

**ONE IN LONG BEACH, INC.**  
**dba The Gay & Lesbian Center of Long Beach**  
**and The Center Long Beach**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

**ONE IN LONG BEACH, INC.**

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004**

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INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statements of financial position of One In Long Beach, Inc. (a California nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of One in Long Beach's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of One In Long Beach, Inc. as of December 31, 2005 and 2004, and the changes in its net assets, its activities, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Welch & Co.  
Accountancy Corp.  
Torrance, California  
September 5, 2006

ONE IN LONG BEACH, INC.

STATEMENTS OF FINANCIAL POSITIONS

DECEMBER 31, 2005 AND 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<b>Current Assets:</b>		
Cash	\$ 261,174	\$ 229,127
Grants and other receivables	39,850	82,928
Prepaid expenses	6,588	1,446
<b>Total Current Assets</b>	<u>\$ 307,612</u>	<u>\$ 313,501</u>
Fixed assets, net (Note 3)	\$ 352,910	\$ 351,554
Debt issuance costs, net (Note 4)	5,861	7,326
<b>Total Assets</b>	<u>\$ 666,383</u>	<u>\$ 672,381</u>

LIABILITIES AND NET ASSETS

<b>Current Liabilities:</b>		
Accounts payable	\$ 934	\$ 14,397
Accrued expenses	-	1,356
Payroll payable	5,372	2,892
Current portion of note payable (Note 5)	17,254	14,525
<b>Total Current Liabilities</b>	<u>\$ 23,560</u>	<u>\$ 33,170</u>
Deposits	2,500	2,500
Note payable (Note 5)	560,322	580,475
<b>Net Assets:</b>		
Unrestricted	50,951	56,236
Temporarily restricted	29,050	-
<b>Total Net Assets</b>	<u>80,001</u>	<u>56,236</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 666,383</u>	<u>\$ 672,381</u>

The accompanying notes are an integral part of these financial statements.

ONE IN LONG BEACH, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and Revenue:</b>				
Government grants	\$ 231,760	-	\$ 231,760	\$ 301,115
Contributions	196,572	29,050	225,622	93,303
Special events	30,490	-	30,490	121,559
In kind services	-	-	-	24,769
Interest income	991	-	991	180
Rental income	33,375	-	33,375	7,500
Other income	19,621	-	19,621	21,647
Total Support and Revenue	<u>512,809</u>	<u>29,050</u>	<u>541,859</u>	<u>570,073</u>
<b>Expenses:</b>				
Program services	282,530	-	282,530	370,659
Management and general	134,698	-	134,698	73,298
Fundraising	100,866	-	100,866	107,192
	<u>518,094</u>	<u>-</u>	<u>518,094</u>	<u>551,149</u>
Changes in Net Assets	(5,285)	29,050	23,765	18,924
<b>Net Assets:</b>				
Beginning of year	<u>56,236</u>	<u>-</u>	<u>56,236</u>	<u>37,312</u>
End of year	<u>\$ 50,951</u>	<u>\$ 29,050</u>	<u>\$ 80,001</u>	<u>\$ 56,236</u>

The accompanying notes are an integral part of these financial statements.

ONE IN LONG BEACH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Government grants	\$ 301,115	\$ -	\$ 301,115
Contributions	93,303	-	93,303
Special events	121,559	-	121,559
In kind services	24,769	-	24,769
Interest income	180	-	180
Rental income	7,500	-	7,500
Other income	21,647	-	21,647
Total Support and Revenue	<u>570,073</u>	<u>-</u>	<u>570,073</u>
Release of restrictions	2,070	(2,070)	-
	<u>572,143</u>	<u>(2,070)</u>	<u>570,073</u>
<b>Expenses:</b>			
Program services	370,659	-	370,659
Management and general	73,298	-	73,298
Fundraising	107,192	-	107,192
	<u>551,149</u>	<u>-</u>	<u>551,149</u>
Changes in Net Assets	20,994	(2,070)	18,924
<b>Net Assets:</b>			
Beginning of year	<u>35,242</u>	<u>2,070</u>	<u>37,312</u>
End of year	<u>\$ 56,236</u>	<u>\$ -</u>	<u>\$ 56,236</u>

The accompanying notes are an integral part of these financial statements.

