

THE GAY AND LESBIAN COMMUNITY  
SERVICES CENTER OF ORANGE COUNTY

FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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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 statements of financial position of The Gay and Lesbian Community Services Center of Orange County (the "Center"), a California Nonprofit Corporation, as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the organization's 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 The Gay and Lesbian Community Services Center of Orange County as of June 30, 2011 and 2010 and the change in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Guzman & Gray CPAs  
Long Beach, CA

November 23, 2011

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

ASSETS

	June 30,	
	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 320,374	\$ 176,298
Account receivables	5,400	12,325
Grant receivables	29,069	23,078
Pledge receivables, current	5,000	5,000
Prepaid expenses		2,219
Total Current Assets	<u>359,843</u>	<u>218,920</u>
<b>FIXED ASSETS</b>		
Property and equipment, net	414,218	438,448
Land	465,000	465,000
Total Fixed Assets	<u>879,218</u>	<u>903,448</u>
<b>OTHER ASSETS</b>		
Pledge receivables, noncurrent		5,000
Deposits	919	1,054
Total Other Assets	<u>919</u>	<u>6,054</u>
<b>TOTAL ASSETS</b>	<u><u>1,239,980</u></u>	<u><u>1,128,422</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Payables	24,000	13,796
Accrued liabilities	13,052	14,096
Deferred revenue	103,974	5,435
Notes payable, current	2,800	4,000
Mortgage payable, current	14,183	13,382
Total Current Liabilities	<u>158,009</u>	<u>50,709</u>
<b>NONCURRENT LIABILITIES</b>		
Notes payable, noncurrent	11,200	16,000
Mortgage payable, noncurrent	600,578	614,580
Total Noncurrent Liabilities	<u>611,778</u>	<u>630,580</u>
<b>NET ASSETS</b>		
Unrestricted	447,885	430,869
Temporarily restricted	22,308	16,264
Total Net Assets	<u>470,193</u>	<u>447,133</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,239,980</u></u>	<u><u>\$ 1,128,422</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, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 262,968	\$	\$ 262,968
Contributions	260,505	6,044	266,549
Programs	62,964		62,964
Special events, net	83,211		83,211
Interest income	51		51
In-kind contributions	3,624		3,624
In-kind services	54,600		54,600
Other	4,797		4,797
	<u>732,720</u>	<u>6,044</u>	<u>738,764</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>732,720</u>	<u>6,044</u>	<u>738,764</u>
TOTAL REVENUE	<u>732,720</u>	<u>6,044</u>	<u>738,764</u>
EXPENSES			
Program services	624,527		624,527
Management and general	45,969		45,969
Fundraising	45,208		45,208
	<u>715,704</u>		<u>715,704</u>
CHANGE IN NET ASSETS	17,016	6,044	23,060
BEGINNING NET ASSETS	<u>430,869</u>	<u>16,264</u>	<u>447,133</u>
ENDING NET ASSETS	<u>\$ 447,885</u>	<u>\$ 22,308</u>	<u>\$ 470,193</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, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 330,166	\$	\$ 330,166
Contributions	133,368	6,600	139,968
Programs	56,919		56,919
Special events, net	152,101		152,101
Interest income	268		268
In-kind contributions	28,366		28,366
Other	9,938		9,938
	<u>711,126</u>	<u>6,600</u>	<u>717,726</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>37,861</u>	<u>(37,861)</u>	
TOTAL REVENUE	<u>748,987</u>	<u>(31,261)</u>	<u>717,726</u>
EXPENSES			
Program services	554,723		554,723
Management and general	50,105		50,105
Fundraising	47,451		47,451
TOTAL EXPENSES	<u>652,279</u>		<u>652,279</u>
CHANGE IN NET ASSETS	96,708	(31,261)	65,447
BEGINNING NET ASSETS	<u>334,161</u>	<u>47,525</u>	<u>381,686</u>
ENDING NET ASSETS	<u><u>\$ 430,869</u></u>	<u><u>\$ 16,264</u></u>	<u><u>\$ 447,133</u></u>

