



KATHERINE GLUCK
CERTIFIED PUBLIC ACCOUNTANT

One in Long Beach, Inc.
dba LGBTQ Center of Long Beach

Audited Financial Statements
December 31, 2016 and 2015

Independent Auditor's Report

To the Board of Directors of One in Long Beach, Inc.:

I have audited the accompanying financial statements of One in Long Beach, Inc. (dba LGBTQ Center of Long Beach) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

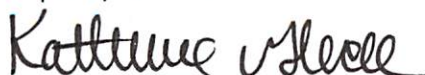
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2016, 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.

Report on Summarized Comparative Information

I have previously audited One in Long Beach, Inc.'s 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 29, 2016. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hermosa Beach, CA

April 21, 2017

ONE IN LONG BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 469,932	\$ 424,189
Accounts receivable, net	105,836	140,328
Prepaid expenses	18,827	11,450
Fixed assets, net	560,855	410,805
Other assets	<u>5,535</u>	<u>5,788</u>
TOTAL ASSETS	<u><u>1,160,985</u></u>	<u><u>992,560</u></u>
 LIABILITIES		
Accounts payable	20,965	17,905
Accrued expenses	91,086	92,704
Note payable	<u>81,887</u>	<u>124,595</u>
TOTAL LIABILITIES	<u>193,938</u>	<u>235,204</u>
 NET ASSETS		
Unrestricted	939,047	733,856
Temporarily restricted	<u>28,000</u>	<u>23,500</u>
TOTAL NET ASSETS	<u>967,047</u>	<u>757,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,160,985</u></u>	<u><u>992,560</u></u>

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Contributions and grants	\$ 247,283	\$ 175,487
Program services, net	894,263	670,269
Special events, net	225,388	115,268
Rental income	20,147	17,356
Other income	1,558	1,677
Interest income	<u>1,289</u>	<u>1,132</u>
Total unrestricted revenues	1,389,928	981,189
Net assets released from restrictions	<u>20,500</u>	<u>23,000</u>
TOTAL UNRESTRICTED SUPPORT	<u>1,410,428</u>	<u>1,004,189</u>
 EXPENSES		
Program services	953,170	638,284
Fundraising	80,496	58,550
Management and general	<u>171,571</u>	<u>168,823</u>
TOTAL EXPENSES	<u>1,205,237</u>	<u>865,657</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>205,191</u>	<u>138,532</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	25,000	20,000
Net assets released from restrictions	<u>(20,500)</u>	<u>(23,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>4,500</u>	<u>(3,000)</u>
CHANGE IN NET ASSETS	209,691	135,532
 NET ASSETS AT BEGINNING OF YEAR	<u>757,356</u>	<u>621,824</u>
NET ASSETS AT END OF YEAR	<u><u>967,047</u></u>	<u><u>757,356</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, 2016
(With Comparative Totals for 2015)

	PROGRAM SERVICES					SUPPORTING SERVICES			2016 Total	2015 Total
	Health Services	Youth Services	Domestic Violence	Community Linkage	Total Programs	Fundraising	Mgmt. and General	Total Supporting Services		
Advertising and public relations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,936	\$ 761	\$ 2,697	\$ 2,697	\$ 2,576
Bank fees	-	-	-	-	-	2,082	2,083	4,165	4,165	2,474
Technology	35,150	5,269	8,193	1,866	50,478	6,441	10,448	16,889	67,367	42,240
Contract services	-	-	12,699	-	12,699	-	-	-	12,699	29,359
Depreciation and amortization	14,530	2,178	3,387	771	20,866	2,354	4,011	6,365	27,231	23,277
Dues and subscriptions	-	-	-	-	-	-	1,375	1,375	1,375	905
Employee benefits	23,771	3,563	5,541	1,261	34,136	3,852	6,561	10,413	44,549	30,769
Grants	-	-	-	1,200	1,200	-	10,000	10,000	11,200	1,950
Insurance	7,978	1,196	1,860	423	11,457	1,293	2,202	3,495	14,952	19,966
Interest	2,184	327	509	115	3,135	353	603	956	4,091	7,772
Miscellaneous	1,522	228	355	81	2,186	246	4,590	4,836	7,022	7,222
Payroll taxes and worker's comp.	30,807	4,617	7,181	1,635	44,240	4,992	8,503	13,495	57,735	43,770
Postage and delivery	-	-	-	-	-	927	463	1,390	1,390	1,540
Printing	3,410	1,078	-	-	4,488	-	2,675	2,675	7,163	6,110
Professional services	75,635	-	7,320	-	82,955	-	12,546	12,546	95,501	47,551
Program support and supplies	200,334	5,729	4,243	1,132	211,438	2,950	5,070	8,020	219,458	97,129
Property taxes	2,264	339	528	120	3,251	367	625	992	4,243	1,498
Repairs and maintenance	1,958	294	456	104	2,812	317	540	857	3,669	2,275
Salaries and wages	308,349	46,216	71,872	16,363	442,800	49,965	85,108	135,073	577,873	447,886
Staff and volunteer development	1,218	183	284	65	1,750	197	425	622	2,372	12,996
Telephone and internet	3,319	497	774	176	4,766	538	916	1,454	6,220	6,170
Travel, conferences and meetings	3,934	-	-	-	3,934	41	9,264	9,305	13,239	9,622
Utilities	10,152	1,522	2,366	539	14,579	1,645	2,802	4,447	19,026	20,600
Total expenses	726,515	73,236	127,568	25,851	953,170	80,496	171,571	252,067	1,205,237	865,657