ONE IN LONG BEACH, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from (used by) Operating Activities:</b>		
Changes in net assets	\$ 23,765	\$ 18,924
Adjustments to reconcile changes in net assets to to net cash provided by operating activities:		
Depreciation	17,746	17,046
(Increase) decrease in current assets:		
Grant and other receivables	43,078	(19,323)
Prepaid expenses	(5,142)	598
Increase (decrease) in current liabilities:		
Accounts payable	(13,463)	2,012
Accrued expenses	(1,356)	(4,971)
Payroll payable	2,479	107
Payroll taxes payable	-	(32,218)
Security Deposits	-	2,500
	<u>67,109</u>	<u>(15,325)</u>
 <b>Cash Flows from (used by) Investing Activities:</b>		
Acquisition of equipment	(17,638)	(4,864)
	<u>(17,638)</u>	<u>(4,864)</u>
 <b>Cash Flows from Financing Activities:</b>		
Payment on loan payable	-	(3,000)
Principal payments on notes payable	(17,424)	(392,200)
Net Proceeds from notes payable	-	587,674
	<u>(17,424)</u>	<u>192,474</u>
 <b>Net increase (decrease) in cash</b>	<b>32,047</b>	<b>172,285</b>
 <b>Cash - beginning of year</b>	<b>229,127</b>	<b>56,842</b>
 <b>Cash - end of year</b>	<b><u>\$ 261,174</u></b>	<b><u>\$ 229,127</u></b>

The accompanying notes are an integral part of these financial statements.

ONE IN LONG BEACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Advertising	\$ 767	\$ 700	\$ 2,552	\$ 4,019
Bank charges	316	68	582	966
Building repair and construction	2,885	865	810	4,560
Charitable contribution		31,325	-	31,325
Computer expense	3,345	706	187	4,238
Contract labor	-	1,450	-	1,450
Depreciation and amortization	13,485	2,492	1,769	17,746
Dues and subscriptions	417	245	405	1,067
Employee benefits	8,334	2,779	2,275	13,388
Equipment rental and maintenance	8,749	-	1,874	10,623
Insurance	9,760	2,988	2,068	14,816
Interest	21,440	7,178	4,930	33,548
Marketing	-	49	3,946	3,995
Meals and entertainment	960	430	248	1,638
Miscellaneous	1,142	-	-	1,142
Outside services	11,890	9,607	3,692	25,188
Payroll taxes	16,130	5,431	4,018	25,579
Postage and delivery	676	281	1,347	2,304
Printing and reproduction	3,227	3,708	5,148	12,083
Program materials	3,370	102	46	3,518
Repairs and maintenance	3,567	1,275	841	5,683
Salaries	149,869	57,094	40,080	247,043
Special events	5,378	102	18,115	23,595
Supplies	2,853	985	794	4,632
Taxes and licenses	1,240	170	208	1,618
Telephone and internet	7,000	2,669	2,384	12,053
Travel and training	560	493	1,068	2,121
Utilities	5,170	1,507	1,479	8,156
	<u>\$ 282,530</u>	<u>\$ 134,698</u>	<u>\$ 100,866</u>	<u>\$ 518,094</u>

The accompanying notes are an integral part of these financial statements.



