NOVOGRADAC & COMPANY LLP®

San Francisco Lesbian Gay Bisexual Transgender Community Center

Financial Statements
with Report of Independent Auditors

June 30, 2024 and 2023

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS	3-4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-23
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 ACCORANCE WITH *GOVERNMENT AUDITING STANDARDS*	24-25

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, 2024, 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, 2024, 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 audit. 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; and 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 2023 financial statements, and our report dated December 29, 2023, 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, 2023, 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 December 20, 2024, 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 20, 2024

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2024

(with comparative totals as of June 30, 2023)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 823,484	$ 1,148,305
Restricted cash (Note 4)	226	16,821
Accounts receivable, net	82,221	8,117
Grants and pledges receivable	1,359,948	1,137,110
Prepaid expenses	70,918	49,702
Total current assets	2,336,797	2,360,055
Noncurrent assets		
Investments (Note 12)	38,888	18,320
Fixed assets, net (Note 2)	11,377,686	11,839,815
Deferred charges, net (Note 2)	5,843	10,095
Artwork and other assets	15,000	15,000
Total noncurrent assets	11,437,417	11,883,230
Total assets	$ 13,774,214	$ 14,243,285
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 456,370	$ 348,719
Accrued interest	18,548	-
Deposits and funds held for others	59,448	53,526
Short term loans (Note 5)	5,000	5,000
Notes payable - current portion (Note 6)	48,343	40,330
Total current liabilities	587,709	447,575
Noncurrent liabilities		
Deferred compensation (Note 12)	38,888	18,320
Notes payable, net (Note 6)	3,622,977	3,663,420
Total noncurrent liabilities	3,661,865	3,681,740
Total liabilities	4,249,574	4,129,315
Net assets		
Without donor restrictions (Note 7)		
Board designated reserve	35,000	35,000
Undesignated	9,183,832	10,024,699
Total without donor restrictions	9,218,832	10,059,699
With donor restrictions (Note 7)	305,808	54,271
Total net assets	9,524,640	10,113,970
Total liabilities and net assets	$ 13,774,214	$ 14,243,285

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, 2024

(with comparative totals as of June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
PUBLIC SUPPORT AND OTHER REVENUES				
Public support:				
Government grants	$ 3,624,466	$ -	$ 3,624,466	$ 3,052,530
Donations (Note 11)	859,237	2,236	861,473	4,145,253
Foundation and corporate	361,412	620,500	981,912	687,370
Fundraising events	216,602	-	216,602	168,714
Total public support	5,061,717	622,736	5,684,453	8,053,867
Other revenues:				
Cancellation of debt income	-	-	-	3,617,696
Facility rental	832,458	-	832,458	855,498
Program revenue	19,847	4,691	24,538	34,350
Total other revenues	852,305	4,691	856,996	4,507,544
Net assets released from donor restrictions	375,890	(375,890)	-	-
Total public support and other revenues	6,289,912	251,537	6,541,449	12,561,411
EXPENDITURES				
Program services	4,985,851	-	4,985,851	4,373,442
Management and general	555,997	-	555,997	399,233
Fundraising	1,040,197	-	1,040,197	938,357
Total expenditures	6,582,045	-	6,582,045	5,711,032
Change in net assets before depreciation and amortization	(292,133)	251,537	(40,596)	6,850,379
Depreciation expense	544,482	-	544,482	542,410
Amortization expense	4,252	-	4,252	4,252
Total depreciation and amortization	548,734	-	548,734	546,662
Change in net assets	(840,867)	251,537	(589,330)	6,303,717
NET ASSETS AT BEGINNING OF YEAR	10,059,699	54,271	10,113,970	3,810,253
NET ASSETS AT END OF YEAR	$ 9,218,832	$ 305,808	$ 9,524,640	$ 10,113,970

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2024

(with comparative totals as of June 30, 2023)

