

# **San Francisco Lesbian Gay Bisexual Transgender Community Center**

**Financial Statements  
with Report of Independent Auditors**

**June 30, 2021 and 2020**

**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:

### **Opinion**

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, 2021, 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.

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 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Francisco Lesbian Gay Bisexual Transgender Community Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Lesbian Gay Bisexual Transgender Community Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Francisco Lesbian Gay Bisexual Transgender Community Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Lesbian Gay Bisexual Transgender Community Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited San Francisco Lesbian Gay Bisexual Transgender Community Center's 2020 financial statements, and our report dated December 21, 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2022, 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  
January 31, 2022

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2021  
(with comparative totals as of June 30, 2020)

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 521,438	\$ 817,113
Accounts receivable, net	39,827	61,991
Grants and pledges receivable	741,336	601,565
Prepaid expenses	26,129	19,474
Note receivable - current portion (Note 5)	65,279	63,650
Total current assets	1,394,009	1,563,793
Noncurrent assets		
Restricted cash (Note 4)	160,057	189,637
Note receivable (Note 5)	40,977	101,494
Fixed assets, net (Note 2)	12,863,542	13,298,162
Deferred charges, net (Note 2)	18,599	22,851
Artwork and other assets	15,000	15,000
Total noncurrent assets	13,098,175	13,627,144
Total assets	\$ 14,492,184	\$ 15,190,937
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 330,099	\$ 358,723
Deposits and funds held for others	52,933	88,327
Short term loans (Note 6)	5,000	5,000
Refundable advance (Note 7)	-	286,073
Notes payable - current portion (Note 8)	4,195	4,090
Total current liabilities	392,227	742,213
Noncurrent liabilities		
Notes payable, net (Note 8)	10,078,394	10,047,676
Total noncurrent liabilities	10,078,394	10,047,676
Total liabilities	10,470,621	10,789,889
Net assets		
Without donor restrictions (Note 9)		
Board designated reserve	35,000	35,000
Undesignated	3,979,223	4,365,568
Total without donor restrictions	4,014,223	4,400,568
With donor restrictions (Note 9)	7,340	480
Total net assets	4,021,563	4,401,048
Total liabilities and net assets	\$ 14,492,184	\$ 15,190,937

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, 2021

(with comparative totals as of June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			2021	2020
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>				
Public support:				
Government grants	\$ 3,056,026	\$ -	\$ 3,056,026	\$ 2,549,124
Donations	1,693,659	518	1,694,177	562,295
Foundation and corporate	315,604	66,300	381,904	497,382
Fundraising events	130,532	14,108	144,640	59,144
Total public support	<u>5,195,821</u>	<u>80,926</u>	<u>5,276,747</u>	<u>3,667,945</u>
Other revenues:				
Facility rental	709,511	-	709,511	743,392
Program revenue	63,124	-	63,124	78,733
Total other revenues	<u>772,635</u>	<u>-</u>	<u>772,635</u>	<u>822,125</u>
Net assets released from donor restrictions	<u>74,066</u>	<u>(74,066)</u>	<u>-</u>	<u>-</u>
Total public support and other revenues	6,042,522	6,860	6,049,382	4,490,070
<b>EXPENDITURES</b>				
Program services	5,143,352	-	5,143,352	3,659,223
Management and general	273,700	-	273,700	249,851
Fundraising	433,031	-	433,031	465,113
Total expenditures	<u>5,850,083</u>	<u>-</u>	<u>5,850,083</u>	<u>4,374,187</u>
Change in net assets before depreciation and amortization	192,439	6,860	199,299	115,883
Depreciation expense	574,532	-	574,532	576,395
Amortization expense	4,252	-	4,252	4,252
Total depreciation and amortization	<u>578,784</u>	<u>-</u>	<u>578,784</u>	<u>580,647</u>
Change in net assets	(386,345)	6,860	(379,485)	(464,764)
NET ASSETS AT BEGINNING OF YEAR	<u>4,400,568</u>	<u>480</u>	<u>4,401,048</u>	<u>4,865,812</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,014,223</u>	<u>\$ 7,340</u>	<u>\$ 4,021,563</u>	<u>\$ 4,401,048</u>

see accompanying notes

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

(with comparative totals as of June 30, 2020)

