

One In Long Beach, Inc.

Audited  
Financial Statements  
December 31, 2007

# Katherine Gluck, CPA

Consulting & Accounting Advisory Services

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

I have audited the accompanying statement of financial position of One In Long Beach, Inc. as of December 31, 2007 and 2006 and the related statements of activities, cash flows and functional expenses for the year 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, 2007 and 2006, and the changes in its net assets and its cash flows for the twelve month period then ended in conformity with accounting principles generally accepted in the United States of America.



Redondo Beach, CA  
October 31, 2008

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**  
**(With Comparative Totals for 2006)**

	Unrestricted	Temporarily Restricted	2007 Total	2006 Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,581	\$ 4,018	\$ 22,599	\$ 208,159
Accounts receivable	18,796	-	18,796	11,934
Promises to give	25,804	14,221	40,025	21,317
Prepaid expenses	2,170	-	2,170	1,634
Fixed assets, net	501,598	-	501,598	482,384
Other assets	2,932	-	2,932	4,397
<b>TOTAL ASSETS</b>	<u>569,881</u>	<u>18,239</u>	<u>588,120</u>	<u>729,825</u>
<b>LIABILITIES</b>				
Accounts payable	25,281	-	25,281	13,629
Accrued liabilities	10,815	-	10,815	12,851
Deposits	2,650	-	2,650	2,950
Deferred revenue	48,194	-	48,194	58,192
Notes payable	562,585	-	562,585	560,941
<b>TOTAL LIABILITIES</b>	<u>649,525</u>	<u>-</u>	<u>649,525</u>	<u>648,563</u>
<b>NET ASSETS</b>				
Unrestricted	(79,644)	-	(79,644)	23,708
Temporarily restricted	-	18,239	18,239	57,554
<b>TOTAL NET ASSETS</b>	<u>(79,644)</u>	<u>18,239</u>	<u>(61,405)</u>	<u>81,262</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>569,881</u>	<u>18,239</u>	<u>588,120</u>	<u>729,825</u>

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(With Comparative Totals for 2006)**

	Year Ended December 31, 2007			2006 Total
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUES</b>				
Contributions and grants	\$ 136,259	\$ 17,971	\$ 154,230	\$ 203,373
Inkind donations	-	-	-	28,099
Program services	195,743	-	195,743	156,703
Special events	23,400	-	23,400	6,282
Interest income	1,895	-	1,895	4,397
Rental income	40,639	-	40,639	40,267
Other income	4,124	-	4,124	8,623
	<u>402,060</u>	<u>17,971</u>	<u>420,031</u>	<u>447,744</u>
Net assets released from restrictions	57,286	(57,286)	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<u>459,346</u>	<u>(39,315)</u>	<u>420,031</u>	<u>447,744</u>
<b>EXPENSES</b>				
Program services	314,271	-	314,271	235,811
Fundraising	137,343	-	137,343	120,487
Management and general	111,084	-	111,084	90,184
<b>TOTAL EXPENSES</b>	<u>562,698</u>	<u>-</u>	<u>562,698</u>	<u>446,483</u>
<b>CHANGE IN NET ASSETS</b>	(103,352)	(39,315)	(142,667)	1,261
<b>NET ASSETS AT BEGINNING OF YEAR</b>	23,708	57,554	81,262	80,001
<b>NET ASSETS AT END OF YEAR</b>	<u>(79,644)</u>	<u>18,239</u>	<u>(61,405)</u>	<u>81,262</u>

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(With Comparative Totals for 2006)**

	Programs	Fundraising	Mgmt and General	Total December 31, 2007	Total December 31, 2006
Advertising	\$ -	\$ -	\$ 125	\$ 125	\$ 314
Bank fees	728	1,892	1,586	4,206	1,407
Books and publications	-	35	52	87	50
Computer maintenance	6,288	5,349	546	12,183	2,221
Conferences and meetings	-	-	-	-	393
Database management	-	5,277	-	5,277	2,381
Depreciation and amortization	13,827	7,992	3,140	24,959	20,255
Donated materials and supplies	-	-	-	-	8,383
Dues and subscriptions	-	150	510	660	350
Employee health benefits	17,282	7,770	2,552	27,604	7,689
Insurance	9,274	5,360	2,106	16,740	13,433
Interest	18,367	10,617	4,171	33,155	34,877
Licenses and fees	-	-	-	-	229
Meeting expenses	-	-	-	-	938
Miscellaneous	241	11	1,669	1,921	3,278
Outside services	5,006	6,602	4,878	16,486	22,299
Payroll taxes and worker's comp.	21,382	7,773	6,533	35,688	25,915
Postage and delivery	302	195	282	779	3,097
Printing	10,097	2,712	2,579	15,388	17,929
Program supplies	8,763	100	49	8,912	2,753
Property taxes	1,549	896	352	2,797	1,437
Repairs and maintenance	3,211	1,878	5,413	10,502	9,418
Salaries and wages	183,609	64,475	67,915	315,999	242,205
Supplies	3,728	1,873	1,461	7,062	5,338
Telephone and internet	3,298	1,901	1,418	6,617	8,378
Travel	1,615	1,188	2,451	5,254	880
Utilities	5,704	3,297	1,296	10,297	10,636
	<u>314,271</u>	<u>137,343</u>	<u>111,084</u>	<u>562,698</u>	<u>446,483</u>