	Program Services				Support Services		Total	
EXPENSES	Economic Development	Community Programs	Building Services	Youth Program	Management and General	Fundraising	2024	2023
Salaries	$ 802,841	$ 684,704	$ 415,386	$ 845,795	$ 409,701	$ 557,758	$ 3,716,185	$ 3,145,070
Employee benefits	76,596	57,288	56,398	73,050	46,841	37,353	347,526	278,204
Payroll taxes	64,260	54,821	33,330	67,732	29,898	44,764	294,805	253,974
Total personnel	943,697	796,813	505,114	986,577	486,440	639,875	4,358,516	3,677,248
Professional services	236,871	393,979	81,549	82,227	40,375	38,423	873,424	690,360
Direct mail and donor cultivation	-	-	-	-	-	301,420	301,420	265,034
Occupancy	-	7,577	240,464	-	-	-	248,041	275,897
Interest	-	-	236,088	-	-	-	236,088	324,375
Office expense	32,550	30,472	14,394	28,494	23,246	26,386	155,542	186,614
Equipment rental and maintenance	43,229	14,331	7,650	50,007	2,736	23,665	141,618	138,553
Program supplies and materials	8,267	54,870	21,366	50,862	-	1,806	137,171	65,628
Dues, service fees, and insurance	10,854	8,829	27,491	11,110	2,365	6,065	66,714	46,950
Professional development	11,128	1,948	533	36,365	835	2,004	52,813	34,495
Travel and meals	1,666	1,103	1,460	5,916	-	553	10,698	5,878
Total expenses	$ 1,288,262	$ 1,309,922	$ 1,136,109	$ 1,251,558	$ 555,997	$ 1,040,197	$ 6,582,045	$ 5,711,032

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2024

(with comparative totals as of June 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (589,330)	$ 6,303,717
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Cancellation of debt income	-	(3,617,696)
Interest expense - debt issuance costs	7,900	23,142
Depreciation expense	544,482	542,410
Amortization expense	4,252	4,252
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(74,104)	11,999
Increase in grants and pledges receivable	(222,838)	(101,582)
(Increase) decrease in prepaid expenses	(21,216)	9,851
Increase (decrease) in accounts payable and accrued expenses	107,651	(112,837)
Increase in accrued interest	18,548	-
Increase (decrease) in deposits and funds held for others	5,922	(4,687)
Increase in deferred compensation	20,568	18,320
Net cash (used in) provided by operating activities	(198,165)	3,076,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on notes receivable	-	45,883
Purchases of investments	(20,568)	(18,320)
Purchases of fixed assets	(82,353)	(4,706)
Net cash (used in) provided by investing activities	(102,921)	22,857
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(40,330)	(6,517,654)
Proceeds from note payable	-	3,750,000
Payment of debt issuance costs	-	(46,250)
Net cash used in financing activities	(40,330)	(2,813,904)
Net change in cash, cash equivalents, and restricted cash	(341,416)	285,842
Cash, cash equivalents, and restricted cash at beginning of year	1,165,126	879,284
Cash, cash equivalents, and restricted cash at end of year	$ 823,710	$ 1,165,126
Cash and cash equivalents	$ 823,484	$ 1,148,305
Restricted cash	226	16,821
Total cash, cash equivalents, and restricted cash	$ 823,710	$ 1,165,126
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 209,640	$ 301,233
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposal of fixed assets	$ -	$ 441,557
Decrease in accumulated depreciation from disposal of fixed assets	$ -	$ (441,557)

see accompanying notes

SAN FRANCISCO LESBIAN GAY BISEXUAL TRANSGENDER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2024
(with comparative totals for the year ended June 30, 2023)

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 ("LGBTQ+") 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, was a supporting organization of the Organization, formed for the benefit of, to perform on behalf of, and/or support the Organization (see Note 11). 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+ youth 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 – net assets
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.

2. Summary of significant accounting policies (continued)

Basis of presentation – net assets (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.

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, 2024 and 2023, the balance of the allowance for doubtful accounts was $1,798 and $0, 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, 2024 and 2023, the Organization's grants and pledges receivable consisted of unconditional promises to give in the amount of $1,359,948 and $1,137,110, 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.

Fair value measurements
The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)
A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

As of June 30, 2024 and 2023, money market funds in the amount of $38,888 and $18,320, respectively, are measured and recognized at fair value on a recurring basis classified under Level 1 of the fair value hierarchy. See Note 12.

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. 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

As of June 30, 2024 and 2023, fixed assets consist of:

	2024	2023
Land	$ 220,000	$ 220,000
Building and improvements	20,126,858	20,074,678
Furniture and equipment	200,220	190,684
Computer and software	138,800	118,163
Total fixed assets	20,685,878	20,603,525
Less: accumulated depreciation	(9,308,192)	(8,763,710)
Fixed assets, net	$ 11,377,686	$ 11,839,815

2. Summary of significant accounting policies (continued)

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 9, using the straight-line method. As of June 30, 2024 and 2023, deferred charges consist of:

	2024	2023
Lease costs	$ 42,517	$ 42,517
Less: accumulated amortization	(36,674)	(32,422)
Deferred charges, net	$ 5,843	$ 10,095

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, 2024 and 2023.

