

One In Long Beach, Inc.

**Audited Financial Statements
December 31, 2012 and 2011**

Gluck & Lane LLP

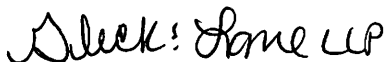
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of One In Long Beach, Inc. (the Center) as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Redondo Beach, CA
March 21, 2013

ONE IN LONG BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 248,280 | \$ 196,307 |
| Accounts receivable, net | 72,137 | 975 |
| Promises to give | 45,724 | 1,155 |
| Prepaid expenses | 6,839 | 6,870 |
| Fixed assets, net | 415,815 | 423,096 |
| Other assets | <u>8,108</u> | <u>17,837</u> |
| TOTAL ASSETS | <u><u>796,903</u></u> | <u><u>646,240</u></u> |
| LIABILITIES | | |
| Accounts payable | 14,472 | 10,152 |
| Accrued expenses | 10,745 | 5,315 |
| Deferred revenue | - | 8,193 |
| Note payable | <u>470,329</u> | <u>600,000</u> |
| TOTAL LIABILITIES | <u><u>495,546</u></u> | <u><u>623,660</u></u> |
| NET ASSETS | | |
| Unrestricted | 293,857 | 17,580 |
| Temporarily restricted | <u>7,500</u> | <u>5,000</u> |
| TOTAL NET ASSETS | <u><u>301,357</u></u> | <u><u>22,580</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>796,903</u></u> | <u><u>646,240</u></u> |

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| UNRESTRICTED NET ASSETS | | |
| Unrestricted revenues | | |
| Contributions and grants | \$ 348,654 | \$ 137,147 |
| In-kind donations | 12,750 | 14,900 |
| Program services | 341,537 | 289,084 |
| Special events, net | 28,321 | 20,963 |
| Rental income | 13,687 | 21,112 |
| Other income | 7,906 | 9,705 |
| Interest income | 120 | 21 |
| Total unrestricted revenues | <u>752,975</u> | <u>492,932</u> |
| Net assets released from restrictions | 500 | - |
| TOTAL UNRESTRICTED SUPPORT | <u><u>753,475</u></u> | <u><u>492,932</u></u> |
| EXPENSES | | |
| Program services | 328,293 | 287,801 |
| Fundraising | 23,082 | 19,102 |
| Management and general | 125,823 | 81,875 |
| TOTAL EXPENSES | <u>477,198</u> | <u>388,778</u> |
| INCREASE IN UNRESTRICTED NET ASSETS | <u><u>276,277</u></u> | <u><u>104,154</u></u> |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Contributions | 3,000 | 5,000 |
| Net assets released from restrictions | (500) | - |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>2,500</u> | <u>5,000</u> |
| INCREASE IN NET ASSETS | 278,777 | 109,154 |
| NET ASSETS AT BEGINNING OF YEAR | <u>22,580</u> | <u>(86,574)</u> |
| NET ASSETS AT END OF YEAR | <u><u>301,357</u></u> | <u><u>22,580</u></u> |

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Programs | Fundraising | Mgmt and General | Total |
|----------------------------------|----------------|---------------|---------------------|----------------|
| Advertising | \$ - | \$ - | \$ 1,590 | \$ 1,590 |
| Bad debt expense | - | - | 2,594 | 2,594 |
| Bank fees | - | 1,085 | - | 1,085 |
| Computer maintenance | 19,025 | 1,359 | 6,795 | 27,179 |
| Conferences and meetings | 1,000 | - | 3,499 | 4,499 |
| Depreciation and amortization | 23,135 | 1,652 | 8,263 | 33,050 |
| Dues and subscriptions | - | 491 | 475 | 966 |
| Employee benefits | 11,243 | 803 | 4,015 | 16,061 |
| Insurance | 12,417 | 887 | 4,435 | 17,739 |
| Interest | 40,830 | 2,917 | 14,582 | 58,329 |
| Miscellaneous | 6,787 | 1,864 | 3,392 | 12,043 |
| Payroll taxes and worker's comp. | 12,468 | 891 | 4,453 | 17,812 |
| Postage and delivery | - | 894 | 894 | 1,788 |
| Printing | - | - | 148 | 148 |
| Professional services | 41,022 | - | 19,492 | 60,514 |
| Program supplies | 7,362 | - | - | 7,362 |
| Property taxes | 1,029 | 74 | 367 | 1,470 |
| Repairs and maintenance | 3,078 | 220 | 1,100 | 4,398 |
| Salaries and wages | 118,834 | 8,488 | 42,441 | 169,763 |
| Supplies | 15,535 | 420 | 2,101 | 18,056 |
| Telephone and internet | 1,376 | 98 | 491 | 1,965 |
| Travel | 2,814 | 201 | 1,005 | 4,020 |
| Utilities | 10,338 | 738 | 3,691 | 14,767 |
| Total expenses | <u>328,293</u> | <u>23,082</u> | <u>125,823</u> | <u>477,198</u> |

