

THE GAY AND LESBIAN COMMUNITY
SERVICES CENTER OF ORANGE COUNTY

FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Gay and Lesbian Community Services
Center of Orange County
Santa Ana, CA

We have audited the accompanying financial statements of The Gay and Lesbian Community Services Center of Orange County (the "Center") (a nonprofit organization), which comprise the financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net asset and cash flows for the years 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 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 audits 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 auditors' 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 Organization'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 Organization'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.

Auditors' Responsibility (Continued)

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 The Gay and Lesbian Community Services Center of Orange County as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Guzman & Gray CPAs
Long Beach, CA
January 31, 2014

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 218,013	\$ 290,345
Account receivables		25,749
Grant receivables	12,152	16,527
Pledge receivables		59,700
Prepaid expenses	4,666	
Total Current Assets	<u>234,831</u>	<u>392,321</u>
PROPERTY AND EQUIPMENT		
Property and equipment, net	366,690	390,630
Land	465,000	465,000
Total Property and Equipment	<u>831,690</u>	<u>855,630</u>
OTHER ASSETS		
Deposits	<u>1,323</u>	<u>1,167</u>
TOTAL ASSETS	<u><u>1,067,844</u></u>	<u><u>1,249,118</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Payables	43,675	14,498
Accrued liabilities	29,045	22,291
Deferred revenue		127,105
Notes payable, current	3,750	5,600
Mortgage payable, current	15,933	15,033
Total Current Liabilities	<u>92,403</u>	<u>184,527</u>
NONCURRENT LIABILITIES		
Notes payable, noncurrent	3,750	8,400
Mortgage payable, noncurrent	569,957	585,545
Total Noncurrent Liabilities	<u>573,707</u>	<u>593,945</u>
NET ASSETS		
Unrestricted	342,796	434,770
Temporarily restricted	58,938	35,876
Total Net Assets	<u>401,734</u>	<u>470,646</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,067,844</u></u>	<u><u>\$ 1,249,118</u></u>

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 307,310	\$	\$ 307,310
Contributions	422,220	23,062	445,282
Programs	85,366		85,366
Special events, net	18,876		18,876
Interest income	19		19
In-kind contributions	2,037		2,037
In-kind services	91,080		91,080
Other	3,424		3,424
	<u>930,332</u>	<u>23,062</u>	<u>953,394</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>930,332</u>	<u>23,062</u>	<u>953,394</u>
EXPENSES			
Program services	783,811		783,811
Management and general	100,586		100,586
Fundraising	137,909		137,909
	<u>1,022,306</u>	<u></u>	<u>1,022,306</u>
CHANGE IN NET ASSETS	(91,974)	23,062	(68,912)
BEGINNING NET ASSETS	<u>434,770</u>	<u>35,876</u>	<u>470,646</u>
ENDING NET ASSETS	<u>\$ 342,796</u>	<u>\$ 58,938</u>	<u>\$ 401,734</u>

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 330,532	\$	\$ 330,532
Contributions	249,251	13,568	262,819
Programs	87,206		87,206
Special events, net	143,380		143,380
Interest income	33		33
In-kind contributions	800		800
In-kind services	94,840		94,840
Other	1,732		1,732
	<u>907,774</u>	<u>13,568</u>	<u>921,342</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>907,774</u>	<u>13,568</u>	<u>921,342</u>
EXPENSES			
Program services	703,624		703,624
Management and general	85,002		85,002
Fundraising	132,263		132,263
	<u>920,889</u>		<u>920,889</u>
CHANGE IN NET ASSETS	(13,115)	13,568	453
BEGINNING NET ASSETS	<u>447,885</u>	<u>22,308</u>	<u>470,193</u>
ENDING NET ASSETS	<u><u>\$ 434,770</u></u>	<u><u>\$ 35,876</u></u>	<u><u>\$ 470,646</u></u>