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 earned based on 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.

The Organization accounts for tenant leases as operating leases. The Organization determines if a contract is a lease or contains a lease at inception. At the commencement of an operating lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis. Rental payments are due at the beginning of each month in advance.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)
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.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

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

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

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

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and 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:

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

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, 2023, from which the summarized information was derived.

Subsequent events

Subsequent events have been evaluated through December 20, 2024, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at June 30, 2024 and 2023:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	$ 823,484	$ 1,148,305
Restricted cash	226	16,821
Accounts receivable, net	82,221	8,117
Grants and pledges receivable	1,359,948	1,137,110
Prepaid expenses	70,918	49,702
Total financial assets	2,336,797	2,360,055
Less amounts not available to be used within one year:		
Net assets with donor restrictions	305,808	54,271
Board designated reserve	35,000	35,000
Total assets not available	340,808	89,271
Financial assets available to meet general expenditures over the next twelve months	$ 1,995,989	$ 2,265,792

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, 2024 and 2023 was comprised of the following:

	2024	2023
Capital replacements	$ 226	$ 16,821
Restricted cash	$ 226	$ 16,821

5. Short term loans

The Organization obtained unsecured loans from the board of directors and community members. These loans bear no interest. Management has evaluated the donative component of these loans and has determined donated amounts are not material for financial statement presentation. These loans are due on demand. As of June 30, 2024 and 2023, short term loans consisted of $5,000 for both years.

6. 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 was to accrue and be payable at a rate which is equal to 2.8633% per annum with a maturity date of April 13, 2048 (the "Maturity Date"). Commencing April 13, 2016, and through and including September 1, 2024, accrued interest on the outstanding principal balance was 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 was due and payable. This note was 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"). On June 30, 2023, COCRF Note A was forgiven by COCRF. Cancellation of debt income is recognized on the accompanying statement of activities for the year ended June 30, 2023.

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 was to 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 was due and payable in quarterly installments partially in arrears, partially in advance on the Payment Dates. This note was secured by the Collateral. On June 30, 2023, COCRF Note B was forgiven by COCRF. Cancellation of debt income is recognized on the accompanying statement of activities for the year ended June 30, 2023.

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 was to accrue and be payable at a rate which was equal to 2.8633% per annum. Commencing April 13, 2016, and through and including September 1, 2024, accrued interest on the outstanding principal balance was 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 was due and payable. On June 30, 2023, NCCLF Note A was replaced with the loan from Community Vision noted below.

6. Notes payable (continued)

NCCLF NMTC Sub-CDE 16, LLC (continued)

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 was to 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 was due and payable in quarterly installments partially in arrears, partially in advance on the Payment Dates. This note was secured by the Collateral. On June 30, 2023, NCCLF Note B was forgiven by NNCLF. Cancellation of debt income is recognized on the accompanying statement of activities for the year ended June 30, 2023.

Community Vision Loan
On June 30, 2023, the Organization secured a loan from Community Vision Capital & Consulting in the amount of $3,750,000 (the "Community Vision Loan"). From June 30, 2023 through June 30, 2028, interest on the outstanding principal balance shall accrue and be payable at a rate which is equal to 6.00% per annum. From July 1, 2028 to June 30, 2033, interest on the outstanding principal balance shall accrue and be payable at the 5-year Treasury Rate in effect as of June 30, 2028, plus 2.08%. Beginning on August 1, 2023, and continuing on the first day of each calendar month thereafter through and including the maturity date, the Organization shall make payments of $22,725 in arrears of all accrued and unpaid interest plus an amount of principal sufficient to amortize the outstanding principal amount over a term of thirty years on a level payment basis. The remaining principal balance and all accrued and unpaid interest shall be due and payable on June 30, 2033. This Community Vision Loan replaces in its entirety the NCCLF Note A and is secured by the Collateral.

As of June 30, 2024 and 2023, notes payable were as follows:

	2024	2023
Community Vision Loan	$ 3,709,670	$ 3,750,000
Less: unamortized debt issuance costs	(38,350)	(46,250)
Notes payable, net	$ 3,671,320	$ 3,703,750

As of June 30, 2024 and 2023, the accrued interest was $18,548 and $0, respectively.

