NOVOGRADAC & COMPANY LLP®

San Francisco Lesbian Gay Bisexual Transgender Community Center

Financial Statements
with Report of Independent Auditors

June 30, 2020 and 2019

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 statement of financial position as of June 30, 2020, 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, 2020, 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 2019 financial statements, and our report dated April 17, 2020, 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, San Francisco Lesbian Gay Bisexual Transgender Community Center adopted changes in accounting principles related to revenue recognition, and presentation and disclosure of the statements of cash flows. Our opinion is not modified with respect to those matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 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
December 21, 2020

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(with comparative totals as of June 30, 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 817,113	$ 132,730
Accounts receivable, net	61,991	123,034
Grants and pledges receivable	601,565	484,438
Prepaid expenses	19,474	29,712
Note receivable - current portion (Note 5)	63,650	57,437
Total current assets	1,563,793	827,351
Noncurrent assets		
Restricted cash (Note 4)	189,637	255,374
Note receivable (Note 5)	101,494	165,144
Fixed assets, net (Note 2)	13,298,162	13,868,827
Deferred charges, net (Note 2)	22,851	27,103
Artwork and other assets	15,000	15,000
Total noncurrent assets	13,627,144	14,331,448
Total assets	$ 15,190,937	$ 15,158,799
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 358,723	$ 215,085
Deposits and funds held for others	88,327	53,184
Short term loans (Note 6)	5,000	5,000
Refundable advance (Note 7)	286,073	-
Notes payable - current portion (Note 8)	4,090	4,008
Total current liabilities	742,213	277,277
Noncurrent liabilities		
Notes payable, net (Note 8)	10,047,676	10,015,710
Total noncurrent liabilities	10,047,676	10,015,710
Total liabilities	10,789,889	10,292,987
Net assets		
Without donor restrictions (Note 9)		
Board designated reserve	35,000	35,000
Undesignated	4,365,568	4,830,812
Total without donor restrictions	4,400,568	4,865,812
With donor restrictions (Note 9)	480	-
Total net assets	4,401,048	4,865,812
Total liabilities and net assets	$ 15,190,937	$ 15,158,799

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, 2020

(with comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
PUBLIC SUPPORT AND OTHER REVENUES				
Public support:				
Government grants	$ 2,549,124	$ -	$ 2,549,124	$ 1,680,018
Donations	557,462	4,833	562,295	934,196
Foundation and corporate	369,796	127,586	497,382	459,638
Fundraising events	59,144	-	59,144	220,926
Total public support	3,535,526	132,419	3,667,945	3,294,778
Other revenues:				
Facility rental	743,392	-	743,392	810,137
Program revenue	78,733	-	78,733	43,956
Total other revenues	822,125	-	822,125	854,093
Net assets released from temporary donor restriction	131,939	(131,939)	-	-
Total public support and other revenues	4,489,590	480	4,490,070	4,148,871
EXPENDITURES				
Program services	3,659,223	-	3,659,223	3,149,631
Management and general	249,851	-	249,851	193,142
Fundraising	465,113	-	465,113	569,210
Total expenditures	4,374,187	-	4,374,187	3,911,983
Change in net assets before depreciation and amortization	115,403	480	115,883	236,888
Depreciation expense	576,395	-	576,395	570,239
Amortization expense	4,252	-	4,252	4,252
Total depreciation and amortization	580,647	-	580,647	574,491
Change in net assets	(465,244)	480	(464,764)	(337,603)
NET ASSETS AT BEGINNING OF YEAR	4,865,812	-	4,865,812	5,203,415
NET ASSETS AT END OF YEAR	$ 4,400,568	$ 480	$ 4,401,048	$ 4,865,812

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

(with comparative totals for the year ended June 30, 2019)

	Program Services				Support Services		Total	
EXPENSES	Economic Development	Community Programs	Building Services	Youth Program	Management and General	Fundraising	2020	2019
Salaries	$ 514,047	$ 232,900	$ 342,018	$ 645,313	$ 182,924	$ 332,533	$ 2,249,735	$ 1,841,461
Employee benefits	39,685	23,739	56,319	52,571	9,822	26,379	208,515	166,488
Payroll taxes	41,489	19,289	22,699	52,582	12,122	27,074	175,255	156,487
Total personnel	595,221	275,928	421,036	750,466	204,868	385,986	2,633,505	2,164,436
Professional services	185,413	29,623	50,312	93,372	2,267	37,957	398,944	376,477
Interest	-	-	366,697	-	-	-	366,697	340,770
Grant expenses	-	-	223,430	-	-	-	223,430	285,944
Program supplies and materials	25,191	58,124	21,334	148,076	-	653	253,378	178,651
Occupancy	-	-	202,616	-	-	-	202,616	180,502
Direct mail and donor cultivation	-	-	-	-	-	16,610	16,610	142,133
Office expense	30,662	8,886	15,696	38,225	38,991	16,622	149,082	124,739
Equipment rental	11,317	6,123	6,208	33,319	1,306	4,863	63,136	47,921
Dues, service fees, and insurance	8,155	4,701	19,052	8,210	1,001	2,375	43,494	39,421
Travel and meals	13,683	75	1,542	6,530	1,418	47	23,295	30,989
Total expenses	$ 869,642	$ 383,460	$ 1,327,923	$ 1,078,198	$ 249,851	$ 465,113	$ 4,374,187	$ 3,911,983