See accompanying notes and accountant's audit report.

ONE IN LONG BEACH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 209,691	\$ 135,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,231	23,277
(Increase) decrease in accounts receivables	34,492	(6,118)
(Increase) decrease in prepaid expenses	(7,377)	419
Increase (decrease) in accounts payable	3,060	5,744
Increase (decrease) in accrued expenses	(1,618)	37,538
Net cash provided by operating activities	<u>265,479</u>	<u>196,392</u>
Cash flows from investing activities:		
Payments for building improvements and equipment	<u>(177,028)</u>	<u>(20,461)</u>
Net cash used by investing activities	<u>(177,028)</u>	<u>(20,461)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(42,708)</u>	<u>(87,794)</u>
Net cash used by financing activities	<u>(42,708)</u>	<u>(87,794)</u>
Net increase in cash and cash equivalents	45,743	88,137
Cash and cash equivalents at beginning of year	424,189	336,052
Cash and cash equivalents at end of year	<u>469,932</u>	<u>424,189</u>
Supplemental disclosure of cash flow information:		
In-kind contributions	\$ 59,875	\$ 29,500
Interest paid	4,091	7,772

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – ORGANIZATION AND ACTIVITIES

One In Long Beach, Inc. (the LGBTQ Center of Long Beach) is a public benefit corporation organized under California law in 1980. The Center engages, empowers and advocates to achieve a more equitable society and fosters an ever-improving quality of life for the LGBTQ community.

The summary of significant accounting policies of the Center is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, who is responsible for their integrity and objectivity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, ASC 958, *Not-for-Profit Entities*. Under ASC 958, the Center is required to report information regarding its financial position and activities in three classes of net assets 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. As of December 31, 2016 and 2015, the Center had no permanently restricted net assets.

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 also is exempt from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California.

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Tax Status (continued)

The Center has applied the provisions of Financial Accounting Standard Board's Accounting Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, 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 tax. As of December 31, 2016 and 2015, the Center had no substantial uncertain income tax positions. The Center's federal returns are subject to examination by federal taxing authorities, generally for three years after they are filed and state returns are subject to examination by state taxing authorities, generally for four years after they are filed.

Cash and Cash Equivalents

The Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2016 and 2015, the Center's cash and cash equivalents include cash held in bank checking, savings, and money market 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 equivalents and accounts receivable. Cash accounts at banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 and, at times, balances may exceed federally insured limits. The Center has not experienced any losses on its cash or cash equivalents.

The Center operates in Long Beach, California and is dependent upon governmental funding. For the years ended December 31, 2016 and 2015, the Center received 54% and 51% of its unrestricted funding from governmental contracts, respectively.

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 acquisition of property and equipment and expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$1,000 are capitalized. The Center provides for depreciation and amortization of property and equipment by use of the straight-line method over the estimated useful lives as follows:

Furniture, fixtures & equipment	3 to 10 years
Buildings	31.5 years
Improvements	5 to 39 years

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Property and Equipment (continued)

Contributions of long-lived assets, or of cash or other assets that must be used to acquire long-lived assets, are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as determined by the Center's depreciation policy.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments in either 2016 or 2015.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are restricted 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.

Program Services Revenue

The Center is reimbursed for services provided to its clientele under certain programs funded by governmental contracts. Laws and regulations governing these contracts are complex and subject to interpretation. Compliance with such contracts can be subject to future governmental review and interpretation. The Center believes that it is in compliance with its governmental contracts.