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(With Comparative Totals for 2006)**

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (142,667)	\$ 1,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,835	20,255
(Increase) decrease in promises to give and receivables	(25,570)	6,599
(Increase) decrease in prepaid expenses	(536)	4,954
Increase (decrease) in deposits	(300)	450
Increase (decrease) in accounts payable	11,652	12,695
Increase (decrease) in accrued expenses	(2,036)	7,479
Increase (decrease) in deferred revenue	(9,998)	58,192
Net cash provided by operating activities	(146,620)	111,885
Cash flows from investing activities:		
Payments for building improvements and equipment	(40,584)	(148,265)
Net cash (used) by investing activities	(40,584)	(148,265)
Cash flows from financing activities:		
Payments on note payable	(18,356)	(16,635)
Principle received from note payable	20,000	-
Net cash (used) by financing activities	1,644	(16,635)
Net (decrease) in cash and cash equivalents	(185,560)	(53,015)
Cash and cash equivalents at beginning of year	208,159	261,174
Cash and cash equivalents at end of year	22,599	208,159
Supplemental disclosure:		
Interest expense	\$ 33,154	\$ 34,877

See accompanying notes and accountant's audit report.

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**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 reaches over 21,000 people a year through its programs, groups and events.

**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 and saving 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, 2007, 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, 2007**

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. 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, 2007**

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 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, 2007, the Center received 42% of its funding from county and city governmental contracts.

Reclassifications

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

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

NOTE 3 - RECEIVABLES

Receivables at December 31, 2007 consist of the following:

Receivables	\$ 18,796
Promises due from donors	40,025
Less allowance for uncollectible promises	<u>-</u>
Total receivables, net	<u>\$ 58,821</u>

Receivables at December 31, 2007 are due as follows:

Less than one year	\$ 58,821
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NOTE 4 - FIXED ASSETS

Fixed assets consist of the following at December 31, 2007:

Land	\$ 148,157
Building and improvements	452,811
Furniture and equipment	91,374
	<u>692,342</u>
Less accumulated depreciation	<u>(190,744)</u>
Total property and equipment, net	<u>\$ 501,598</u>

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**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 \$48,194 as of December 31, 2007 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, 2007 consist of the following:

Debt issuance costs	\$ 7,325
Less accumulated depreciation	<u>(4,393)</u>
Total debt issuance costs	<u><u>\$ 2,932</u></u>

**NOTE 7 - MORTGAGE 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, 2007, the scheduled principal payments on this loan are as follows:

Year ending December 31:	
2008	\$ 19,448
2009	<u>523,137</u>
Total	<u><u>\$ 542,585</u></u>

**NOTE 8 - NOTE PAYABLE**

On August 10, 2007 the Center signed a note payable for \$20,000. The note is secured by a 2<sup>nd</sup> 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. Refinancing is expected to happen in December 2009. At December 31, 2007, the accrued interest expense related to this note payable was \$567.

**ONE IN LONG BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2007, temporarily restricted net assets were restricted by donors as follows:

Temporarily restricted for:	
Programs	\$ 4,018
Capacity building	<u>14,221</u>
Total temporarily restricted net assets	<u><u>\$ 18,239</u></u>

**NOTE 10 - 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:	
2008	\$ 7,920
2009	7,920
2010	<u>3,960</u>
Total	<u><u>\$ 19,800</u></u>

The Center, as lessor, has a cancelable lease agreement with a tenant. Under the terms of this agreement, the tenant is required to pay The Center minimum monthly rent of \$2,700.

**NOTE 11 - SUBSEQUENT EVENT**

In 2007, the Center did not meet its cash flow ratio as required by its loan covenants. Consequences of not meeting its loan covenants, which are at the discretion of the creditor, have not yet been enacted. The Center has taken the necessary actions to improving its financial condition.