See independent auditors' report and notes to the financial statements

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 23,060	\$ 65,447
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,230	21,099
Donated furniture and equipment		(15,566)
(Increase) decrease in assets:		
Account receivables	6,925	(12,325)
Grant receivables	(5,991)	42,523
Pledge receivables	5,000	5,000
Prepaid expenses	2,219	(2,219)
Deposits	135	(631)
Increase (decrease) in liabilities:		
Payables	10,204	(609)
Accrued liabilities	(1,044)	(2,632)
Deferred revenue	98,539	(59,358)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>163,277</u>	<u>40,729</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets		(28,776)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(28,776)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease principal payments		(1,165)
Decrease in notes payable	(6,000)	(4,000)
Decrease in mortgage payable	(13,200)	(12,626)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(19,200)</u>	<u>(17,791)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	144,076	(5,838)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>176,298</u>	<u>182,136</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 320,374</u></u>	<u><u>\$ 176,298</u></u>
 <b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
<b>INTEREST PAID</b>	<u>36,465</u>	<u>37,496</u>
<b>TAXES PAID</b>	<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, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 322,654	\$ 18,127	\$ 21,752	\$ 362,533
Employee benefits	59,884	3,364	4,037	67,285
Payroll taxes	24,294	1,365	1,638	27,297
Total Salaries and Related Expenses	<u>406,832</u>	<u>22,856</u>	<u>27,427</u>	<u>457,115</u>
OTHER EXPENSES				
Program expenses	71,749			71,749
Interest expense	29,172	7,293		36,465
Telephone and utilities	17,542	923		18,465
Fundraising			17,781	17,781
Professional services	11,219	4,808		16,027
Information technology	14,217	748		14,965
Insurance	11,256	847		12,103
Repairs and maintenance	9,102	479		9,581
Travel and conference	8,911	469		9,380
Office supplies	6,922	1,221		8,143
Bank charges	6,129	681		6,810
Printing	4,977	262		5,239
Postage and mailing	2,316	257		2,573
Taxes, licenses, and subscriptions	1,826	203		2,029
Advertising	1,529			1,529
Miscellaneous expenses	1,444	76		1,520
Total Other Expenses	<u>198,311</u>	<u>18,267</u>	<u>17,781</u>	<u>234,359</u>
TOTAL EXPENSES				
BEFORE DEPRECIATION	<u>605,143</u>	<u>41,123</u>	<u>45,208</u>	<u>691,474</u>
DEPRECIATION	<u>19,384</u>	<u>4,846</u>		<u>24,230</u>
TOTAL EXPENSES	<u>\$ 624,527</u>	<u>\$ 45,969</u>	<u>\$ 45,208</u>	<u>\$ 715,704</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, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries and wages	\$ 320,418	\$ 18,001	\$ 21,602	\$ 360,021
Payroll taxes	33,804	1,899	2,279	37,982
Employee benefits	22,016	1,237	1,484	24,737
Total Salaries and Related Expenses	<u>376,238</u>	<u>21,137</u>	<u>25,365</u>	<u>422,740</u>
<b>OTHER EXPENSES</b>				
Program expenses	23,806			23,806
Interest expense	29,610	7,402		37,012
Telephone and utilities	16,606	873		17,479
Fundraising			22,086	22,086
Professional services	22,380	10,642		33,022
Information technology	4,235	223		4,458
Insurance	10,836	816		11,652
Repairs and maintenance	8,760	461		9,221
Travel and conference	5,088	268		5,356
Office supplies	12,835	2,265		15,100
Bank charges	5,001	558		5,559
Printing	8,771	460		9,231
Postage and mailing	2,792	309		3,101
Taxes, licenses, and subscriptions	3,653	405		4,058
Advertising	5,940			5,940
Miscellaneous expenses	1,293	66		1,359
Total Other Expenses	<u>161,606</u>	<u>24,748</u>	<u>22,086</u>	<u>208,440</u>
<b>TOTAL EXPENSES</b>				
BEFORE DEPRECIATION	<u>537,844</u>	<u>45,885</u>	<u>47,451</u>	<u>631,180</u>
DEPRECIATION	<u>16,879</u>	<u>4,220</u>		<u>21,099</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 554,723</u></u>	<u><u>\$ 50,105</u></u>	<u><u>\$ 47,451</u></u>	<u><u>\$ 652,279</u></u>