The Center's governmental contracts provide for final settlements determined after an audit of the related contract by the respective governmental agency. An estimated provision to approximate the full expected settlements, after review by the governmental agency, is included in the accompanying financial statements. Estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's net program services revenue.

Donated Services

The Center has a generous volunteer base that contributes their time and energy to the Center's activities. As prescribed by Generally Accepted Accounting Principles, 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.

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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.

Comparative Financial 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Fair Value Measurements

The Center follows the provisions of Financial Accounting Standards Board (FASB) issued ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC Topic 820, fair value is defined 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.

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements).

The three levels of the fair value hierarchy are as follows:

- 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.
- Level II inputs are inputs other than quoted prices included within Level I 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.

The Center has determined that the fair value of its financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate the carrying values of such at December 31, 2016 and 2015 based on the short-term maturities and/or terms available to the Center in financial markets.

**ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 105,836	\$ 140,328
Less allowance for uncollectible accounts	<u>(-)</u>	<u>(-)</u>
Total accounts receivables, net	<u>105,836</u>	<u>140,328</u>

Accounts receivable at December 31, 2016 and 2015 were due as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 105,836	\$ 140,328

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 148,157	\$ 148,157
Building and improvements	664,842	488,881
Furniture and equipment	<u>145,959</u>	<u>144,895</u>
	958,958	781,933
Less accumulated depreciation	<u>(398,103)</u>	<u>(371,128)</u>
Total property and equipment, net	<u>560,855</u>	<u>410,805</u>

**ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 – OTHER ASSETS

Other assets at December 31, 2016 and 2015 consisted of debt issuance as follows:

	<u>2016</u>	<u>2015</u>
Debt issuance costs	\$ 6,399	\$ 6,399
Less accumulated amortization	<u>(864)</u>	<u>(611)</u>
Total debt issuance costs, net	<u>5,535</u>	<u>5,788</u>

NOTE 6 – NOTE PAYABLE

On August 14, 2013, the Center refinanced its existing mortgage due on November 1, 2013. The terms of its current promissory note include an initial principal balance of \$365,000 bearing interest of 4.5%, scheduled monthly payments of \$2,042, and a maturity date of August 14, 2038. The note is secured by the building and parking lot owned by the Center. Future scheduled principal payments are as follows:

	<u>2016</u>
Year ending December 31:	
2017	\$ 20,183
2018	21,110
2019	22,080
2020	18,514
Thereafter	<u>-</u>
	<u>81,887</u>

NOTE 7 – LINES OF CREDIT

In 2016, the Center signed a revolving line of credit agreement secured by the building and parking lot owned by the Center. The line of credit expires on May 9, 2018 and has a principal limit of \$250,000 with a variable interest rate based on the prime rate plus 1.750%. As of December 31, 2016, the line of credit balance was zero.

The Center also maintains a revolving line of credit in the form of corporate credit. Under the terms of the credit agreement, the combined, maximum credit limit is \$18,500 and the annual maximum percentage rates are 17.74% for purchases and 25.49% for cash advances. As of December 31, 2016, the outstanding balance due on Center's corporate line of credit was \$3,845.

**ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, donors restricted net assets were as follows:

	<u>2016</u>	<u>2015</u>
Temporarily restricted net assets:		
Program or time restricted	\$ 25,000	\$ 20,000
Building fixture	<u>3,000</u>	<u>3,500</u>
Total temporarily restricted net assets	<u>28,000</u>	<u>23,500</u>

NOTE 9 – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2016 and 2015, noncash contributions have been reflected in the financial statements as follows:

	<u>2016</u>	<u>2015</u>
Fundraising materials	\$ 29,500	\$ 29,500
Program support	<u>30,375</u>	<u>-</u>
Total in-kind contributions	<u>59,875</u>	<u>29,500</u>

NOTE 10 – CONTINGENCIES

As of December 31, 2016, the Center was awarded various contracts from governmental agencies. As the funding of these contracts is dependent on future conditions relating to the completion of services, these contracts have not been recorded as receivables at year-end. Management believes the funds will be fully realized in future periods upon completion of the required services. The Center's contracts are subject to inspection and audit by the appropriate governmental funding agency in order to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. As of December 31, 2016 and 2015, the Center had a reserve accrued for the possible disallowance of program costs on its financial statements.

NOTE 11 – SUBSEQUENT EVENT

The Center has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through April 21, 2017, the date these financial statements were available to be issued.