ONE IN LONG BEACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Advertising	\$ 897	\$ 864	\$ 18,874	\$ 20,635
Bank charges	117	482	2,041	2,640
Building repair and construction	2,175	497	143	2,815
Computer expense	1,295	1,005	94	2,394
Contract labor	2,461	-	-	2,461
Depreciation	13,882	2,275	890	17,047
Dues and subscriptions	-	400	-	400
Employee benefits	20,532	2,984	1,295	24,811
Equipment rental and maintenance	10,177	1,691	734	12,602
Grants to other organizations	-	-	33,343	33,343
In kind services	23,863	-	906	24,769
Insurance	14,278	1,682	873	16,833
Interest	14,948	2,817	3,818	21,583
Meals and entertainment	639	332	9,471	10,442
Miscellaneous	1,417	-	126	1,543
Outside services	547	25,031	679	26,257
Payroll taxes	17,880	2,562	1,122	21,564
Postage and delivery	287	65	2,307	2,659
Printing and reproduction	437	160	10,707	11,304
Program materials	1,121	-	2,963	4,084
Repairs and maintenance	4,268	512	280	5,060
Salaries and wages	203,374	24,836	13,031	241,241
Supplies	4,984	644	1,190	6,818
Taxes and licenses	9,792	1,340	671	11,803
Telephone and internet	10,654	1,757	957	13,368
Travel and training	1,309	742	81	2,132
Utilities	9,325	620	596	10,541
	<u>\$ 370,659</u>	<u>\$ 73,298</u>	<u>\$ 107,192</u>	<u>\$ 551,149</u>

The accompanying notes are an integral part of these financial statements.

**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 1 - ORGANIZATION**

Organization

One in Long Beach, Inc. (dba the "Center") is a public benefit corporation, recognized by the IRS as a 501(c)(3) non-profit, organized under California law in 1980. The Center provides services to support, inform and connect the lesbian, gay, bisexual and transgender communities through programs of information and education, health and well-being, cultural and social activities, and social justice. We advocate for the inclusion of all individuals into a free and just community, without judgment and restriction due to sexual orientation or gender expression.

Programs

The Center serves over 15,000 people a year and includes over twenty-three services for the lesbian, gay, bisexual, transgender and questioning (LGBTQ) communities, in four core service areas: information and education, health and well-being, social and cultural activities and social justice. The Center offers over twenty support and service-related programs to the LGBTQ communities.

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

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting which reflects revenues and expenditures in the accounting period in which they are considered to have been earned and incurred.

Accounting 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.

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-for-Profit Organizations, the Center is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Classifications

Some of the prior year amounts have been reclassified to conform with the current year presentation.

Cash and cash equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fixed Assets

The Center capitalizes all expenditures for donations of furniture and equipment with a fair market value in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided on the modified accelerated cost recovery system method over the estimated useful life 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

The Center has adopted SFAS No 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At December 31, 2005 and 2004, the Center had \$29,050 and \$0, respectively, in temporarily restricted net assets.

Donated Goods and Services

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. Program expenses are recognized in an amount equal to the corresponding revenue. Contributed services that do not meet the criteria are not recognized. Prior year amounts have been adjusted to include only those services that meet the criteria. The Center received donated services in the amount of \$0 and \$24,769 for the years ended December 31, 2005 and December 31, 2004, respectively.

ONE IN LONG BEACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The Center has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). No provision for income taxes has been made in the accompanying financial statements, since there is no unrelated business activity that resulted in a tax liability for the current year. The Internal Revenue Service has classified the organization as other than a private foundation.

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 organization'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 years ended December 31, 2005 and 2004, the Center received 45% and 53%, respectively, of its funding from city and county government grants. The city grants ended during 2005.