EXPENSES	Program Services				Support Services		Total	
	Economic Development	Community Programs	Building Services	Youth Program	Management and General	Fundraising	2021	2020
Salaries	\$ 600,917	\$ 355,010	\$ 364,788	\$ 728,399	\$ 194,401	\$ 297,072	\$ 2,540,587	\$ 2,249,735
Employee benefits	52,897	35,930	52,901	54,080	14,220	19,464	229,492	208,515
Payroll taxes	44,068	26,850	20,241	55,092	14,418	22,206	182,875	175,255
Total personnel	697,882	417,790	437,930	837,571	223,039	338,742	2,952,954	2,633,505
Grant expenses	-	-	1,332,367	-	-	-	1,332,367	223,430
Professional services	198,519	50,110	41,106	99,911	2,627	45,133	437,406	398,944
Interest	-	-	351,720	-	-	-	351,720	366,697
Program supplies and materials	28,161	59,357	7,918	94,921	-	756	191,113	253,378
Office expense	19,180	9,515	8,665	100,464	43,035	6,733	187,592	149,082
Occupancy	-	-	143,426	-	-	-	143,426	202,616
Equipment rental	35,563	8,984	7,053	38,575	1,536	12,481	104,192	63,136
Professional development	10,254	3,574	1,135	55,243	2,239	77	72,522	-
Dues, service fees, and insurance	8,259	4,308	18,706	8,637	982	1,925	42,817	43,494
Direct mail and donor cultivation	-	-	-	-	-	27,184	27,184	16,610
Travel and meals	-	-	351	6,197	242	-	6,790	23,295
Total expenses	<u>\$ 997,818</u>	<u>\$ 553,638</u>	<u>\$ 2,350,377</u>	<u>\$ 1,241,519</u>	<u>\$ 273,700</u>	<u>\$ 433,031</u>	<u>\$ 5,850,083</u>	<u>\$ 4,374,187</u>

see accompanying notes

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**  
**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2021  
(with comparative totals as of June 30, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (379,485)	\$ (464,764)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Interest expense - debt issuance costs	34,923	36,056
Depreciation expense	574,532	576,395
Amortization expense	4,252	4,252
Forgiveness of refundable advance	(286,073)	-
Changes in operating assets and liabilities:		
Decrease in accounts receivable	22,164	61,043
Increase in grants and pledges receivable	(139,771)	(117,127)
(Increase) decrease in prepaid expenses	(6,655)	10,238
(Decrease) increase in accounts payable and accrued expenses	(28,624)	143,638
(Decrease) increase in deposits and funds held for others	(35,394)	35,143
Net cash (used in) provided by operating activities	(240,131)	284,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal payments received on notes receivable	58,888	57,437
Purchases of fixed assets	(139,912)	(5,730)
Net cash (used in) provided by investing activities	(81,024)	51,707
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(4,100)	(4,008)
Proceeds from refundable advance	-	286,073
Net cash (used in) provided by financing activities	(4,100)	282,065
Net change in cash, cash equivalents, and restricted cash	(325,255)	618,646
Cash, cash equivalents, and restricted cash at beginning of year	1,006,750	388,104
Cash, cash equivalents, and restricted cash at end of year	\$ 681,495	\$ 1,006,750

see accompanying notes



**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2021

(with comparative totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 521,438	\$ 817,113
Restricted cash	<u>160,057</u>	<u>189,637</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 681,495</u>	<u>\$ 1,006,750</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 316,797</u>	<u>\$ 330,641</u>
 <b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Forgiveness of refundable advance	<u>\$ 286,073</u>	<u>\$ -</u>

see accompanying notes

# SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

### 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 (see Notes 12 and 13). 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, and internet access in the Cyber Center; and affordable event and 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:

*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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

*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 maintains 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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

2. Summary of significant accounting policies (continued)

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, 2021 and 2020, the balance of the allowance for doubtful accounts was \$0 and \$7,623, respectively.