For the years ended June 30, 2024 and 2023, the effective interest rates were as follows:

	2024	2023
COCRF Note A	N/A	3.18%
COCRF Note B	N/A	3.07%
NCCLF Note A	N/A	3.18%
NCCLF Note B	N/A	3.07%
Community Vision Loan	6.23%	6.23%

6. Notes payable (continued)

For the years ended June 30, 2024 and 2023, debt issuance costs amortized into interest expense was $7,900 and $23,142, respectively.

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

Year ending June 30,		
2025	$	48,343
2026		51,367
2027		54,581
2028		57,400
2029		61,586
Thereafter		3,436,393
Total	$	3,709,670

7. Net assets

Net assets without donor restrictions
Net assets without donor restrictions consist of the following as of June 30, 2024 and 2023:

	2024	2023
Board designated	$ 35,000	$ 35,000
Undesignated	9,183,832	10,024,699
Total net assets without donor restrictions	$ 9,218,832	$ 10,059,699

Net assets with donor restrictions
As of June 30, 2024 and 2023, net assets with donor restrictions consist of the following:

	2024	2023
Institutional giving	301,450	54,271
Individual giving	427	-
Program revenue	3,931	-
Total net assets with donor restrictions	$ 305,808	$ 54,271

8. Grants and pledges receivable

The Organization anticipates collection of outstanding grants and pledges receivable as follows as of June 30, 2024 and 2023:

Total amounts due in:	2024	2023
One Year	$ 1,359,948	$ 1,137,110
Two to Five Years	-	-
More than Five Years	-	-
Grant and pledges receivable	$ 1,359,948	$ 1,137,110

9. Commitments 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 was to expire on December 1, 2020. Pursuant to the Lease Extension Addendum dated November 3, 2020, the Aguilas Lease was extended to December 31, 2022, after which date the lease was extended on a month-to-month basis.

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 SFHCH office space located at 1800 Market Street in San Francisco, California. The SFCHC Lease commenced on November 28, 2016 and was to expire on November 28, 2021. During 2021, the SFCHC Lease was extended to November 26, 2023. During the year ended June 30, 2024, the lease was extended to November 30, 2025 with an option to renew for additional two years.

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 expired on December 31, 2023.

9. Commitments 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, 2024 and 2023, rental income, included in "Facility rental" on the accompanying statement of activities and changes in net assets, was as follows:

	2024	2023
Aguilas Lease	$ 45,505	$ 43,327
SFCHC Lease	95,390	91,683
BALA Leases	497,250	529,042
SF Lease	87,563	85,013
Total	$ 725,708	$ 749,065

As of June 30, 2024 and 2023, there was no rent receivable for both years.

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

Year ending June 30,	
2025	$ 624,032
2026	520,503
2027	181,322
2028	-
2029	-
Total	$ 1,325,857

10. 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 were eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000.

10. 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, 2024 and 2023, 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.

As of June 30, 2023, the NMTC compliance period ended.

11. Transactions with related parties

SF LGBT Center Capital Fund

Capital Fund made annual minimum donations to the Organization to satisfy the IRS Type III non-functionally integrated 509(a)(3) supporting organization requirements. Additionally, on June 30, 2023, as part of NMTC leveraged financing, Capital Fund received payment on its leveraged loan receivable with $2,667,901 remaining receivable, which it donated to the Organization. For the year ended June 30, 2023, Capital Fund donated $3,458,768, which is included in donations revenue on the accompanying statements of activities.

On August 16, 2023, the Capital Fund legally merged with the Organization and $230,151 of remaining total assets from Capital Fund were transferred to the Organization.

12. Deferred compensation plan

In July 2022, the Organization established a deferred compensation plan intended to qualify under Section 457 of the Internal Revenue Code. The plan covers the Organization's Executive Director who is allowed to contribute up to the maximum dollar amount allowed by IRS regulations. The Organization makes matching contributions at the discretion of management and the board of directors, which totaled $20,568 and $18,320 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the market value of plan 457 account was $38,888 and $18,320, respectively, and was offset by deferred compensation liability in the same amount on the accompanying statement of financial position. The deferred compensation paid out to the Executive Director upon termination of employment will be reported as wages.

<u>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*</u>

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, 2024, 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 20, 2024.

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 and significant deficiencies 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 20, 2024