

One In Long Beach, Inc.

Audited Financial Statements
December 31, 2010
&
December 31, 2009

Katherine Gluck, CPA

.....
Accounting & Consulting

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

I have audited the accompanying statement of financial positions of One In Long Beach, Inc. as of December 31, 2010 and 2009 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the twelve month periods then ended in conformity with accounting principles generally accepted in the United States of America.



Redondo Beach, CA
March 8, 2011

ONE IN LONG BEACH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 51,618	\$ 7,375
Accounts receivable, net	27,869	19,414
Promises to give	6,970	6,421
Prepaid expenses	8,481	-
Fixed assets, net	440,578	461,622
Other assets	29,188	-
TOTAL ASSETS	564,704	494,832
 LIABILITIES		
Accounts payable	7,549	41,760
Accrued expenses	25,536	10,539
Deferred revenue	18,193	28,192
Notes payable	600,000	526,327
TOTAL LIABILITIES	651,278	606,818
 NET ASSETS		
Unrestricted	(86,574)	(111,986)
TOTAL NET ASSETS	(86,574)	(111,986)
 TOTAL LIABILITIES AND NET ASSETS	 564,704	 494,832

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Contributions and grants	\$ 148,224	\$ 172,867
In-kind donations	64,500	55,500
Program services	144,853	121,863
Special events, net	7,326	24,104
Rental income	18,061	9,340
Other income	5,384	2,948
Total unrestricted revenues	388,348	386,622
Net assets released from restrictions	-	36,368
TOTAL UNRESTRICTED SUPPORT	388,348	422,990
EXPENSES		
Program services	164,156	232,180
Fundraising	23,836	43,352
Management and general	174,945	205,722
TOTAL EXPENSES	362,936	481,254
INCREASE IN UNRESTRICTED NET ASSETS	25,412	(58,264)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	-	(36,368)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(36,368)
INCREASE IN NET ASSETS	25,412	(94,632)
NET ASSETS AT BEGINNING OF YEAR	(111,986)	(17,354)
NET ASSETS AT END OF YEAR	(86,575)	(111,986)

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Programs	Fundraising	Mgmt and General	Total December 31, 2010
Advertising	\$ 66	\$ 385	\$ 172	\$ 623
Bad debt expense	-	3,986	155	4,141
Bank fees	-	1,273	1,465	2,739
Computer maintenance	461	33	821	1,314
Conferences and meetings	-	1,659	645	2,304
Database management	-	982	-	982
Depreciation and amortization	14,731	1,052	5,261	21,044
Dues and subscriptions	140	-	556	696
Employee health benefits	3,485	63	2,618	6,167
Insurance	8,857	633	3,163	12,653
Interest	26,382	1,884	9,421	37,687
Miscellaneous	3,257	3,159	11,092	17,508
Outside services	16,914	2,124	9,969	29,007
Payroll taxes and worker's comp.	5,284	2,730	195	8,209
Postage and delivery	277	14	371	662
Printing	2,768	196	2,003	4,967
Program supplies	2,530	-	-	2,530
Property taxes	1,863	133	6,061	8,057
Repairs and maintenance	3,606	258	3,386	7,250
Salaries and wages	56,161	2,082	44,641	102,883
Supplies	781	27	1,668	2,476
Telephone and internet	6,220	444	3,047	9,711
Travel	327	-	148	475
Utilities	10,046	718	3,588	14,352
	<u>164,156</u>	<u>23,836</u>	<u>110,445</u>	<u>298,436</u>
In-kind services	-	-	64,500	64,500
Total expenses	<u><u>164,156</u></u>	<u><u>23,836</u></u>	<u><u>174,945</u></u>	<u><u>362,936</u></u>