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, 2021 and 2020, the Organization's grants and pledges receivable consisted of unconditional promises to give in the amount of \$741,336 and \$601,565, 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.

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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

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, 2021 and 2020.

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, 2021 or 2020.

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, 2021 and 2020, 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

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation (continued)

As of June 30, 2021 and 2020, fixed assets consist of:

	2021	2020
Land	\$ 220,000	\$ 220,000
Building and improvements	19,996,585	19,856,673
Furniture and equipment	493,339	493,339
Computer and software	<u>252,360</u>	<u>252,360</u>
Total fixed assets	20,962,284	20,822,372
Less: accumulated depreciation	<u>(8,098,742)</u>	<u>(7,524,210)</u>
Fixed assets, net	<u>\$ 12,863,542</u>	<u>\$ 13,298,162</u>

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, 2021 and 2020, deferred charges consist of:

	2021	2020
Lease costs	\$ 42,517	\$ 42,517
Less: accumulated amortization	<u>(23,918)</u>	<u>(19,666)</u>
Deferred charges, net	<u>\$ 18,599</u>	<u>\$ 22,851</u>

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, 2021 and 2020.

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.

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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 statement of activities as net assets released from donor 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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

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 changes in net assets, and statement of functional expenses. 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:

<u>Expense</u>	<u>Method of Allocation</u>
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

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, 2020, from which the summarized information was derived.

Subsequent events

Subsequent events have been evaluated through January 31, 2022, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.



**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021  
 (with comparative totals for the year ended June 30, 2020)

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 521,438	\$ 817,113
Restricted cash	160,057	189,637
Accounts receivable, net	39,827	61,991
Grants and pledges receivable	741,336	601,565
Prepaid expenses	26,129	19,474
Note receivable	<u>106,256</u>	<u>165,144</u>
Total financial assets	1,595,043	1,854,924
Less amounts not available to be used within one year:		
Net assets with donor restrictions	7,340	480
Board designated reserve	35,000	35,000
Restricted cash	106,673	136,837
Note receivable, noncurrent portion	<u>40,977</u>	<u>101,494</u>
Total assets not available	<u>189,990</u>	<u>273,811</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,405,053</u>	<u>\$ 1,581,113</u>

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, 2021 and 2020 was comprised of the following:

	<u>2021</u>	<u>2020</u>
NCCLF reserve	\$ 100,072	\$ 152,872
Capital replacements	59,985	36,765
Restricted cash	<u>\$ 160,057</u>	<u>\$ 189,637</u>

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

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, 2021 and 2020, note receivable was \$106,256 and \$165,144, respectively. As of June 30, 2021 and 2020, 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, 2021 and 2020, short term loans consisted of \$5,000 for both years.

7. Refundable advance

The Organization obtained a loan 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 was forgivable for the amount of qualified expenses incurred by the Organization. The PPP Loan began to accrue interest at 1% per annum on October 18, 2020, when the Organization’s covered period for loan forgiveness ended. Payments of principal and interest were deferred until the date that the loan forgiveness amount was remitted to the lender by the SBA. For the years ended June 30, 2021 and 2020, the Organization recognized a PPP Loan forgiveness of \$286,073 and \$267,212, respectively, which is included in government grants in the accompanying statement of activities. As of June 30, 2020, the refundable advance was \$286,073. As of June 30, 2021, the PPP Loan has been fully forgiven.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

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, and the Deed of Trust (collectively, the “Collateral”), as defined in the Credit Agreement dated April 13, 2016 (the “Credit 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.

*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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

8. Notes payable (continued)

*NCCLF NMTC Sub-CDE 16, LLC*

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.