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

(with comparative totals for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (464,764)	$ (337,603)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense - debt issuance costs	36,056	39,150
Depreciation expense	576,395	570,239
Amortization expense	4,252	4,252
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	61,043	(29,722)
Increase in grants and pledges receivable	(117,127)	(67,931)
Decrease (increase) in prepaid expenses	10,238	(11,276)
Increase (decrease) in accounts payable and accrued expenses	143,638	(63,171)
Increase (decrease) in deposits and funds held for others	35,143	(690)
Net cash provided by operating activities	284,874	103,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on notes receivable	57,437	56,024
Purchases of fixed assets	(5,730)	(291,275)
Net cash provided by (used in) investing activities	51,707	(235,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(4,008)	(3,876)
Proceeds from refundable advance	286,073	-
Net cash provided by (used in) financing activities	282,065	(3,876)
Net change in cash, cash equivalents, and restricted cash	618,646	(135,879)
Cash, cash equivalents, and restricted cash at beginning of year	388,104	523,983
Cash, cash equivalents, and restricted cash at end of year	$ 1,006,750	$ 388,104

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

(with comparative totals for the year ended June 30, 2019)

	2020	2019
Cash and cash equivalents	$ 817,113	$ 132,730
Restricted cash	189,637	255,374
Total cash, cash equivalents, and restricted cash	$ 1,006,750	$ 388,104
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 330,641	$ 301,620
NONCASH TRANSACTION FROM INVESTING AND FINANCING ACTIVITIES		
Disposal of fixed assets	$ -	$ 37,735
Decrease in accumulated depreciation from disposal of fixed assets	$ -	$ 37,735

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2020
(with comparative totals for the year ended June 30, 2019)

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 disenfranchised LGBTQ+ teens ages 16-24 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)

Grants 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 public support. Conditional promises to give are not included as support until the conditions are met.

As of June 30, 2020 and 2019, the Organization's grants and pledges receivable consisted of unconditional promises to give in the amount of $601,565 and $484,438, 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.

Accounts receivable
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, 2020 and 2019, the balance of the allowance for doubtful accounts was $7,623 and $0, 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, 2020 and 2019.

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, 2020 or 2019.

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, 2020 and 2019, 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, 2020 and 2019, fixed assets consist of:

	2020	2019
Land	$ 220,000	$ 220,000
Building and improvements	19,856,673	19,856,673
Furniture and equipment	493,339	487,609
Computer and software	252,360	252,360
Total fixed assets	20,822,372	20,816,642
Less: accumulated depreciation	(7,524,210)	(6,947,815)
Fixed assets, net	$ 13,298,162	$ 13,868,827

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 11, using the straight-line method. As of June 30, 2020 and 2019, deferred charges consist of:

	2020	2019
Lease costs	$ 42,517	$ 42,517
Less: accumulated amortization	(19,666)	(15,414)
Deferred charges, net	$ 22,851	$ 27,103

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, 2020 and 2019.

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.

2. Summary of significant accounting policies (continued)

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.

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, 2019, from which the summarized information was derived.

2. Summary of significant accounting policies (continued)

Change in accounting principle

On July 1, 2019, the Organization adopted a new accounting standard that affects the accounting for revenue. The Organization's revenue is derived from leases which is not impacted by this standard. The Organization also derives revenue from other exchange transactions, grants, and pledges. Adopting this standard did not have a significant impact on the financial statements.

On July 1, 2019, the Organization adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds.

The effect of the revisions to the statements of cash flows for the year ended June 30, 2020 is as follows:

	As Previously Reported	Adjustment	As Revised
Net cash flows from investing activities	($ 209,461)	($ 25,790)	($ 235,251)

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at June 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 817,113	$ 132,730
Restricted cash	189,637	255,374
Grants and pledges receivable	601,565	484,438
Accounts receivable	61,991	123,034
Prepaid expenses	19,474	29,712
Loans receivable	165,144	222,581
Total financial assets	1,854,924	1,247,869
Less amounts not available to be used within one year:		
Net assets with donor restrictions	480	-
Board designated reserve	35,000	35,000
Restricted cash	136,837	217,974
Loans receivable	101,494	160,534
Total assets not available	273,811	413,508

3. Liquidity and availability of financial assets (continued)

	2020	2019
Financial assets available to meet general expenditures over the next twelve months	$ 1,581,113	$ 834,361

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, 2020 and 2019 was comprised of the following:

	2020	2019
NCCLF reserve	$ 152,872	$ 218,609
Capital replacements	36,765	36,765
Restricted cash	$ 189,637	$ 255,374

5. 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, 2020 and 2019, note receivable was $165,144 and $222,581, respectively. As of June 30, 2020 and 2019, there was no interest receivable for both years.

