

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2009

**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

AUDITED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Independent Accountant's Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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INDEPENDENT ACCOUNTANT'S REPORT

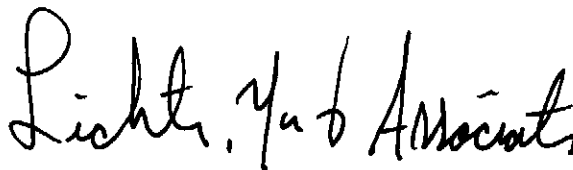
To the Board of Directors
San Diego Lesbian, Gay, Bisexual, Transgender Pride
San Diego, California

We have audited the accompanying statements of financial position of the San Diego Lesbian, Gay, Bisexual, Transgender Pride as of December 31, 2009 and the related statement of activities, statement of functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the San Diego Lesbian, Gay, Bisexual, Transgender Pride's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Lesbian, Gay, Bisexual, Transgender Pride as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with United States generally accepted accounting principles.

Lichter, Yu & Associates
Certified Public Accountants



Encino, California
October 6, 2010

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS	
Cash	\$ 367,259
Investments	498,502
Deposits and other assets	<u>500</u>
Total Current Assets	866,261
Fixed Assets	
Fixed assets (Net of accumulated depreciation of \$22,082)	<u>1,064,271</u>
Total Assets	<u>\$ 1,930,532</u>
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 33,588
Deposits payable	2,160
Current portion, mortgage payable	<u>11,604</u>
Total Current Liabilities	47,352
Mortgage payable, net of current portion	<u>742,455</u>
Total Liabilities	<u>789,807</u>
NET ASSETS	
Unrestricted Net Assets	<u>1,140,725</u>
Total Net Assets	<u>1,140,725</u>
Total Liabilities and Net Assets	<u>\$ 1,930,532</u>

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted
REVENUE AND SUPPORT	
Revenue:	
Festival tickets	\$ 393,670
Festival booths	236,033
Beverage sales	173,887
Sponsorships	144,862
Publications	26,406
Merchandise	7,606
Parade	27,643
Contributions	74,573
Miscellaneous	27,519
	1,112,199
Support:	
In-kind contributions	326,672
Total Revenue and Public Support	1,438,871
Expenses	
Festival	886,865
Parade	273,640
Mentorship	15,059
Fundraising	89,193
Administration	205,650
Total Expenses	1,470,407
Change in Net Assets From Operations	(31,536)
Other Income and (Expense)	
Grants to third parties	(15,020)
Interest and dividends	18,585
Unrealized investment gains (losses), net	96,656
Total Other Income and (Expense)	100,221
Change in Net Assets	68,685
NET ASSETS - Beginning of Year	1,072,040
NET ASSETS - End of Year	\$ 1,140,725

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Festival</u>	<u>Parade/Events</u>	<u>Mentorship</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Expenses</u>
Salaries, Payroll Taxes and Benefits	\$ 161,764	\$ 84,617	\$ 15,059	\$ 89,075	\$ 92,001	\$ 442,516
Program expenses	480,007	90,295	-	-	230	570,532
In-kind expenses	232,303	94,369	-	-	-	326,672
Office	-	-	-	-	60,834	60,834
Public Relations and Advertising	1,245	1,113	-	118	20,066	22,542
Volunteer expenses	11,546	3,246	-	-	-	14,792
Depreciation expense	-	-	-	-	15,942	15,942
Miscellaneous	-	-	-	-	1,049	1,049
Travel	-	-	-	-	13,510	13,510
Memberships and dues	-	-	-	-	2,018	2,018
Total Expense	<u>\$ 886,865</u>	<u>\$ 273,640</u>	<u>\$ 15,059</u>	<u>\$ 89,193</u>	<u>\$ 205,650</u>	<u>\$ 1,470,407</u>

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	68,685
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense		15,942
Unrealized investment (gains) losses, net		(96,656)
(Increase) decrease in accounts receivable		6,461
(Increase) decrease in deposits and other assets		(500)
Increase (decrease) in accounts payable and accrued expenses		15,185
Increase (decrease) in deposits payable		960
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>10,077</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments		(16,436)
Purchase of fixed assets		<u>(1,062,918)</u>

NET CASH (USED IN) BY INVESTING ACTIVITIES		<u>(1,079,354)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from mortgage payable		755,000
Payments to mortgage payable		<u>(941)</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>754,059</u>
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NET (DECREASE) IN CASH		(315,218)
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CASH at beginning of year		<u>682,477</u>
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CASH at end of year	\$	<u>367,259</u>
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**SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 – NATURE OF OPERATIONS

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

The Organization coordinates and presents an annual lesbian, gay, bisexual and transgender parade, festival and rally in San Diego, California. The rally promotes civil rights for lesbians and gays. The parade and festival are an educational, cultural and social event to show support for the lesbian and gay community and promote the exchange of ideas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In accordance with FASB Accounting Standards Codification FASB ASC 958-210-45, formerly known as Statement of Financial Accounting Standards (“SFAS”) No. 117, Financial Statements for Not-for-Profit Organizations. Under the provision of FASB ASC 958-210-45, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the project and changes therein are classified as follows:

Unrestricted Net Assets - Assets which have not been restricted for a specific time period. These assets may have been designated by a foundation to be used for a specific purpose through the intention of the donor.

Temporarily Restricted Net Assets - Assets due to variance powers are not subject to purpose restrictions, but may have been limited for use by donors for a specific time period.

