

One In Long Beach, Inc.

**Audited Financial Statements
December 31, 2011**

Gluck & Lane LLP

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of One In Long Beach, Inc. (the Center) as of December 31, 2011 and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of 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 position of One In Long Beach, Inc. as of December 31, 2011, 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.

Steve Lane

Redondo Beach, CA
August 10, 2012

ONE IN LONG BEACH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	<u>2011</u>
ASSETS	
Cash and cash equivalents	\$ 196,307
Accounts receivable, net	975
Promises to give	1,155
Prepaid expenses	6,870
Fixed assets, net	423,096
Other assets	<u>17,837</u>
TOTAL ASSETS	<u><u>646,240</u></u>
LIABILITIES	
Accounts payable	10,152
Accrued expenses	5,315
Deferred revenue	8,193
Notes payable	<u>600,000</u>
TOTAL LIABILITIES	<u>623,660</u>
NET ASSETS	
Unrestricted	17,580
Temporarily restricted	<u>5,000</u>
TOTAL NET ASSETS	<u>22,580</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>646,240</u></u>

See accompanying notes and accountants' audit report.

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

	2011
UNRESTRICTED NET ASSETS	
Unrestricted revenues	
Contributions and grants	\$ 137,147
In-kind donations	14,900
Program services	289,084
Special events, net	20,963
Rental income	21,112
Other income	9,705
Interest income	21
Total unrestricted revenues	492,932
Net assets released from restrictions	-
TOTAL UNRESTRICTED SUPPORT	492,932
EXPENSES	
Program services	287,801
Fundraising	19,102
Management and general	81,875
TOTAL EXPENSES	388,778
INCREASE IN UNRESTRICTED NET ASSETS	104,154
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	5,000
Net assets released from restrictions	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	5,000
INCREASE IN NET ASSETS	109,154
NET ASSETS AT BEGINNING OF YEAR	(86,574)
NET ASSETS AT END OF YEAR	22,580

See accompanying notes and accountants' audit report.

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

	Programs	Fundraising	Mgmt and General	Total December 31, 2011
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 health 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
Outside services	37,715	-	9,643	47,358
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
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
	<u>272,901</u>	<u>19,102</u>	<u>81,875</u>	<u>373,878</u>
In-kind services	<u>14,900</u>	<u>-</u>	<u>-</u>	<u>14,900</u>
Total expenses	<u><u>287,801</u></u>	<u><u>19,102</u></u>	<u><u>81,875</u></u>	<u><u>388,778</u></u>

See accompanying notes and accountants' audit report.

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

	2011
Cash flows from operating activities:	
Change in net assets	\$ 109,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	32,495
(Increase) decrease in promises to give and receivables	32,709
(Increase) decrease in prepaid expenses	1,611
Increase (decrease) in accounts payable	2,603
Increase (decrease) in accrued expenses	(20,221)
Increase (decrease) in deferred revenue	(10,000)
Net cash provided by operating activities	148,351
 Cash flows from investing activities:	
Purchase of equipment	(3,662)
Net cash used by investing activities	(3,662)
 Net increase in cash and cash equivalents	144,689
 Cash and cash equivalents at beginning of year	51,618
 Cash and cash equivalents at end of year	196,307
 Supplemental disclosure:	
Interest expense	\$ 68,775

See accompanying notes and accountants' audit report.

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

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 Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, nonpublic enterprises, including nonprofit organizations, are required to record a tax liability when substantial uncertainties exist as to whether certain income is exempt from federal, state and local income tax. As of December 31, 2011, the Center had no substantial uncertain income tax positions.

The Center files annual information tax returns with the United States and California governments. 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.

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, 2011

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, 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 and state governmental funding. For the year ended December 31, 2011, the Center received 58% of its unrestricted funding from governmental contracts.

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 and amortization of property and equipment by use of the straight-line method over the estimated useful lives as follows:

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

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.

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, 2011

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 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.

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.

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.

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).

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

Fair Value Measurements (continued)

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 carrying values of cash and cash equivalents, accounts payable, and accrued liabilities are considered to approximate the fair value of such as of December 31, 2011 based on the short-term maturity of these financial instruments.

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, 2011 consisted of the following:

Receivables	\$ 975
Promises due from donors	1,155
Less allowance for uncollectible promises	<u>(-)</u>
Total receivables, net	<u><u>2,130</u></u>

Receivables at December 31, 2011 were due as follows:

Less than one year	\$ 2,130
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ONE IN LONG BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 - FIXED ASSETS

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

Land	\$ 148,157
Building and improvements	452,811
Furniture and equipment	<u>101,194</u>
	702,162
Less accumulated depreciation	<u>(279,066)</u>
Total property and equipment, net	<u>423,096</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, 2011, deferred revenue included \$8,193 of Community Development Block Grant funding.

NOTE 6 - OTHER ASSETS

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

Debt issuance costs	\$ 29,187
Less accumulated amortization	<u>(11,350)</u>
Total debt issuance costs	<u>17,837</u>

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

NOTE 7 - MORTGAGE 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 real property and bears interest at 10.5% and will mature on November 1, 2013. At December 31, 2011, the scheduled interest payments and principal maturity of the loan are as follows:

Year ending December 31:	
2012	\$ 63,000
2013	<u>652,500</u>
Total	<u><u>715,500</u></u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

In 2011, the Center received a \$5,000 contribution that was restricted for a capital purchase. As of December 31, 2011 the contribution remained temporarily restricted and consisted of cash.

NOTE 9 - 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 10 - SUBSEQUENT EVENT

The Center has evaluated subsequent events through August 10, 2012, the date which the financial statements were available to be issued. In July 2012, the Center paid \$100,000 towards principal reduction of its mortgage note payable.