

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

**REVIEWED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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

**REVIEWED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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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 reviewed the accompanying statements of financial position of the San Diego Lesbian, Gay, Bisexual, Transgender Pride as of December 31, 2010, and the related statements of activities and cash flows for the year ended December 31, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of San Diego Lesbian, Gay, Bisexual, Transgender Pride.

Except as discussed in the following paragraph, a review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

As disclosed in note 9 to the financial statements, management has decided not to record the in-kind contributions and expenses for the year ended December 31, 2010, whereas they had previously recorded them. In our opinion, accounting principles generally accepted in the United States of America require that such donated assets be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded in-kind contributions and expenses on the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, except as discussed in note 9, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2009, were audited by us and we expressed an unqualified opinion on them in our report dated October 6, 2010, but we have not performed any auditing procedures since that date.



Encino, California  
September 16, 2011

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

	2010 (Unaudited)	2009 (Audited)
<b>ASSETS</b>		
Cash	\$ 483,476	\$ 367,259
Investments	310,159	498,502
Accounts receivable	2,500	-
Deposits and other assets	500	500
Total Current Assets	796,635	866,261
Fixed Assets		
Fixed assets (Net of accumulated depreciation of \$41,635 and \$22,082)	1,044,718	1,064,271
	1,044,718	1,064,271
Total Assets	\$ 1,841,353	\$ 1,930,532
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 8,511	\$ 33,588
Deposits payable	2,480	2,160
Current portion, note payable	12,170	11,604
Total Current Liabilities	23,161	47,352
Notes payable, net of current portion	730,817	742,455
Total Liabilities	753,978	789,807
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,087,375	1,140,725
Total Net Assets	1,087,375	1,140,725
Total Liabilities and Net Assets	\$ 1,841,353	\$ 1,930,532

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Unrestricted	
	2010	2009
	(Unaudited)	(Audited)
<b>REVENUE AND SUPPORT</b>		
Revenue:		
Festival tickets	\$ 427,261	\$ 393,670
Festival booths	209,876	236,033
Beverage sales	185,654	173,887
Sponsorships	95,061	144,862
Publications	21,818	26,406
Merchandise	8,046	7,606
Parade	29,777	27,643
Contribution	3,042	74,573
Miscellaneous	29,236	27,518
	1,009,771	1,112,198
Support:		
In-kind contributions	541	326,672
Total Revenue and Public Support	1,010,312	1,438,870
Expenses		
Festival	649,456	886,865
Parade	130,274	273,640
Mentorship	3,400	15,059
Fund Raising	-	89,193
Administration	313,054	205,650
Total Expenses	1,096,184	1,470,407
Change in Net Assets From Operations	(85,872)	(31,537)
Other Income and (Expense)		
Grants to third parties	-	(15,020)
Interest and dividends	23,432	18,585
Unrealized investment gains (losses), net	9,091	96,656
Total Other Income and (Expense)	32,523	100,222
Change in Net Assets	(53,349)	68,685
NET ASSETS - Beginning of Year	1,140,725	1,072,040
NET ASSETS - End of Year	\$ 1,087,375	\$ 1,140,725

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2010  
(Unaudited)

	Festival	Parade/Events	Mentorship	Fund- Raising	Admin.	Total Expenses
Salaries, payroll taxes and benefits	\$ 124,886	\$ 49,690	\$ 3,400	\$ -	\$ 95,028	\$ 273,004
Program expenses	507,257	76,256	-	-	-	583,513
In-kind expenses	432	108	-	-	-	540
Office	-	-	-	-	120,979	120,979
Public relations and advertising	-	-	-	-	31,172	31,172
Volunteer expenses	16,881	4,220	-	-	-	21,101
Depreciation expense	-	-	-	-	19,553	19,553
Miscellaneous	-	-	-	-	41,808	41,808
Travel	-	-	-	-	2,239	2,239
Memberships and dues	-	-	-	-	2,275	2,275
<b>Total Expense</b>	<b>\$ 649,456</b>	<b>\$ 130,274</b>	<b>\$ 3,400</b>	<b>\$ -</b>	<b>\$ 313,054</b>	<b>\$ 1,096,184</b>

2009  
(Audited)

	Festival	Parade/Events	Mentorship	Fund- Raising	Admin.	Total Expenses
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
<b>Total Expense</b>	<b>\$ 886,865</b>	<b>\$ 273,640</b>	<b>\$ 15,059</b>	<b>\$ 89,193</b>	<b>\$ 205,650</b>	<b>\$ 1,470,407</b>

