



GLUCK & LANE LLP

One In Long Beach, Inc.

Audited Financial Statements
December 31, 2013 and 2012



Independent Auditors' Report

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

We have audited the accompanying financial statements of One in Long Beach, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our 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, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited One in Long Beach, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gluck & Lane^{LLP}

Hermosa Beach, CA

May 5, 2014

ONE IN LONG BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 343,779	\$ 248,280
Accounts receivable, net	70,475	72,137
Promises to give	25,000	45,724
Prepaid expenses	11,491	6,839
Fixed assets, net	418,677	415,815
Other assets	<u>6,297</u>	<u>8,108</u>
TOTAL ASSETS	<u><u>875,719</u></u>	<u><u>796,903</u></u>
LIABILITIES		
Accounts payable	23,801	14,472
Accrued expenses	47,444	10,745
Note payable	<u>355,322</u>	<u>470,329</u>
TOTAL LIABILITIES	<u><u>426,567</u></u>	<u><u>495,546</u></u>
NET ASSETS		
Unrestricted	439,652	293,857
Temporarily restricted	<u>9,500</u>	<u>7,500</u>
TOTAL NET ASSETS	<u><u>449,152</u></u>	<u><u>301,357</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>875,719</u></u>	<u><u>796,903</u></u>

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Contributions and grants	\$ 213,896	\$ 361,404
Program services	455,061	341,537
Special events, net	34,298	28,321
Rental income	13,455	13,687
Other income	11,977	7,906
Interest income	87	120
Total unrestricted revenues	728,774	752,975
Net assets released from restrictions	3,000	500
TOTAL UNRESTRICTED SUPPORT	731,774	753,475
EXPENSES		
Program services	452,384	328,293
Fundraising	43,429	23,082
Management and general	90,166	125,823
TOTAL EXPENSES	585,979	477,198
INCREASE IN UNRESTRICTED NET ASSETS	145,795	276,277
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	5,000	3,000
Net assets released from restrictions	(3,000)	(500)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	2,000	2,500
INCREASE IN NET ASSETS	147,795	278,777
NET ASSETS AT BEGINNING OF YEAR	301,357	22,580
NET ASSETS AT END OF YEAR	449,152	301,357

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Programs	Fundraising	Mgmt and General	Total
Advertising	\$ 190	\$ -	\$ -	\$ 190
Bad debt expense	-	-	-	-
Bank fees	-	997	332	1,329
Computer maintenance	31,170	6,048	3,896	41,114
Conferences and meetings	1,481	136	2,037	3,654
Depreciation and amortization	26,050	3,256	3,256	32,562
Dues and subscriptions	-	-	450	450
Employee benefits	16,687	1,537	3,733	21,957
Insurance	9,798	1,225	1,225	12,248
Interest	25,192	3,149	3,149	31,490
Miscellaneous	1,866	880	(810)	1,936
Payroll taxes and worker's comp.	20,519	1,890	4,590	26,999
Postage and delivery	748	-	748	1,496
Printing	-	-	694	694
Professional services	49,802	-	10,677	60,479
Program supplies	15,360	-	-	15,360
Property taxes	593	74	74	741
Repairs and maintenance	5,346	668	668	6,682
Salaries and wages	215,114	19,813	48,118	283,045
Supplies	11,338	1,417	1,937	14,692
Telephone and internet	4,899	612	612	6,123
Travel	2,413	-	3,053	5,466
Utilities	13,818	1,727	1,727	17,272
Total expenses	<u>452,384</u>	<u>43,429</u>	<u>90,166</u>	<u>585,979</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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 147,795	\$ 278,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,562	33,050
In-kind contribution of equipment	-	(3,000)
(Increase) decrease in promises to give and receivables	22,386	(115,731)
(Increase) decrease in prepaid expenses	(4,652)	31
Increase (decrease) in accounts payable	9,329	4,320
Increase (decrease) in accrued expenses	36,699	5,430
Increase (decrease) in deferred revenue	-	(8,193)
Net cash provided by operating activities	<u>244,119</u>	<u>194,684</u>
Cash flows from investing activities:		
Purchases of equipment	<u>(27,214)</u>	<u>(13,040)</u>
Net cash used by investing activities	<u>(27,214)</u>	<u>(13,040)</u>
Cash flows from financing activities:		
Payments on note payable	(115,007)	(129,671)
Refinance fees	<u>(6,399)</u>	-
Net cash used by financing activities	<u>(121,406)</u>	<u>(129,671)</u>
Net increase in cash and cash equivalents	95,499	51,973
Cash and cash equivalents at beginning of year	<u>248,280</u>	<u>196,307</u>
Cash and cash equivalents at end of year	<u><u>343,779</u></u>	<u><u>248,280</u></u>
Supplemental disclosures:		
Interest paid	\$ 31,490	\$ 58,329
Noncash investing transaction:		
In-kind acquisition of equipment	-	3,000

See accompanying notes and accountants' audit report.