As of June 30, 2021 and 2020, notes payable were as follows:

	<u>2021</u>	<u>2020</u>
COCRF Notes	\$ 3,000,000	\$ 3,000,000
NCCLF Notes	7,255,600	7,255,600
Capital One Loan	<u>142,208</u>	<u>146,308</u>
Total notes payable	10,397,808	10,401,908
Less: unamortized debt issuance costs	<u>(315,219)</u>	<u>(350,142)</u>
Notes payable, net	<u>\$ 10,082,589</u>	<u>\$ 10,051,766</u>

As of June 30, 2021 and 2020, there was no accrued interest for both years.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021  
(with comparative totals for the year ended June 30, 2020)

8. Notes payable (continued)

For the years ended June 30, 2021 and 2020, the effective interest rates were as follows:

	<u>2021</u>	<u>2020</u>
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, 2021 and 2020, debt issuance costs amortized into interest expense was \$34,923 and \$36,056, respectively.

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

Year ending June 30,

2022	\$ 4,195
2023	3,616,862
2024	49,982
2025	205,243
2026	211,266
Thereafter	<u>6,310,260</u>
Total	<u>\$ 10,397,808</u>

9. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Board designated	\$ 35,000	\$ 35,000
Undesignated	<u>3,979,223</u>	<u>4,365,568</u>
Total net assets without donor restrictions	<u>\$ 4,014,223</u>	<u>\$ 4,400,568</u>

Net assets with donor restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Individual gifts	\$ 464	\$ 480
Community benefit events	1,763	-
Institutional giving	<u>5,113</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 7,340</u>	<u>\$ 480</u>

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

10. Grant and pledges receivable

The Organization anticipates collection of outstanding grant and pledges receivable as follows as of June 30, 2021 and 2020:

<u>Total amounts due in:</u>	<u>2021</u>	<u>2020</u>
One Year	\$ 741,336	\$ 601,565
Two to Five Years	-	-
More than Five Years	-	-
Grant and pledges receivable	<u>\$ 741,336</u>	<u>\$ 601,565</u>

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.

San Francisco Community Health Center

Pursuant to the Office Lease between the Organization and San Francisco Community Health Center (formerly known as Asian and Pacific Islander Wellness Center, Inc.) (“SFCHC”), a California nonprofit corporation, dated February 1, 2016 (the “SFCHC Lease”), the Organization leased to SFCHC office space located at 1800 Market Street in San Francisco, California. The SFCHC Lease commenced on November 28, 2016 and expires on November 28, 2021. Pursuant to the First Amendment to Office Lease dated November 22, 2021, the SFCHC Lease has been extended to November 26, 2023.

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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

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

For the years ended June 30, 2021 and 2020, rental income, included in “Facility rental” of the statement of activities and changes in net assets, was as follows:

	<u>2021</u>	<u>2020</u>
Aguilas Lease	\$ 40,111	\$ 39,350
SFCHC Lease	86,839	85,066
BALA Leases	498,920	483,576
SF Lease	80,133	77,799
Total	<u>\$ 706,003</u>	<u>\$ 685,791</u>

As of June 30, 2021 and 2020, there was no rent receivable for both years.

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

Year ending June 30,

2022	\$ 642,925
2023	546,980
2024	497,346
2025	464,317
2026	478,247
Thereafter	<u>181,322</u>
Total	<u>\$ 2,811,137</u>

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.

**SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

(with comparative totals for the year ended June 30, 2020)

12. 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, 2021 and 2020, 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. Transactions with related parties

*SF LGBT Center Capital Fund*

The Organization periodically provides contributions to Capital Fund to support the operational needs of Capital Fund. In July 2020, the Organization received a bequest from an unrelated donor in the amount of \$1,039,538. The Organization’s Board of Directors approved the contribution of these funds to Capital Fund. For the years ended June 30, 2021 and 2020, the Organization provided contributions to Capital Fund in the amount of \$1,332,367 and \$223,430, respectively.

14. Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Organization’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Organization’s tenants, donors, and grantors, all of which are uncertain and cannot be predicted. The Organization’s future results could be adversely impacted by delays in rent collections, and donors’ and grantors’ ability to provide funds. Management is unable to predict with absolutely certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.





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, 2021, 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 January 31, 2022.

*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.

*Novogradec & Company LLP*

Long Beach, California  
January 31, 2022