6. 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, 2020 and 2019, short term loans consisted of $5,000 for both years.

7. Refundable advance

The Organization obtained a loan in from the U.S. Small Business Administration's (the "SBA") Paycheck Protection Program (the "PPP Loan") in the principal amount of $553,285. The PPP Loan is forgivable for the amount of qualified expenses incurred by the Organization. The PPP Loan will begin to accrue interest at 1% per annum on October 18, 2020, when the Organization's covered period for loan forgiveness ends. Payments of principal and interest are deferred until the date that the loan forgiveness amount is remitted to the lender by the SBA. For the years ended June 30, 2020 and 2019, the Organization recognized a PPP Loan forgiveness of $267,212 and $0, respectively, which is included in government grants in the accompanying statement of activities. As of June 30, 2020 and 2019, the refundable advance was $286,073 and $0, respectively.

8. Notes payable

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").

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.

8. Notes payable (continued)

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.

8. Notes payable (continued)

As of June 30, 2020 and 2019, notes payable were as follows:

	2020	2019
COCRF Notes	$ 3,000,000	$ 3,000,000
NCCLF Notes	7,255,600	7,255,600
Capital One Loan	146,308	150,316
Total notes payable	10,401,908	10,405,916
Less: unamortized debt issuance costs	(350,142)	(386,198)
Notes payable, net	$ 10,051,766	$ 10,019,718

As of June 30, 2020 and 2019, there was no accrued interest for both years.

For the years ended June 30, 2020 and 2019, the effective interest rate were as follows:

	2020	2019
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, 2020 and 2019, debt issuance costs amortized into interest expense was \$36,056 and \$39,150, respectively.

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

Year ending June 30,

2021	$ 4,090
2022	4,195
2023	3,616,862
2024	49,982
2025	205,243
Thereafter	6,521,536
Total	$ 10,401,908

9. Net assets

Net assets without donor restrictions
Net assets without donor restrictions consist of the following as of June 30, 2020 and 2019:

	2020	2019
Board designated	$ 35,000	$ 35,000
Undesignated	4,365,568	4,830,812
Total net assets without donor restrictions	$ 4,400,568	$ 4,865,812

Net assets with donor restrictions
As of June 30, 2020 and 2019, net assets with donor restrictions consist of individual gifts in the amount of $480 and $0, respectively.

10. Grant and pledges receivable

The Organization anticipates collection of outstanding grant and pledges receivable as follows as of June 30, 2020 and 2019:

Total amounts due in:	2020	2019
One Year	$ 601,565	$ 484,438
Two to Five Years	-	-
More than Five Years	-	-
Grant and pledges receivable	$ 601,565	$ 484,438

11. 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. Pursuant to the Lease Extension Addendum dated November 3, 2020, the Aguilas Lease has been extended to December 31, 2022.

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.

11. Commitment and contingencies (continued)

Office rental leases (continued)

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.

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 eight additional one-year terms, commencing on March 1, 2018 and expiring on February 28, 2026.

For the years ended June 30, 2020 and 2019, rental income, included in "Facility rental" of the statement of activities and changes in net assets, was as follows:

	2020	2019
Aguilas Lease	$ 39,350	$ 38,204
API Lease	85,066	83,398
BALA Leases	483,576	470,010
SF Lease	77,799	75,533
Total	$ 685,791	$ 667,145

As of June 30, 2020 and 2019, rent receivable, which is included in "Accounts receivables, net" of the statements of financial position, was as follows:

	2020	2019
Aguilas Lease	$ -	$ 94
API Lease	-	682
BALA Leases	-	-
SF Lease	-	-
Total	$ -	$ 776

11. Commitment and contingencies (continued)

Office rental leases (continued)

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

Year ending June 30,

2021	$	663,734
2022		568,202
2023		522,228
2024		468,655
2025		431,006
Thereafter		605,706
Total	$	3,259,531

12. 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.

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, 2020 and 2019, 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.

13. Subsequent Events

Subsequent events have been evaluated through December 21, 2020, which is the date the financial statements were available to be issued. The following is a summary of subsequent events through December 21, 2020, in addition to that disclosed in Note 11 of the financial statements.

The spread of a novel strain of coronavirus (COVID-19) in 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 Organization'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 30,2020, 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 December 21, 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
December 21, 2020