 2019 and 2018.

The Organization's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Organization believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible. There were no loans on nonaccrual status as of June 30, 2019 or 2018.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt. As of June 30, 2019 and 2018, management believes that the Organization's loans receivable are fully collectible and as such, the allowance for loan losses was zero for both years.

Fixed assets and depreciation
Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $1,000 and improvements to property over $5,000; the fair value of donated fixed assets is similarly capitalized. Construction in progress is recorded at cost and once placed in service, will be depreciated over its estimated useful life. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 - 40 years
Furniture and equipment	3 - 5 years
Computer and software	3 - 5 years

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation (continued)
As of June 30, 2019 and 2018, fixed assets consist of:

	2019	2018
Land	$ 220,000	$ 220,000
Building and improvements	19,856,673	19,700,201
Furniture and equipment	487,609	486,202
Computer and software	252,360	219,199
Total fixed assets	20,816,642	20,625,602
Less: accumulated depreciation	(6,947,815)	(6,415,311)
Fixed assets, net	$ 13,868,827	$ 14,210,291

Deferred charges and amortization
Deferred charges are recorded at cost and amortized ratably over the 120-month period of the BALA Leases, as defined in Note 10, using the straight-line method. As of June 30, 2019 and 2018, deferred charges consist of:

	2019	2018
Lease costs	$ 42,517	$ 42,517
Less: accumulated amortization	(15,414)	(11,162)
Deferred charges, net	$ 27,103	$ 31,355

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized as of June 30, 2019 and 2018.

Debt issuance costs
The Organization presents debt issuance costs as an offset against debt on its financial statements. Debt issuance costs are amortized to interest expense using the effective interest method over the life of the associated loan.

2. Summary of significant accounting policies (continued)

Revenue recognition
Revenue from grants will be recognized over the term of the respective agreements.

Revenue resulting from special events and other income are recorded when earned.

Interest income is recognized when earned in accordance with the contractual terms of the loan agreements and promissory notes. Advance interest payments are deferred and classified as liabilities until earned.

Pursuant to Statement of Financial Accounting Standards Board Accounting Standards Codification 840-20, *Operating Leases*, lease revenue is recognized on a straight-line basis over the lease term. Rental payments are due at the beginning of each month in advance.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Income taxes
The Organization is exempt from federal income taxes under IRC Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Grant expense
Grants are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Organization receives or is notified of the refund.

2. Summary of significant accounting policies (continued)

Functional allocation of expenses
The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among program services, management and general, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel	Time and effort
Professional services	Purpose
Interest	Purpose
Grant expenses	Purpose
Program supplies and materials	Purpose
Occupancy	Purpose
Direct mail and donor cultivation	Purpose
Office expense	Purpose / time and effort
Equipment rental	Time and effort
Dues, services fees, and insurance	Purpose / time and effort
Travel and meals	Purpose
Conference and meetings	Purpose

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

Prior year summarized 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 the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Change in accounting principle
On August 18, 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these consolidated financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 132,730	$ 242,819
Restricted cash	255,374	281,164
Grants and pledges receivable	484,438	416,507
Accounts receivable	123,034	93,312
Prepaid expenses	29,712	18,436
Loans receivable	222,581	278,605
Total financial assets	1,247,869	1,330,843
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	21,146
Board designated reserve	35,000	35,000
Restricted cash	217,974	255,374
Loans receivable	160,534	222,581
Total assets not available	413,508	534,101
Financial assets available to meet general expenditures over the next twelve months	$ 834,361	$ 796,742

The Organization generally maintains operating cash reserves to meet at least 30 days of operating expenses.

4. Restricted cash

Restricted cash includes reserve accounts established for debt service and capital replacements. The Organization's restricted cash balance as of June 30, 2019 and 2018 was comprised of the following:

	2019	2018
NCCLF reserve	$ 218,609	$ 256,009
Capital replacements	36,765	25,155
Restricted cash	$ 255,374	$ 281,164

5. Short term loans

The Organization obtained unsecured loans from the board of directors and community members. These loans bear no interest. Management has evaluated the donative component of these loans and has determined donated amounts are not material for financial statement presentation. These loans are due on demand. As of June 30, 2019 and 2018, short term loans consisted of $5,000 for both years.