NOTE 3 - FIXED ASSETS

Fixed assets at December 31, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 148,157	\$ 148,157
Building and improvements	297,575	288,095
Furniture and equipment	57,764	49,607
Less accumulated depreciation	<u>(150,586)</u>	<u>(134,305)</u>
Total fixed assets, net	<u>\$ 352,910</u>	<u>\$ 351,554</u>

**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 4 – DEBT ISSUANCE COSTS**

Debt Issuance costs at December 31, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Debt issuance costs	\$ 7,326	\$ 7,326
Less accumulated amortization	<u>(1,465)</u>	<u>-</u>
Total debt issuance costs, net	<u>\$ 5,861</u>	<u>\$ 7,326</u>

**NOTE 5 - LONG TERM DEBT**

On December 13, 2004 the Center borrowed a new mortgage totaling \$595,000 from a bank which is secured by a first trust deed. The proceeds were used primarily to refinance an existing mortgage secured by a first and second trust deed of approximately \$318,671 and \$48,693 respectively, and pay approximately \$13,564 towards delinquent Federal payroll taxes, penalties and interest owed to the Internal Revenue Service.

The new mortgage of \$595,000, secured by a first trust deed on the land and buildings of the organization is amortized over 5 years and is payable in monthly installments including interest of \$4,292. The loan bears interest at 6% per annum. The loan matures on December 13, 2009.

Long term debt consisted of the following at December 31, 2005:

Note payable	\$ 595,000
Less: payments made during 2005	17,424
Less: current portion	<u>17,254</u>
Long-term portion	<u>\$ 560,322</u>

**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 5 - LONG TERM DEBT (continued)**

Future minimum principal payments are as follows:

2006	\$	17,254
2007	\$	18,319
2008	\$	19,448
2009	\$	522,555

**NOTE 6 - RENTAL AGREEMENTS**

The Center leases office equipment under operating leases. Total rent expense for the equipment for the years ended December 31, 2005 and 2004 was \$11,883 and \$11,543, respectively. Future payments under the leases are as follows:

2006	\$	10,314
2007	\$	7,923
2008	\$	7,923
2009	\$	7,923
2010	\$	3,961

In October 2004, the Center executed a two year sublease of a portion of its building with Gay and Lesbian Adolescent Social Services, Inc. Total rental income for the year ended December 31, 2005 totaled \$ 30,225. Future receipts under the lease are as follows:

2006	\$	23,175
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In May 2005, the Center executed a one year sublease for a portion of its building with Long Beach AIDS Foundation. Total rental income for the year ended December 31, 2005 totaled \$2,800. Future receipts under the lease are as follows:

2006	\$	1,400
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**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 6 - RENTAL AGREEMENTS (continued)**

In February 2006, the Center executed a 15 month sublease for a portion of its building with Frank Morales DBA Dot News. Future receipts under the lease are as follows:

2006	\$	3,600
2007	\$	1,800

**NOTE 7 - UNINSURED CASH BALANCE**

As of December 31, 2005, the Center maintains four bank accounts at one institution. The combined balances exceed the Federal Deposit Insurance Corporation amount of \$100,000 by \$144,595.

**NOTE 8- EVENT**

At a Special Meeting of the Board of Directors held on September 30, 2004, a motion was passed to unanimously support a process to create a separate tax-exempt organization for AIDS Walk Long Beach. The Long Beach AIDS Foundation, Inc. was formed and received tax-exempt status under Internal Revenue Code Section 501(c)(3) in early 2005. A charitable contribution of \$31,325 was made to the new organization in 2005. The Center received \$0 and \$107,695 from its AIDS Walk Long Beach activities for the years ended December 31, 2005 and 2004, respectively. Starting in 2005, the Center will no longer include this program in their activities.

**ONE IN LONG BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

**NOTE 9- SUBSEQUENT EVENT**

During 2005, the organization entered into two contracts for repair and remodel of the premises owned and occupied by the organization for a total amount of \$88,904. The organization was approved for a non-interest bearing loan of \$70,000 through the city's Nonprofit Assistance Program covering 95% of both contract prices up to the maximum of \$70,000. The organization must pay the other 5% or \$3,684 of both contract prices, plus the excess of \$15,220.

Repayment of the loan will be deferred and may be eventually forgiven if the premises are occupied by the nonprofit organization for the entire term of the loan.

While the loan was approved in 2005, the proceeds were not received until 2006. Therefore, the liability for the loan is not reflected on the financial statements at December 31, 2005.