

*One In Long Beach, Inc.*

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

Katherine Gluck, CPA

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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               |
|---|--------------------|--------------------|
| <b>ASSETS</b>                               |                    |                    |
| 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             | -                  |
| <b>TOTAL ASSETS</b>                         | <b>564,704</b>     | <b>494,832</b>     |
| <br><b>LIABILITIES</b>                      |                    |                    |
| Accounts payable                            | 7,549              | 41,760             |
| Accrued expenses                            | 25,536             | 10,539             |
| Deferred revenue                            | 18,193             | 28,192             |
| Notes payable                               | 600,000            | 526,327            |
| <b>TOTAL LIABILITIES</b>                    | <b>651,278</b>     | <b>606,818</b>     |
| <br><b>NET ASSETS</b>                       |                    |                    |
| Unrestricted                                | (86,574)           | (111,986)          |
| <b>TOTAL NET ASSETS</b>                     | <b>(86,574)</b>    | <b>(111,986)</b>   |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b> | <br><b>564,704</b> | <br><b>494,832</b> |

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<br>General   | Total<br>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<br>General   | Total<br>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 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. 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.