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Programs	Fundraising	Mgmt and General	Total December 31, 2009
Bad debt expense	\$ -	\$ -	\$ 4,571	\$ 4,571
Bank fees	-	1,014	1,652	2,666
Computer maintenance	1,744	742	146	2,632
Conferences and meetings	110	-	590	700
Depreciation and amortization	14,207	4,818	5,940	24,964
Dues and subscriptions	150	-	75	225
Employee health benefits	10,228	555	4,105	14,888
Insurance	9,396	3,080	3,999	16,475
Interest	19,102	6,296	8,238	33,636
Miscellaneous	530	1,504	127	2,161
Outside services	16,362	9,556	8,854	34,772
Payroll taxes and worker's comp.	11,298	652	7,070	19,020
Postage and delivery	460	160	215	835
Printing	4,706	1,361	2,326	8,393
Program supplies	2,002	-	-	2,002
Property taxes	734	246	312	1,292
Repairs and maintenance	3,613	1,214	13,063	17,890
Salaries and wages	122,590	7,738	83,276	213,604
Supplies	1,072	402	-	1,473
Telephone and internet	5,289	1,971	1,964	9,224
Travel	2,305	128	673	3,106
Utilities	6,283	1,917	3,026	11,225
	<u>232,180</u>	<u>43,352</u>	<u>150,222</u>	<u>425,754</u>
In-kind services	-	-	55,500	55,500
Total expenses	<u><u>232,180</u></u>	<u><u>43,352</u></u>	<u><u>205,722</u></u>	<u><u>481,254</u></u>

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 25,412	\$ (94,632)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,044	24,964
(Increase) decrease in promises to give and receivables	(9,004)	65,382
(Increase) decrease in prepaid expenses	(8,481)	1,845
(Increase) decrease in other assets	(29,188)	-
Increase (decrease) in accounts payable	(34,211)	10,367
Increase (decrease) in accrued expenses	14,997	(12,554)
Increase (decrease) in deferred revenue	(9,999)	(11,471)
Net cash used by operating activities	(29,430)	(16,099)
Cash flows from financing activities:		
Payoff of note payable	(20,000)	-
Mortgage payoff/payments	(506,327)	(17,850)
Mortgage refinance	600,000	-
Net cash provided (used) by financing activities	73,673	(17,850)
Net increase (decrease) in cash and cash equivalents	44,243	(33,949)
Cash and cash equivalents at beginning of year	7,375	41,324
Cash and cash equivalents at end of year	51,618	7,375
Supplemental disclosure:		
Interest expense	\$ 37,687	\$ 33,636
Noncash contributions	64,500	55,500

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The Center has applied the provisions of Financial Accounting Standard Board's Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, subsequently included in the Codification as ASC 740. Under ASC 740, nonpublic enterprises, including nonprofit organizations, are required to record a tax liability when substantial uncertainties exist as to whether certain income is exempt from federal, state and local income tax. As of December 31, 2010 and 2009, the Center had no uncertain income tax positions.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets are categorized as unrestricted, temporarily restricted, or permanently restricted, a description of which is as follows:

- *Unrestricted net assets* are forms of unrestricted revenue and expenditures related to the general operations of the Center that are not subject to donor-imposed restrictions.
- *Temporarily restricted net assets* are net assets subject to donor-imposed restrictions that can be fulfilled by actions of the Center pursuant to those restrictions or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.
- *Permanently restricted net assets* are utilized to record resources received that are permanently restricted as to use by the donor or grantor.

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Recent Accounting Pronouncement

On July 1, 2009, The Financial Accounting Standards Board launched the FASB Accounting Standards Codification™ as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents have been superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative. References to GAAP included in the FASB Codification are noted as Accounting Standards Codification (“ASC”).

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank checking and saving accounts.

Accounts Receivable & Promises to Give

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 \$250,000. At December 31, 2010 and 2009, the Center had no uninsured balances. The Center has not experienced any losses on its cash or cash equivalents.

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 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.

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Contributions (continued)

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 Center'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.

Risks and Uncertainties

Certain of the Center's services are governed by program agreements with governmental agencies. There can be no assurances that the Center will be able to obtain future contract agreements as deemed necessary by management. The loss of some of the current contracts or the inability to obtain future contracts could have an adverse effect on the Center's financial position and results of activities. Historically, the Center has successfully obtained all of the contracts it has deemed necessary to continue its operations without significant problems. For the year ended December 31, 2010 and 2009, the Center received 31% and 24% of its unrestricted funding from governmental contracts, respectively.

