

One In Long Beach, Inc.

Audited  
Financial Statements  
December 31, 2006

# Katherine Gluck, CPA

Consulting & Accounting Advisory Services

To the Board of Directors  
One In Long Beach, Inc.

I have audited the accompany statement of financial position of ONE IN LONG BEACH, INC. (a California not-for-profit corporation) as of December 31, 2006 and the related statement of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ONE IN LONG BEACH, INC. as of December 31, 2006 and the changes in its net assets, it activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The December 31, 2005 financial statements of ONE IN LONG BEACH, INC. were audited by other accountants whose report, dated September 5, 2006, stated that they were not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



June 23, 2008

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 152,605	\$ 55,554	\$ 208,159
Accounts receivable	9,934	2,000	11,934
Promises to give	21,317	-	21,317
Prepaid expenses	1,634	-	1,634
Fixed assets, net	482,384	-	482,384
Other assets	4,397	-	4,397
<b>TOTAL ASSETS</b>	<b>672,271</b>	<b>57,554</b>	<b>729,825</b>
 <b>LIABILITIES</b>			
Accounts payable	13,629	-	13,629
Accrued liabilities	12,851	-	12,851
Deposits	2,950	-	2,950
Deferred revenue	58,192	-	58,192
Note payable	560,941	-	560,941
<b>TOTAL LIABILITIES</b>	<b>648,563</b>	<b>-</b>	<b>648,563</b>
 <b>NET ASSETS</b>			
Unrestricted	23,708	-	23,708
Temporarily restricted	-	57,554	57,554
<b>TOTAL NET ASSETS</b>	<b>23,708</b>	<b>57,554</b>	<b>81,262</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>672,271</b>	<b>57,554</b>	<b>729,825</b>

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Year Ended December 31, 2006		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions and grants	\$ 289,639	\$ 57,554	\$ 347,193
In kind contributions	28,099	-	28,099
Special events	6,282	-	6,282
Interest income	4,397	-	4,397
Rental income	53,150	-	53,150
Other income	8,623	-	8,623
	390,190	57,554	447,744
 Net assets released from restrictions	 29,050	 (29,050)	 -
 <b>TOTAL SUPPORT AND REVENUES</b>	 419,240	 28,504	 447,744
 <b>EXPENSES</b>			
Program services	235,811	-	235,811
Fundraising	120,487	-	120,487
Management and general	90,184	-	90,184
	446,483	-	446,483
 <b>CHANGE IN NET ASSETS</b>	 (27,243)	 28,504	 1,261
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 50,951	 29,050	 80,001
 <b>NET ASSETS AT END OF YEAR</b>	 23,708	 57,554	 81,262

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Cash flows from operating activities:	
Change in net assets	\$ 1,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	20,255
(Increase) decrease in promises to give and receivables	6,599
(Increase) decrease in prepaid expenses	4,954
Increase (decrease) in deposits	450
Increase (decrease) in accounts payable	12,695
Increase (decrease) in accrued expenses	7,479
Net cash provided by operating activities	53,693
Cash flows from investing activities:	
Payments for building improvements and equipment	(90,073)
Net cash (used) by investing activities	(90,073)
Cash flows from financing activities:	
Payments on note payable	(16,635)
Net cash (used) by financing activities	(16,635)
Net (decrease) in cash and cash equivalents	(53,015)
Cash and cash equivalents at beginning of year	261,174
Cash and cash equivalents at end of year	208,159
Supplemental disclosure:	
Donated materials, supplies and services	\$ 28,099
Interest expense	34,877

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Programs	Fundraising	Management and General	Total
Advertising	\$ 25	\$ 25	\$ 264	\$ 314
Bank fees	-	-	1,407	1,407
Books and publications	20	30	-	50
Computer maintenance	768	1,165	288	2,221
Conferences and meetings	50	117	226	393
Database management	-	2,381	-	2,381
Depreciation and amortization	12,344	4,500	3,411	20,255
Donated materials and supplies	1,708	5,807	868	8,383
Dues and subscriptions	-	-	350	350
Employee health benefits	5,358	1,419	911	7,689
Insurance	8,048	3,230	2,155	13,433
Interest	20,887	8,404	5,586	34,877
Licenses and fees	127	73	29	229
Meeting expenses	68	135	735	938
Miscellaneous	138	3,046	94	3,278
Outside services	1,543	942	19,814	22,299
Payroll taxes and worker's compensation	15,213	6,480	4,222	25,915
Postage and delivery	192	1,915	991	3,097
Printing	8,624	8,588	718	17,929
Program supplies	2,753	-	-	2,753
Property taxes	859	351	227	1,437
Repairs and maintenance	6,074	2,451	893	9,418
Salaries and wages	138,082	64,148	39,974	242,205
Supplies	2,224	979	2,135	5,338
Telephone and internet	3,985	1,689	2,704	8,378
Travel	324	126	430	880
Utilities	6,432	2,486	1,717	10,636
	<u>235,811</u>	<u>120,487</u>	<u>90,184</u>	<u>446,483</u>

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1 - ORGANIZATION AND ACTIVITIES**

One In Long Beach, Inc. (dba the "Center") is a public benefit corporation, recognized by the IRS as a 510(C)(3) nonprofit corporation, organized under California law in 1980. The Center provides support to inform and connect the lesbian, gay, bisexual and transgender communities through the following four core service areas: information and education, health and well-being, cultural and social activities and social justice. The Center serves over 21,000 people a year through its twenty-three programs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 2006, the Center had no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking, saving and money market accounts.