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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. As of December 31, 2013, the Center had no permanently restricted net assets.

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2009.

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, 2013 and 2012, 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 governmental funding. For the years ended December 31, 2013 and 2012, the Center received 54% and 42% 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. 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2013 or 2012.

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.

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.

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013 and 2012 based on the short-term maturities and/or terms available to the Center in financial markets.

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.

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 – ACCOUNTS RECEIVABLE AND PROMISES TO GIVE

Accounts receivable and promises to give at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 70,475	\$ 72,137
Promises to give	25,000	45,724
Less allowance for uncollectible promises	<u>(-)</u>	<u>(-)</u>
Total receivables and promises to give, net	<u>95,474</u>	<u>117,861</u>

Accounts receivable and promises to give at December 31, 2013 and 2012 were due as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 95,474	\$ 117,861

NOTE 3 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 148,157	\$ 148,157
Building and improvements	474,819	460,630
Furniture and equipment	<u>120,592</u>	<u>109,415</u>
	743,568	718,202
Less accumulated depreciation	<u>(324,891)</u>	<u>(302,387)</u>
Total property and equipment, net	<u>418,677</u>	<u>415,815</u>

NOTE 4 – OTHER ASSETS

Other assets at December 31, 2013 and 2012 consisted of debt issuance as follows:

	<u>2013</u>	<u>2012</u>
Debt issuance costs	\$ 6,399	\$ 29,187
Less accumulated amortization	<u>(102)</u>	<u>(21,079)</u>
Total debt issuance costs	<u>6,297</u>	<u>8,108</u>

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 – 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 was secured by the building and parking lot owned by the Center. The note bore interest at 10.5% and was scheduled to mature on November 1, 2013. At December 31, 2012 the scheduled principal payments due on this loan was \$470,329.

The Center refinanced its existing note due on November 1, 2013. The terms of its current promissory note, executed on August 14, 2013, include an initial principal balance of \$365,000 bearing interest of 4.5% with a scheduled maturity of August 14, 2038. The note is secured by the building and parking lot owned by the Center. Monthly payments of \$2,042 are due as follows:

	<u>2013</u>
Year ending December 31:	
2014	\$ 24,504
2015	24,504
2016	24,504
2017	24,504
Thereafter	<u>512,642</u>
Total	<u><u>610,658</u></u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2013 and 2012, donors restricted net assets were as follows:

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Promissory note payment	\$ 5,000	\$ -
Equipment	<u>4,500</u>	<u>7,500</u>
Total temporarily restricted net assets	<u><u>9,500</u></u>	<u><u>7,500</u></u>

NOTE 7 – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2013 and 2012, noncash contributions have been reflected in the financial statements as follows:

	<u>2013</u>	<u>2012</u>
Fundraising materials	\$ 31,055	\$ -
Professional services	-	9,750
Equipment	<u>-</u>	<u>3,000</u>
Total in-kind contributions	<u><u>31,055</u></u>	<u><u>12,750</u></u>

ONE IN LONG BEACH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 8 – CONTINGENCIES

As of December 31, 2013, the Center was awarded various grants from governmental agencies. As the funding of these grants is dependent on future conditions relating to the completion of services, these grants have not been recorded as grant receivables at year-end. Management believes the funds will be fully realized in future periods upon completion of the required services

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. As of December 31, 2013, the Center had a provision of \$24,000 accrued for the possible disallowance of program costs on its financial statements.

NOTE 9 – SUBSEQUENT EVENT

The Center has evaluated subsequent events through April 30, 2014, the date which these financial statements were available to be issued. As of May 5, 2014, the Center made additional principal pre-payments of approximately \$115,000 on its note payable. No other subsequent events occurred that require the recognition or additional disclosure in the financial statements.