See accompanying notes and accountant's report

SAN DIEGO LESBIAN, GAY, BISEXUAL, TRANSGENDER PRIDE  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010 (Unaudited)	2009 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (53,349)	\$ 68,685
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	19,553	15,942
Unrealized investment (gains) losses, net	(9,091)	(96,656)
(Increase) decrease in accounts receivable	(2,500)	6,461
(Increase) decrease in deposits and other assets	-	(500)
Increase (decrease) in accounts payable and accrued expenses	(25,077)	15,185
Increase (decrease) in deposit payable	320	960
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(70,144)	10,077
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	-	(16,436)
Proceeds from sale of investments	197,434	-
Purchase of fixed assets	-	(1,062,918)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	197,434	(1,079,354)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	755,000
Payments on note payable	(11,072)	(941)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(11,072)	754,059
NET INCREASE (DECREASE) IN CASH	116,218	(315,219)
CASH at beginning of year	367,259	682,477
CASH at end of year	\$ 483,476	\$ 367,259

See accompanying notes and accountant's report

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

**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
DECEMBER 31, 2010**

**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, 2010, 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, 2010, the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2010, 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 – 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, 2010 and 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>(Unaudited)</u>	<u>Fair Value</u> <u>(Unaudited)</u>
December 31, 2010		
Mutual funds	\$ 262,850	\$ 310,159
	<u>\$ 262,850</u>	<u>\$ 310,159</u>
	<u>Cost</u> <u>(Audited)</u>	<u>Fair Value</u> <u>(Audited)</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 5 – FIXED ASSETS**

Fixed assets consist of the following:

	2010 <u>(Unaudited)</u>	2009 <u>(Audited)</u>
Furniture and equipment	\$ 32,892	\$ 32,892
Building and land	1,043,106	\$ 1,043,106
Building improvements	10,355	\$ 10,355
Accumulated depreciation	<u>(41,635)</u>	<u>(22,082)</u>
Net fixed assets	<u>\$ 1,044,718</u>	<u>\$ 1,064,271</u>

**NOTE 6 – 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.

**NOTE 7 – LITIGATION**

On May 27, 2010, former Executive Director, Ronald DeHarte (“DeHarte”) filed a lawsuit against Pride alleging causes of action for (1) wrongful termination, (2) violation of Labor Code Section 203, and (3) invasion of privacy. DeHarte claims that Pride unlawfully terminated his employment and retaliated against him, because he exercised his rights under the Organization’s “Whistle Blower Policy.” Specifically, DeHarte alleges that Pride terminated him because he raised concerns that the former Board Chair received an allegedly unlawful payment of \$5,000 from the Organization’s fund.

Upon investigation of DeHarte’s claim, Pride determined that DeHarte unlawfully attempted to blackmail the former Board Chair and Treasurer by offering to make the allegedly unlawful payment “go away” and ensure that the California Attorney General would not be contacted, in exchange for the Board Chair’s resignation. Based on this information, Pride has determined that along with the filing of an Answer and general denial to DeHarte’s complaint, it will be filing a cross-complaint against DeHarte alleging (1) attempted extortion, (2) negligence in violation of Labor Code Section 2854, and (3) breach of fiduciary duty.

**NOTE 8 – MORTGAGE PAYABLE**

In September 2009, Pride purchased a building in the amount of \$1,030,000 to be used as its primary location. The Organization made a cash down payment of \$275,000 and entered into a mortgage payable arrangement with Wells Fargo Bank for \$755,000. The terms of the mortgage 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, 2010, Pride had an aggregate outstanding balance of \$742,987.

As of December 31, 2010, the total loan outstanding was classified as follows:

	<u>2010</u>
Current portion	\$ 12,170
Long term portion	<u>730,817</u>
Total due	<u>\$ 742,987</u>

A five year maturity of the loan is as follows as of December 31, 2010:

<u>December 31,</u>	
2011	\$ 12,170
2012	12,793
2013	13,477
2014	14,135
Thereafter	<u>690,412</u>
	<u>\$ 742,987</u>

**NOTE 9 – IN-KIND CONTRIBUTION AND EXPENSE**

During the year ended December 31, 2010, Pride underwent changes in its executive leadership and accounting staff. Differing management philosophies and procedures resulted in irreconcilable recording of in-kind contributions and expenses. Due to this fact, in-kind contribution and expenses are not being reported for 2010. Pride has subsequently adopted and implemented a consistent recording system for in-kind contributions and expenses.

**NOTE 10 – SUBSEQUENT EVENT**

The litigation between, former Executive Director, Ronald DeHarte (“DeHarte”) and Pride has been settled. It was not necessary to accrue any amount for the settlement as of December 31, 2010.