Receivables

Accounts receivable and promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006, the Center had no uninsured balances. The Center has not experienced any losses on its cash or cash equivalents.

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

Property and Equipment

Property and equipment are stated at cost or at the fair value at the date of donation in the case of donated assets. The Center provides for depreciation and amortization of property and equipment by use of the straight-line method over the estimated useful lives of the asset. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Services

The Center has a generous volunteer base that contributes their time and energy to the Organization's activities. As prescribed by Statement of Financial Accounting Standards No. 116, *Accounting of Contributions Received and Contributions Made*, contributions of services are recognized if the services received require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized.

Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Center is also exempt from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

Risks and Uncertainties

Certain of the Center's services are governed by program agreements with governmental agencies. There can be no assurances that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Center's financial position and results of activities. Historically, the Center has successfully obtained all of the grants it has deemed necessary to continue its operations without significant problems. For the year ended December 31, 2006, the Center received 32% of its funding from county governmental grants.

NOTE 3 - RECEIVABLES

Receivables at December 31, 2006 consist of the following:

Receivables	\$ 11,934
Promises due from donors	21,317
Less allowance for uncollectible promises	<u>(-)</u>
Total promises to give, net	<u>\$ 33,251</u>

Promises to give at December 31, 2006 are due as follows:

Less than one year	\$ 33,251
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NOTE 4 - FIXED ASSETS

Fixed assets consist of the following at December 31, 2006:

Land	\$ 148,157
Building and improvements	416,631
Furniture and equipment	86,972
	<u>651,760</u>
Less accumulated depreciation	<u>(169,376)</u>
Total property and equipment, net	<u>\$ 482,384</u>

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 5 - COUNTY DEVELOPMENT BLOCK GRANTS**

In 2005, the Center was awarded \$70,000 of Community Development Block Grants from a local municipal agency. The awarded funding was used for building improvements which were placed into service during 2006. Deferred revenue of \$58,192 as of December 31, 2006 consists of grant funding which is to be forgiven annually, by the funding agency, on a straight-line basis over seven years. The funding is forgiven annually for each year the Center occupies the improved premises and is expected to be fully forgiven in 2012.

**NOTE 6 - DEBT ISSUANCE COSTS**

Debt issuance costs at December 31, 2006 consist of the following:

Debt issuance costs	\$ 7,326
Less accumulated depreciation	<u>2,929</u>
Total debt issuance costs	<u><u>\$ 4,397</u></u>

**NOTE 7 - NOTE PAYABLE**

The Center has a fixed rate note payable that is secured by property owned by the Center. The note payable is amortized over five years and is payable in monthly installments including interest of \$4,292. The loan bears interest at 6% per annum and matures on December 13, 2009. At December 31, 2006, the scheduled principal payments on this loan are as follows:

Year ending December 31:	
2007	\$ 18,319
2008	19,448
2009	<u>523,174</u>
Total	<u><u>\$ 560,941</u></u>

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2006, temporarily restricted net assets were restricted by donors as follows:

Temporarily restricted for:	
Programs	\$ 22,424
Film Festival	4,130
Building improvements	<u>31,000</u>
Total temporarily restricted net assets	<u><u>\$ 57,554</u></u>

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 9 - RENTAL AGREEMENTS**

The Center is the lessee of a non-cancelable operating lease of office equipment. The lease expires in 2010 and requires the Center to pay minimum monthly rentals of \$660. Minimum future rentals due under the lease are summarized as follows:

Year ending December 31:	
2007	\$ 7,920
2008	7,920
2009	7,920
2010	<u>3,960</u>
Total	<u>\$ 27,720</u>

On October 1, 2006, the Center, as lessor, entered into a one year, non-cancelable tenant lease agreement. The minimum future cash rents from such lease follows:

Year ending December 31:	
2007	<u>\$ 4,050</u>
Total	<u>\$ 4,050</u>

The Center, as lessor, also has a cancelable lease agreement with a second tenant. Under the terms of this agreement, the tenant is required to pay the Center minimum monthly rent of \$2,500.

**NOTE 10 - SUBSEQUENT EVENT**

In 2007, the Center borrowed \$22,500 from a private party. The promissory note is secured by a second deed of trust by property owned by the Center. The specific terms of the note are in negotiations with the lender.