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Programs</u> | <u>Fundraising</u> | <u>Mgmt and General</u> | <u>Total</u> |
|----------------------------------|-----------------|--------------------|-----------------------------|----------------|
| Advertising | \$ - | \$ 698 | \$ 1,355 | \$ 2,053 |
| Bad debt expense | - | - | 3,433 | 3,433 |
| Bank fees | - | 665 | 666 | 1,331 |
| Computer maintenance | 10,636 | 709 | 2,836 | 14,181 |
| Conferences and meetings | 405 | - | 405 | 810 |
| Depreciation and amortization | 24,371 | 1,625 | 6,499 | 32,495 |
| Dues and subscriptions | 345 | - | 345 | 690 |
| Employee benefits | 6,437 | 429 | 1,716 | 8,582 |
| Insurance | 6,335 | 422 | 1,689 | 8,446 |
| Interest | 51,581 | 3,439 | 13,755 | 68,775 |
| Miscellaneous | - | 1,705 | 4,016 | 5,721 |
| Payroll taxes and worker's comp. | 13,993 | 933 | 3,731 | 18,657 |
| Postage and delivery | - | 500 | 1,148 | 1,648 |
| Printing | - | 777 | 778 | 1,555 |
| Professional services | 52,615 | - | 9,643 | 62,258 |
| Program supplies | 12,018 | - | - | 12,018 |
| Property taxes | 1,033 | 69 | 275 | 1,377 |
| Repairs and maintenance | 6,840 | 456 | 1,824 | 9,120 |
| Salaries and wages | 77,628 | 5,175 | 20,701 | 103,504 |
| Supplies | 6,822 | 455 | 1,819 | 9,096 |
| Telephone and internet | 4,025 | 268 | 1,073 | 5,366 |
| Travel | 1,059 | - | 1,060 | 2,119 |
| Utilities | 11,658 | 777 | 3,108 | 15,543 |
| Total expenses | <u>287,801</u> | <u>19,102</u> | <u>81,875</u> | <u>388,778</u> |

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 278,777 | \$ 109,154 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 33,050 | 32,495 |
| In-kind contribution of equipment | (3,000) | - |
| (Increase) decrease in promises to give and receivables | (115,731) | 32,709 |
| (Increase) decrease in prepaid expenses | 31 | 1,611 |
| Increase (decrease) in accounts payable | 4,320 | 2,603 |
| Increase (decrease) in accrued expenses | 5,430 | (20,221) |
| Increase (decrease) in deferred revenue | (8,193) | (10,000) |
| Net cash provided by operating activities | <u>194,684</u> | <u>148,351</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment | (13,040) | (3,662) |
| Net cash used by investing activities | <u>(13,040)</u> | <u>(3,662)</u> |
| Cash flows from financing activities: | | |
| Payments on note payable | (129,671) | - |
| Net cash used by financing activities | <u>(129,671)</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 51,973 | 144,689 |
| Cash and cash equivalents at beginning of year | <u>196,307</u> | <u>51,618</u> |
| Cash and cash equivalents at end of year | <u><u>248,280</u></u> | <u><u>196,307</u></u> |
| Supplemental disclosures: | | |
| Interest paid | \$ 58,329 | \$ 68,775 |
| Noncash investing transaction: | | |
| In-kind acquisition of equipment | 3,000 | - |

See accompanying notes and accountants' audit report.

**ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 - ORGANIZATION AND ACTIVITIES

One In Long Beach, Inc. (dba the "Center") is a public benefit 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 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.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

Tax Status (continued)

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. With few exceptions, the Center is no longer subject to US federal and state income tax examinations by tax authorities for fiscal years beginning prior to 2008.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank checking and savings 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 accounts at banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012 and 2011, the Center had no uninsured balances. The Center has not experienced any losses on its cash or cash equivalents.

The Center operates in Long Beach, California and is dependent upon local, state, and federal governmental funding. For the years ended December 31, 2012 and 2011, the Center received 42% and 58% 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. Additionally, some fixed asset expenditures of less than \$1,000 are capitalized in order to facilitate tracking the location and maintenance of the fixed asset. 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 FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

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 2012 or 2011.