Permanently Restricted Net Assets - Assets for which the donor contribution does not allow principal invasions in the gift instrument, and the governing documents of a foundation do not provide for the invasion of corpus.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates, and those might be material.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or fewer are considered to be cash equivalent.

Investments

Marketable securities are valued at quoted market prices on the stated valuation date in the statement of financial position with any unrealized gains and losses reported in the statement of activities.

Contributions and Pledges

Contributions and pledges are recorded as unrestricted (both undesignated and designated for specific purposes), temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions when received or unconditionally promised. Restricted net assets are reclassified to unrestricted net assets when donor restrictions expire. This occurs when a donor stipulated time restriction ends or a donor stipulated purpose restriction is accomplished. Such reclassifications are reported as net assets released from donor restrictions. As of December 31, 2009, no pledges were recorded.

Donated Goods and Services

Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Donated goods and services are recorded at estimated fair market value on the date of the gift. Contributed auxiliary services are not reflected in the financial statements.

Fixed Assets

Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures and equipment over 3 to 10 years and buildings over 31 to 40 years

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the festival, parade and supporting services benefited in a manner management believes to be reasonable and appropriate.

Income Taxes

Pride is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, under 509(a) of the Internal Revenue Code, Pride is not a private foundation. Further, Pride has no unrelated business taxable income arising from its activities that are subject to taxation.

Advertising

Advertising costs are expensed in the year incurred.

NOTE 3 – CASH

Pride maintains its cash balances at various banks in the San Diego area that management deems financially secure. As of December 31, 2009, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2009, Pride did not have any uninsured portion of the balances held at the banks. No reserve has been made on the financial statements for any possible loss due to any financial institution failure.

NOTE 4 – CREDIT RISK

Since financial institutions generally have no responsibility with respect to deposits in transit and outstanding checks, in the event of a financial institution failure, the financial institutions will not honor deposits in transit and outstanding checks. The actual risk [the bank's liability to its customer (i.e., Pride)] arising from cash deposits at such entities equals the balances reported by them, exclusive of the customer's deposits in transit and outstanding checks (i.e., a month end bank statement balance).

NOTE 5 – INVESTMENTS

In accordance with FASB Accounting Standards Codification 958-320-25, formerly known as SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in securities are recorded at market value. As of December 31, 2009, investments consisted of a wide variety of common stocks of U.S corporations and certificates of deposit. The national and international economies are weakening and probably will not recover in the near term. The eventual total impact to the securities market is currently unknown. There is no guarantee of the current report values or the future reported values that might arise from future fluctuations. Any future losses arising from market changes, or otherwise, will have a negative impact on the value of Pride’s investments.

Investments at fair value at:

	<u>Cost</u>	<u>Fair Value</u>
December 31, 2009		
Mutual funds	\$ 428,321	\$ 387,485
Certificate of deposit	111,017	111,017
	<u>\$ 539,338</u>	<u>\$ 498,502</u>

NOTE 6 – FIXED ASSETS

Fixed assets consist of the following:

	<u>2009</u>
Furniture and equipment	\$ 32,892
Building and land	1,043,106
Building improvements	10,355
Accumulated depreciation	<u>(22,082)</u>
Net fixed assets	<u>\$ 1,064,271</u>

NOTE 7 – COMPENSATED ABSENCES

Employees earn annual vacation leave according to the policies of the Organization. At termination, employees are paid for any accumulated unpaid annual vacation leave. As of December 31, 2009 an accrued vacation liability exists in the amount of \$10,101.

NOTE 8 – RELATED PARTY TRANSACTION

In October 2009, the Board of Directors of Pride unanimously approved to reward Dr. Philip Princetta, former Board Chair, with a \$5,000 stipend for his services to Pride since 2002. This payment was later determined to be against the by-laws of the Organization and was repaid in January 2010. See Note 10.

NOTE 9 – MORTGAGE PAYABLE

In September 2010, Pride purchased a building in the amount of \$1,030,000 to be used as its primary location. The building was purchased with a mortgage payable to Wells Fargo Bank for \$755,000. The terms of the current note payable is interest at 5% per annum, monthly payments of \$4,087 until October 15, 2014 when the final payment of approximately \$703,960 is due. The mortgage note is a first trust deed secured by the building. As of December 31, 2009, Pride had an aggregate outstanding balance of \$754,059.

As of December 31, 2009, the total loan outstanding was classified as follows:

	<u>2009</u>
Current portion	\$ 11,604
Long term portion	<u>742,455</u>
Total due	<u>\$ 754,059</u>

A five year maturity of the loan is as follows as of December 31, 2009:

	<u>December 31,</u>	
2010	\$	<u>11,604</u>
2011		12,197
2012		12,821
2013		13,477
Thereafter		<u>703,960</u>
	\$	<u>754,059</u>

NOTE 10 – SUBSEQUENT EVENT

Lawsuit

There is current litigation against Pride filed on May 27, 2010 by former Executive Director Ronald DeHarte (“DeHarte”) alleging wrongful termination, violation of Labor Code Section 203, and invasion of privacy. Upon further investigation of DeHarte’s claims, Pride has responded by filing an Answer and general denial. Pride will also be filing a cross-complaint against DeHarte, alleging attempted extortion, negligence in violation of Labor Code 2854, and breach of fiduciary duty.

Related Party

On January 7, 2010, Dr. Philip Princetta, former Board Chair, repaid the stipend check in the amount of \$5,000 that was paid to him on October 6, 2009.