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (68,912)	\$ 453
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	23,940	24,288
Donated furniture and equipment		
(Increase) decrease in assets:		
Account receivables	25,749	(20,349)
Grant receivables	4,375	12,542
Pledge receivables	59,700	(54,700)
Prepaid expenses	(4,666)	
Deposits	(156)	(248)
Increase (decrease) in liabilities:		
Payables	29,177	(9,502)
Accrued liabilities	6,754	9,239
Deferred revenue	(127,105)	23,131
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(51,144)</u>	<u>(15,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		(700)
NET CASH USED IN INVESTING ACTIVITIES		<u>(700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable	(6,500)	
Decrease in mortgage payable	(14,687)	(14,183)
NET CASH USED IN INVESTING ACTIVITIES	<u>(21,187)</u>	<u>(14,183)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(72,331)	(30,029)
BEGINNING CASH AND CASH EQUIVALENTS	<u>290,345</u>	<u>320,374</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 218,013</u></u>	<u><u>\$ 290,345</u></u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	<u>35,284</u>	<u>35,455</u>
TAXES PAID	<u>NONE</u>	<u>NONE</u>

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN SERVICES CENTER
OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Management and General	Fund Raising	Total
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 409,678	\$ 44,290	\$ 99,651	\$ 553,619
Employee benefits	50,696	5,481	12,331	68,508
Payroll taxes	30,774	3,327	7,486	41,587
Total Salaries and Related Expenses	491,148	53,098	119,468	663,714
OTHER EXPENSES				
Program expenses	105,164			105,164
Interest expense	27,522	7,762		35,284
Fundraising			11,599	11,599
Travel and conference	9,831	2,621	655	13,107
Professional services	62,059	17,504		79,563
Repairs and maintenance	10,089	2,846		12,935
Insurance	10,314	776		11,090
Information technology	8,167	2,304		10,471
Office supplies	14,537	1,596	1,596	17,729
Utilities	9,644	2,720		12,364
Bank charges	7,249	2,045		9,294
Telephone	4,100	1,156		5,256
Printing	2,193	731	1,949	4,873
Postage and mailing	881	220	1,102	2,203
Taxes, licenses, and subscriptions	340	96		436
Advertising	1,026		1,540	2,566
Miscellaneous expenses	395	323		718
Total Other Expenses	273,511	42,700	18,441	334,652
TOTAL EXPENSES BEFORE DEPRECIATION	764,659	95,798	137,909	998,366
DEPRECIATION	19,152	4,788		23,940
TOTAL EXPENSES	\$ 783,811	\$ 100,586	\$ 137,909	\$ 1,022,306

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN SERVICES CENTER
OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Fund Raising	Total
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 391,245	\$ 43,719	\$ 95,489	\$ 530,453
Employee benefits	31,249	3,492	7,626	42,367
Payroll taxes	29,382	3,283	7,171	39,836
Total Salaries and Related Expenses	451,876	50,494	110,286	612,656
OTHER EXPENSES				
Program expenses	116,923			116,923
Interest expense	27,655	7,800		35,455
Fundraising			15,399	15,399
Travel and conference	10,348	3,398	790	14,536
Professional services	10,959	3,091		14,050
Repairs and maintenance	9,740	2,747		12,487
Insurance	10,595	797		11,392
Information technology	8,751	2,468		11,219
Office supplies	8,773	993	933	10,699
Utilities	8,115	2,289		10,404
Bank charges	7,226	2,038		9,264
Telephone	6,834	1,928		8,762
Printing	3,665	1,279	3,222	8,166
Postage and mailing	653	184	785	1,622
Taxes, licenses, and subscriptions	1,166	329		1,495
Advertising	515		848	1,363
Miscellaneous expenses	400	309		709
Total Other Expenses	232,318	29,650	21,977	283,945
TOTAL EXPENSES BEFORE DEPRECIATION	684,194	80,144	132,263	896,601
DEPRECIATION	19,430	4,858		24,288
TOTAL EXPENSES	\$ 703,624	\$ 85,002	\$ 132,263	\$ 920,889

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – ORGANIZATION

The Gay and Lesbian Community Services Center of Orange County (“the Center”) is a California, nonprofit corporation formed to provide services to ensure the physical, psychological and social well being of the gay, lesbian, bisexual, transgender, and HIV/AIDS affected community. These services include activities intended to foster community respect, understanding, and acceptance of gender, cultural diversity, and sexual orientation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Center.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets – Net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

Cash and Cash Equivalents

The Center considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Receivables

Grant receivables represent revenues earned and invoices submitted for reimbursements to various grantors.

Pledge Receivables

Pledge receivables are stated at the amount management expects to collect and when collectability is reasonably assured.