6. Note receivable

Bay Area Legal Aid

Pursuant to Exhibit F of the Office Lease Agreement effective March 30, 2016, the Organization made a loan to Bay Area Legal Aid ("BALA") in the principal amount of $400,000 (the "BALA Loan"). BALA agreed to repay the principal amount plus interest per annum equal to 2.5% on the unpaid principal balance from April 14, 2016 to April 13, 2023. Interest and principal shall be paid in equal quarterly installments sufficient to fully amortize the BALA Loan and all accrued but unpaid interest over such period. The loan is unsecured.

As of June 30, 2019 and 2018, note receivable was $222,581 and $278,605, respectively. As of June 30, 2019 and 2018, there was no interest receivable for both years.

7. Notes payable

Allison J. Sparks Living Trust

Allison Loan
Pursuant to the Loan Agreement dated January 31, 2017, the Organization secured a note from Allison J. Sparks Living Trust in the amount of $200,000 ("Allison Loan"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 5.85% per annum. Commencing on November 1, 2017 and through and including May 31, 2018, unpaid principal and accrued interest shall be due and payable in the amount of $50,000 on June 30, 2017, $50,000 on December 7, 2017, $55,000 on February 28, 2018, and $55,473 on May 31, 2018. This loan is unsecured. During 2018, the principal balance was fully repaid.

COCRF Sub-CDE 35, LLC

COCRF Note A
Pursuant to Promissory Note A dated April 13, 2016, the Organization secured a note from COCRF Sub-CDE 35, LLC ("COCRF") in the amount of $1,830,000 ("COCRF Note A"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 2.8633% per annum. Commencing April 13, 2016 and through and including September 1, 2024, accrued interest on the outstanding principal balance shall be due and payable in quarterly installments partially in arrears, partially in advance on the first day of each March, June, September, and December (the "Payment Dates"). On April 13, 2023, a payment of principal in the amount of $993,244 shall be due and payable. Commencing on December 1, 2024 and until April 13, 2048 (the "Maturity Date"), interest and principal in an amount sufficient to fully amortize COCRF Note A upon the Maturity Date shall be payable in quarterly installments on the Payment Dates. This note is secured by the Land, Improvements, Collateral Documents, and the Deed of Trust (collectively, the "Collateral"), as defined in the Loan Agreement dated April 13, 2016 (the "Loan Agreement").

7. Notes payable (continued)

COCRF Note B

Pursuant to Promissory Note B dated April 13, 2016, the Organization secured a note from COCRF in the amount of $1,170,000 ("COCRF Note B")(COCRF Note A and COCRF Note B are collectively, the "COCRF Notes"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 2.8633% per annum. Commencing April 13, 2016 and through and including September 1, 2024, accrued interest on the outstanding principal balance shall be due and payable in quarterly installments partially in arrears, partially in advance on the Payment Dates. Commencing on December 1, 2024 and until the Maturity Date, interest and principal in an amount sufficient to fully amortize COCRF Note B upon the Maturity Date shall be payable in quarterly installments on the Payment Dates. This note is secured by the Collateral.

NCCLF NMTC Sub-CDE 16, LLC

NCCLF Note A

Pursuant to Promissory Note A dated April 13, 2016, the Organization secured a note from NCCLF NMTC Sub-CDE 16, LLC ("NCCLF") in the amount of $4,562,800 ("NCCLF Note A"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 2.8633% per annum. Commencing April 13, 2016 and through and including September 1, 2024, accrued interest on the outstanding principal balance shall be due and payable in quarterly installments partially in arrears, partially in advance on the Payment Dates. On April 13, 2023, a payment of principal in the amount of $2,476,488 shall be due and payable. Commencing on December 1, 2024 and until the Maturity Date, interest and principal in an amount sufficient to fully amortize NCCLF Note A upon the Maturity Date shall be payable in quarterly installments on the Payment Dates. This note is secured by the Collateral.