Fixed assets acquired by the Center are considered to be owned by the Center, except for equipment acquired with funds under the terms of a County grant. Under the standard grant provisions, title to all equipment purchased under its terms shall vest in the government. In accordance with ASC 958, the Center has capitalized fixed assets purchased with funds from the County contract, where the resource provider retains title to the assets, as the Center's expectation, based on historical experience, is that it will be permitted to keep the assets when the contract terminates. As of December 31, 2012, the total cost for all equipment purchased by the Center on behalf of the County grant had a net book value of \$7,148.

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.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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.

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, promises to give, accounts payable, and accrued liabilities, approximate the carrying value of such at December 31, 2012 and 2011 based on the short-term maturities and/or terms available to the Center in financial markets.

**ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - ACCOUNTS RECEIVABLE AND PROMISES TO GIVE

Accounts receivable and promises to give at December 31, 2012 and 2011 consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|---|----------------|--------------|
| Accounts receivable | \$ 72,137 | \$ 975 |
| Promises to give | 45,724 | 1,155 |
| Less allowance for uncollectible promises | <u>(-)</u> | <u>(-)</u> |
| Total receivables and promises to give, net | <u>117,861</u> | <u>2,130</u> |

Accounts receivable and promises to give at December 31, 2012 and 2011 were due as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------|-------------|-------------|
| Less than one year | \$ 117,861 | \$ 2,130 |

NOTE 4 - FIXED ASSETS

Fixed assets consisted of the following at December 31, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|------------------|------------------|
| Land | \$ 148,157 | \$ 148,157 |
| Building and improvements | 460,630 | 452,811 |
| Furniture and equipment | <u>109,415</u> | <u>101,194</u> |
| | 718,202 | 702,162 |
| Less accumulated depreciation | <u>(302,387)</u> | <u>(279,066)</u> |
| Total property and equipment, net | <u>415,815</u> | <u>423,096</u> |

**ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 5 - SERVICE CONTRACTS

In 2005, the Center was awarded \$70,000 of Community Development Block Grants from a local governmental 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 was fully forgiven in 2012. At December 31, 2011, deferred revenue included \$8,193 of Community Development Block Grant funding.

NOTE 6 - OTHER ASSETS

Other assets at December 31, 2012 and 2011 consisted of debt issuance as follows:

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|---------------------|----------------------|
| Debt issuance costs | \$ 29,187 | \$ 29,187 |
| Less accumulated amortization | <u>(21,079)</u> | <u>(11,350)</u> |
| Total debt issuance costs | <u><u>8,108</u></u> | <u><u>17,837</u></u> |

NOTE 7 - NOTE PAYABLE

On October 15, 2010, the Center executed a three year interest only loan with a principal balance of \$600,000 and monthly interest payments of \$5,250. The loan is secured by a building and parking lot owned by the Center. The note bears interest at 10.5% and will mature on November 1, 2013. In 2012, the Center made principal pre-payments of \$129,671. At December 31, 2012 and 2011, the scheduled principal payments due on this loan are as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------|-----------------------|-----------------------|
| Year ending December 31: | | |
| 2013 | <u>470,329</u> | <u>600,000</u> |
| Total | <u><u>470,329</u></u> | <u><u>600,000</u></u> |

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

In 2011, the Center received a \$5,000 contribution that was restricted for a capital purchase. The asset was subsequently purchased and put into service in December 2012. Also in 2012, the Center received an in-kind contribution of equipment with a fair value of \$3,000. In accordance with ASC 958, in-kind contributions of equipment, or of cash that must be used to acquire long-lived assets, are reported as temporarily restricted net assets. Accordingly, restrictions are considered met over the useful life of the fixed assets. As of December 31, 2012, temporarily restricted net assets consisted of \$5,000 for the capital asset purchased in 2012 and the net book value of \$2,500 related to the in-kind contribution of equipment.

ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 9 - IN-KIND CONTRIBUTIONS

During the year ended December 31, 2012 and 2011, noncash contributions of equipment and services have been reflected in the financial statements as follows:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|---------------|---------------|
| Professional services | \$ 9,750 | \$ 14,900 |
| Equipment | <u>3,000</u> | <u>-</u> |
| Total in-kind contributions | <u>12,750</u> | <u>14,900</u> |

NOTE 10 - CONTINGENCIES

The Center's grants and 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. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Center has no provisions for the possible disallowance of program costs on its financial statements.

NOTE 11 - SUBSEQUENT EVENT

The Center has evaluated subsequent events through March 21, 2013, the date which these financial statements were available to be issued. As of March 21, 2013, the Center made additional principal pre-payments of \$102,269 on its note payable. No other subsequent events occurred that require the recognition or additional disclosure in the financial statements.