Allowance for Doubtful Accounts

The Center uses the allowance method to record doubtful receivables. As of June 30, 2013 and 2012, the Center considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be unrestricted unless specifically restricted by the donor. Any such contributions are recognized as an increase to the unrestricted restricted fund. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program Services

The Center provides certain services such as counseling and support groups to the community. Expenses are partially defrayed by the collection of income-based fees for these services. These fees are reflected as program revenue on the financial statements.

Special Events

The Center sponsors various special event fund-raisers such as an annual dinner, as a means of generating revenues for its programs.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

A substantial number of businesses and unpaid volunteers have made significant contributions of time to the Center's operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that 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 shall not be recognized.

Donated goods are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations or fundraising expenses as appropriate.

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Contributions to the Center are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code. The Center is involved in no activities that are subject to unrelated business tax. As a result, no provision for income taxes has been made.

The Center recognizes the financial statement benefit of tax positions, such as filing status of tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Reporting of Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 31, 2014, the date the financial statements were available to issue.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment for the years ended June 30 is as follows:

	June 30,	
	2013	2012
Land	\$ 465,000	\$ 465,000
Building	\$ 260,000	\$ 260,000
Building improvements	124,776	124,776
Mortgage interest	37,076	37,076
Furniture and equipment	286,513	286,513
Loan cost	21,928	21,928
	730,293	730,293
Less: accumulated depreciation	(363,603)	(339,663)
Net furniture and equipment	<u>\$ 366,690</u>	<u>\$ 390,630</u>

Depreciation expense for the years ending June 30, 2013 and 2012 was \$23,940 and \$24,288, respectively.

NOTE 4 – NOTES PAYABLE

Notes Payable consists of loans made by three individuals to the Center during 2006 totaling \$40,000. The loans are to be paid back over a period of 10 years and carry a 5% interest rate.

As of June 30, 2013, the schedule of principal payments is as follows:

Years Ending June 30,	
2014	\$ 2,500
2015	2,500
2016	<u>2,500</u>
Total	<u><u>\$ 7,500</u></u>

For the year ended June 30, 2013 and 2012, interest expense incurred for the note payable was \$334 and \$484, respectively.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 – MORTGAGE PAYABLE

During June 2008, the Center borrowed \$652,500 to purchase real property located in Santa Ana, California. The mortgage payable is secured by a first deed of trust and bears interest at a fixed rate of 5.83% and is payable in monthly installments of \$4,137 which includes interest. The full balance is due at maturity in July 2033.

As of June 30, 2013, the schedule of principal payments is as follows:

Years Ending June 30,	
2014	15,933
2015	16,887
2016	17,899
2017	18,970
2017 and after	<u>516,201</u>
Total	\$ 585,890
Less: current portion	<u>(15,933)</u>
Noncurrent portion	<u>\$ 569,957</u>

For the years ended June 30, 2013 and 2012, interest expense incurred on the mortgage payable was \$34,606 and \$34,971, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

For the years ended June 30, 2013 and 2012, temporarily restricted net assets are restricted for the following purposes:

	June 30,	
	<u>2013</u>	<u>2012</u>
Building fund	\$ 58,938	\$ 35,876

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors during the years ended June 30, 2013 and 2012, respectively.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER
OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 – SPECIAL EVENTS

The Center conducts special events in order to raise funds to support the Center's operations and various programs. All events are conducted in accordance with applicable Federal, State, and local laws and ordinances.

For the years ended June 30, 2013 and 2012, revenues and expenses relating to special events are as follows:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Revenue	\$ 87,449	\$ 191,513
Less: direct donor benefits	<u>(68,573)</u>	<u>(48,133)</u>
Net proceeds	<u><u>\$ 18,876</u></u>	<u><u>\$ 143,380</u></u>

NOTE 8 – DONATED SERVICES AND GOODS

The Center receives volunteer services from counselors for program services. Based on research, the Center estimates the value of such services to be \$20 per hour. For the years ended June 30, 2013 and 2012, the Center recognized donated services of \$91,080 and \$98,840 respectively.

The Center receives donated supplies and equipment. For the years ended June 30, 2013 and 2012, the Center recognized donated goods of \$2,037 and \$800, respectively.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Center operates in Orange County, California and relies on the community for contributions, volunteers, and referrals from local agencies.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, the management deems the contingency remote, since by accepting the grant and their term it has accommodated the objectives of the grantor under the provisions of the grant.

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2013 and 2012, the cash balances held at financial institutions did not exceed the FDIC insurance amount of \$250,000. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.