NCCLF Note B

Pursuant to Promissory Note B dated April 13, 2016, the Organization secured a note from NCCLF in the amount of $2,692,800 ("NCCLF Note B") (NCCLF Note A and NCCLF Loan B are collectively, the "NCCLF Notes"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 2.8633% per annum. Commencing April 13, 2016 and through and including September 1, 2024, accrued interest on the outstanding principal balance shall be due and payable in quarterly installments partially in arrears, partially in advance on the Payment Dates. Commencing on December 1, 2024 and until the Maturity Date, interest and principal in an amount sufficient to fully amortize NCCLF Note B upon the Maturity Date shall be payable in quarterly installments on the Payment Dates. This note is secured by the Collateral.

Capital One, National Association

Capital One Loan

Pursuant to Promissory Note A dated April 13, 2016, the Organization secured a note from Capital One, National Association ("Capital One") in the amount of $163,087 ("Capital One Loan"). Interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 2.50% per annum. Commencing June 1, 2016 and through and including March 1, 2023, quarterly payments of principal and interest in the amount of $1,942.46 shall be due and payable on the Payment Dates. The remaining principal balance and all accrued and unpaid interest shall be due and payable on April 13, 2023. This note is secured by the Collateral.

7. Notes payable (continued)

As of June 30, 2019 and 2018, notes payable were as follows:

	2019	2018
COCRF Notes	$ 3,000,000	$ 3,000,000
NCCLF Notes	7,255,600	7,255,600
Capital One Loan	150,316	154,192
Total notes payable	10,405,916	10,409,792
Less: unamortized debt issuance costs	(386,198)	(425,348)
Notes payable, net	$ 10,019,718	$ 9,984,444

As of June 30, 2019 and 2018, there was no accrued interest for both years.

For the years ended June 30, 2019 and 2018, the effective interest rate were as follows:

	2019	2018
COCRF Note A	3.18%	3.18%
COCRF Note B	3.07%	3.07%
NCCLF Note A	3.18%	3.18%
NCCLF Note B	3.07%	3.07%

For the years ended June 30, 2019 and 2018, debt issuance costs amortized into interest expense was $39,150 and $38,436, respectively.

Future minimum principal payment requirements over the next five years are as follows:

Year ending June 30,

2020	$ 3,978
2021	4,090
2022	4,195
2023	3,607,785
2024	-
Thereafter	6,785,868
Total	$ 10,405,916

8. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Board designated	$ 35,000	$ 35,000
Undesignated	4,830,812	5,147,269
Total net assets without donor restrictions	$ 4,865,812	$ 5,182,269

8. Net assets (continued)

Net assets with donor restrictions
As of June 30, 2019 and 2018, net assets with donor restrictions consist of employment services in the amount of $0 and $21,146, respectively.

9. Grant and pledges receivable

The Organization anticipates collection of outstanding grant and pledges receivable as follows as of June 30, 2019 and 2018:

Total amounts due in:	2019	2018
One Year	$ 484,438	$ 416,507
Two to Five Years	-	-
More than Five Years	-	-
Grant and pledges receivable	$ 484,438	$ 416,507

10. Commitment and contingencies

Office rental leases

Aguilas
Pursuant to the Office Lease between the Organization and Aguilas ("Aguilas"), a California non-profit corporation, dated December 1, 2015 (the "Aguilas Lease"), the Organization leased to Aguilas office space located at 1800 Market Street in San Francisco, California. The Aguilas Lease commenced on November 1, 2016 and expires on December 1, 2020.