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, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Financial Statement Presentation

The Financial Accounting Standards Board (FASB) implemented the FASB Accounting Standards Codification (Codification) effective July 1, 2009. The codification has become the source of authoritative Generally Accepted Accounting Principles (GAAP) recognized by FASB to be applied to nongovernmental entities. On the effective date of Codification, the Codification superseded all then existing accounting and reporting standards. All other non-grand-fathered accounting literature not included in the Codification has become non-authoritative. The change did not impact the Center’s financial statements. References to GAAP included in the FASB Codification are noted as Accounting Standards Codification (ASC).

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.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Foundation has adopted the provisions of FASB ASC 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. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents and Certificates of Deposit

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.

Grant Receivables

Grant receivables represent revenues earned and invoices submitted for reimbursements to various grantors. No allowance for doubtful collections has been established, as management believes the entire amount is fully collectible.

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. For the years ended June 30, 2011 and 2010, The Center considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Furniture and Equipment

Furniture 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.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated Services and Goods

In accordance with ASC 958, *Accounting for Contributions Received and Contributions Made*, the contribution of services shall be 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 shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

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.

Exempt Organization Status

The Center is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code and Section 23771(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 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.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Reporting of Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 23, 2011, 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, 2011 AND 2010

NOTE 2 – PLEDGE RECEIVABLES

The Center began a building fund to reduce the principal balance of the mortgage on the building located in Santa Ana, California. During 2008, an individual pledged \$25,000 for the Center's Building Fund to be paid in \$5,000 increments over the next five years. As of June 30, 2011, the remaining pledge receivable balance is \$5,000.

NOTE 3 – FIXED ASSETS

For the years ended June 30, 2011 and 2010, fixed assets included the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
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	285,813	285,813
Loan cost	21,928	21,928
	<u>729,593</u>	<u>729,593</u>
Less: accumulated depreciation	<u>(315,375)</u>	<u>(291,145)</u>
Net furniture and equipment	<u>\$ 414,218</u>	<u>\$ 438,448</u>

Depreciation expense for the years ending June 30, 2011 and 2010 was \$24,230 and \$21,099, respectively.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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, 2011, the schedule of principal payments is as follows:

Years Ending June 30,	
2012	\$ 2,800
2013	2,800
2014	2,800
2015	2,800
2016	<u>2,800</u>
Total	<u>\$ 14,000</u>

For the year ended June 30, 2011 and 2010, interest expense incurred for the note payable was \$484 and \$484, respectively.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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, 2011, the schedule of principal payments is as follows:

Years Ending June 30,	
2012	\$ 14,183
2013	15,033
2014	15,933
2015	16,887
2016 and after	<u>552,725</u>
Total	\$ 614,761
Less: current portion	(14,183)
Noncurrent portion	<u>\$ 600,578</u>

For the years ended June 30, 2011 and 2010, interest expense incurred on the mortgage payable was \$35,981 and \$37,012, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

For the years ended June 30, 2011 and 2010, temporarily restricted net assets are restricted for the following purposes:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Building fund	\$ 22,308	\$ 16,264

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, 2011 and 2010, respectively.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

NOTE 7 – SPECIAL EVENTS

The Center conducts special events in order to raise funds to support the organization'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, 2011 and 2010, revenues and expenses relating to special events are as follows:

	June 30,	
	2011	2010
Revenue	\$ 115,535	\$ 203,838
Less: direct donor benefits	(32,324)	(51,737)
Net proceeds	<u>\$ 83,211</u>	<u>\$ 152,101</u>

NOTE 8 – CONCENTRATION OF CREDIT RISK

As stated in Note 1, the Center operates in Orange County, California and relies on the community for contributions, volunteers, and referrals from local agencies. For the years ended June 30, 2011 and 2010, contributions and special events accounted for 49% and 41% of total support and revenue, respectively.

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, 2011 and 2010, 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.