These governmental funding agencies may perform periodic audits, from time to time, and certain costs may or may not be questioned as reimbursable expenditures under the terms of the contracts. The results of such audits could require the Center to make reimbursements of certain disallowed costs. The Center's management believes disallowed expenditures, if any will be immaterial.

Fair Value Measurements

The Center has determined the fair value of certain assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, subsequently included in the codification as ASC 820. ASC 820 provides a comprehensive definition of fair value for both assets and liabilities and also establishes a hierarchy, under generally accepted accounting standards, for measuring fair value. ASC 820 defines 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.

- Level I inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

ONE IN LONG BEACH, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

Fair Value Measurements (continued)

- Level II inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.
- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related asset or liability.

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.

NOTE 3 - RECEIVABLES

Receivables at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Receivables	\$ 27,869	\$ 19,414
Promises due from donors	6,970	6,421
Less allowance for uncollectible promises	<u>(-)</u>	<u>(-)</u>
Total receivables, net	<u>34,839</u>	<u>25,835</u>

Receivables at December 31, 2010 and 2009 were due as follows:

Less than one year	\$ 34,839	\$ 25,835
--------------------	-----------	-----------

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
Land	\$ 148,157	\$ 148,157
Building and improvements	452,811	452,811
Furniture and equipment	97,174	97,174
	<u>698,142</u>	<u>698,142</u>
Less accumulated depreciation	<u>(257,564)</u>	<u>(236,520)</u>
Total property and equipment, net	<u>440,578</u>	<u>461,622</u>

NOTE 5 – SERVICE CONTRACTS

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. The grant funding is included in deferred revenue and is forgiven annually for each year the Center occupies the improved premises; the funding is expected to be fully forgiven in 2012. At December 31, 2010 and 2009 deferred revenue included \$18,193 and \$28,192, respectively, of Community Development Block Grant funding.

NOTE 6 – OTHER ASSETS

Other assets at December 31, 2010 consisted of debt issuance as follows:

	2010
Debt issuance costs	\$ 29,188
Less accumulated amortization	<u>(-)</u>
Total debt issuance costs	<u>29,188</u>

NOTE 7 – NOTE PAYABLE

On August 10, 2007 the Center signed a note payable for \$20,000. The note is secured by a 2nd Trust Deed on property owned by the Center. The note bears interest, compounded annually, at 8.5% on the unpaid principal balance. The principal and accrued interest payments are due upon refinancing of the Center’s mortgage note payable or due in full by February 28, 2010. Full payment of principal and accrued interest of \$23,189 was paid to borrower in 2010.

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 8 - MORTGAGE PAYABLE

The Center had a fixed rate note payable, secured by real and personal property owned by the Center. The note payable was amortized over five years and was payable in monthly installments including interest of \$4,292. The loan beared interest at 6% per annum and was set to mature on December 13, 2009 but was extended until October 29, 2010. On October 29, 2010, the Center extinguished its fixed rate note payable for a three year interest only loan with a principle balance of \$600,000 and monthly interest payments of \$5,250. The loan is secured by real property and bears interest at 10.5% and will mature on October 31, 2013. At December 31, 2010, the scheduled interest payments and principal maturity of the loan are as follows:

Year ending December 31:	
2010	\$ 5,250
2011	63,000
2012	63,000
2013	<u>657,750</u>
Total	<u><u>789,000</u></u>

NOTE 9 - CONTINGENCIES

In the ordinary course of business, the Center is subject to certain lawsuits and other potential legal actions. In the opinion of management, the range of such loss contingencies is estimated to be between \$14,000 to \$30,000. As of December 31, 2010, the Center accrued \$14,000 for contingent liabilities.

NOTE 10 - SUBSEQUENT EVENT

The Center has evaluated subsequent events through March 8, 2011, the date which the financial statements were available to be issued.