Asian and Pacific Islander Wellness Center, Inc.
Pursuant to the Office Lease between the Organization and Asian and Pacific Islander Wellness Center, Inc. ("API"), a California profit corporation, dated February 1, 2016 (the "API Lease"), the Organization leased to API office space located at 1800 Market Street in San Francisco, California. The API Lease commenced on November 28, 2016 and expires on November 28, 2021.

Bay Area Legal Aid
Pursuant to the Office Lease between the Organization and BALA dated March 30, 2016 (the "BALA Lease 1"), the Organization leased to BALA office space located at 1800 Market Street in San Francisco, California. The BALA Lease 1 commenced on November 18, 2016 and expires on November 18, 2026.

Pursuant to the Office Lease between the Organization and BALA dated October 31, 2016 (the "BALA Lease 2") (the BALA Lease 1 and BALA lease 2 are collectively, the "BALA Leases"), the Organization leased to BALA additional office space located at 1800 Market Street in San Francisco, California. The BALA Lease 2 commenced on January 1, 2017 and expires on December 31, 2023.

10. Commitment and contingencies (continued)

Office rental leases (continued)

City and County of San Francisco
Pursuant to the Office Lease between the Organization and the City and County of San Francisco ("SF") dated February 14, 2017 (the "SF Lease"), the Organization leased to SF office space located at 1800 Market Street in San Francisco, California. The SF Lease commenced on March 1, 2017 and expired on February 28, 2018. SF agreed to extend the term of the SF Lease for three additional one-year terms, commencing on March 1, 2018 and expiring on February 28, 2021. The lease term shall not extend beyond the fourth anniversary of the commencement date.

For the years ended June 30, 2019 and 2018, rental income, included in "Facility rental" of the statement of activities and changes in net assets, was as follows:

	2019	2018
Aguilas Lease	$ 38,204	$ 37,210
API Lease	83,398	81,763
BALA Leases	470,010	456,403
SF Lease	75,533	73,333
Total	$ 667,145	$ 648,709

As of June 30, 2019 and 2018, rent receivable, which is included in "Accounts receivables, net" of the statements of financial position, was as follows:

	2019	2018
Aguilas Lease	$ 94	$ -
API Lease	682	898
BALA Leases	-	-
SF Lease	-	-
Total	$ 776	$ 898

Future minimum lease payments over the next five years are as follows:

Year ending June 30,

2020	$ 648,726
2021	583,655
2022	527,166
2023	505,130
2024	468,655
Thereafter	1,036,712
Total	$ 3,770,044

11. New markets tax credits
On April 13, 2016, the Organization secured loans from COCRF and NCCLF (collectively, the "NMTC Lenders"). As a result of making the loans, the NMTC Lenders are eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000.

11. New markets tax credits (continued)

Pursuant to the QALICB Indemnification Agreement dated April 13, 2016 (the "Indemnification Agreement"), in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), the Organization and Capital Fund (collectively the "Indemnitors"), shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to Capital One, but only if and to the extent that such Recapture Event is the result of:

i. The Organization failing, in whole or in part, to qualify as a QALICB;
ii. The Organization's violation of any representation, warranty or covenant in the loan agreements with the NMTC Lenders;
iii. Any fraud, material misrepresentation, gross negligence, or willful misconduct of any Indemnitor or affiliates; or
iv. An Event of Default, as defined in the loan agreements with the NMTC Lenders, of any Indemnitor or affiliates.

As of June 30, 2019 and 2018, no claims or payments had been made relative to the indemnity and the Organization is not aware of the occurrence of any recapture event. The Organization has determined the likelihood of a recapture event to be remote after considering the historical rate of recapture and related factors. Accordingly, no liability has been recorded relative to the indemnity.

12. Subsequent events

Subsequent events have been evaluated through April 17, 2020, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through April 17, 2020.

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
San Francisco Lesbian Gay Bisexual Transgender Community Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Francisco Lesbian Gay Bisexual Transgender Community Center (the "Organization"), which comprise the statement of financial position as of June 30,2019, and the related statements 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, and have issued our report thereon dated April 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

Long Beach, California
April 17, 2020