

THE GAY AND LESBIAN COMMUNITY  
SERVICES CENTER OF ORANGE COUNTY

FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4 – 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 – 8
Notes to the Financial Statements	9 –14

# *Guzman & Gray*

Certified Public Accountants

---

4510 East Pacific Coast Highway, Suite 270  
Long Beach, California 90804  
(562) 498-0997 Fax: (562) 597-7359

Mark Gray, C.P.A.  
Patrick S. Guzman, C.P.A.

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2016 and 2015, and the related statements of activities and changes in net asset, functional expenses, 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.


### Auditors' Responsibility (Continued)

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 The Gay and Lesbian Community Services Center of Orange County as of June 30, 2016 and 2015, 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.

A handwritten signature in cursive script that reads "Guzman & Gray".

Guzman & Gray CPAs  
Long Beach, CA  
October 20, 2016

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

ASSETS

	June 30,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 139,938	\$ 249,762
Investments	11,655	12,647
Account receivables	27,151	1,245
Grant receivables	1,494	55,578
Prepaid expenses	8,359	13,580
Total Current Assets	<u>188,597</u>	<u>332,812</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net	342,335	381,101
Land	465,000	465,000
Total Property and Equipment	<u>807,335</u>	<u>846,101</u>
<b>TOTAL ASSETS</b>	<u><u>995,932</u></u>	<u><u>1,178,913</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Payables	38,832	43,989
Accrued liabilities	32,979	40,084
Deferred revenue	16,130	
Mortgage payable, current	12,214	17,898
Total Current Liabilities	<u>100,155</u>	<u>101,971</u>
<b>NONCURRENT LIABILITIES</b>		
Mortgage payable, noncurrent	463,482	534,684
Total Noncurrent Liabilities	<u>463,482</u>	<u>534,684</u>
<b>NET ASSETS</b>		
Unrestricted	429,382	452,893
Temporarily restricted	2,913	89,365
Total Net Assets	<u>432,295</u>	<u>542,258</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 995,932</u></u>	<u><u>\$ 1,178,913</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, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 403,940		\$ 403,940
Contributions	226,289		226,289
Programs	82,235		82,235
Special events, net	186,038		186,038
Interest income	50		50
Rental income	8,164		8,164
In-kind services	88,225		88,225
In-kind contributions	15,698		15,698
Other income (loss)	(992)		(992)
	<u>1,009,647</u>		<u>1,009,647</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>86,452</u>	<u>(86,452)</u>	
TOTAL SUPPORT AND REVENUE	<u>1,096,099</u>	<u>(86,452)</u>	<u>1,009,647</u>
EXPENSES			
Program services	869,684		869,684
Management and general	127,068		127,068
Fundraising	122,858		122,858
TOTAL EXPENSES	<u>1,119,610</u>		<u>1,119,610</u>
CHANGE IN NET ASSETS	(23,511)	(86,452)	(109,963)
BEGINNING NET ASSETS	<u>452,893</u>	<u>89,365</u>	<u>542,258</u>
ENDING NET ASSETS	<u><u>\$ 429,382</u></u>	<u><u>\$ 2,913</u></u>	<u><u>\$ 432,295</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, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grant revenue	\$ 584,417		\$ 584,417
Contributions	288,057	\$ 22,267	310,324
Programs	72,969		72,969
Special events, net	128,394		128,394
Interest income	59		59
Rental income	2,651		2,651
In-kind contributions	12,236		12,236
In-kind services	71,375		71,375
Other	726		726
	<u>1,160,884</u>	<u>22,267</u>	<u>1,183,151</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>1,160,884</u>	<u>22,267</u>	<u>1,183,151</u>
TOTAL SUPPORT AND REVENUE			
	<u>1,160,884</u>	<u>22,267</u>	<u>1,183,151</u>
EXPENSES			
Program services	859,086		859,086
Management and general	102,408		102,408
Fundraising	104,004		104,004
	<u>1,065,498</u>		<u>1,065,498</u>
TOTAL EXPENSES			
	<u>1,065,498</u>		<u>1,065,498</u>
CHANGE IN NET ASSETS	95,386	22,267	117,653
BEGINNING NET ASSETS	357,507	67,098	424,605
ENDING NET ASSETS	<u>\$ 452,893</u>	<u>\$ 89,365</u>	<u>\$ 542,258</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, 2016 AND 2015

	June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (109,963)	\$ 117,653
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	30,359	29,525
Donated stock investment		(12,647)
Write off of capitalized loan costs	8,407	
(Increase) decrease in assets:		
Investments	992	
Account receivables	(25,906)	2,560
Grant receivables	54,084	(16,556)
Prepaid expenses	5,221	(7,098)
Increase (decrease) in liabilities:		
Payables	(5,157)	12,250
Accrued liabilities	(7,105)	790
Deferred revenue	16,130	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(32,938)</u>	<u>126,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		(23,504)
NET CASH FROM INVESTING ACTIVITIES		<u>(23,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable		(1,689)
Principal payments on mortgage payable	(76,886)	(16,849)
NET CASH FROM INVESTING ACTIVITIES	<u>(76,886)</u>	<u>(18,538)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,824)	84,435
BEGINNING CASH AND CASH EQUIVALENTS	<u>249,762</u>	<u>165,327</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 139,938</u>	<u>\$ 249,762</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	<u>\$ 26,949</u>	<u>\$ 34,356</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, 2016

	Program Services	Management and General	Fund Raising	Total
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries and wages	\$ 389,190	\$ 73,303	\$ 66,318	\$ 528,811
Employee benefits	67,423	6,200	11,062	84,685
Payroll taxes	35,417	9,073	5,305	49,795
Total Salaries and Related Expenses	492,030	88,576	82,685	663,291
<b>OTHER EXPENSES</b>				
Program expenses	111,008			111,008
Interest expense	24,605	1,186	1,159	26,950
Travel and conference		178		178
Professional services	9,974	28,406	4,938	43,318
Repairs and maintenance	17,880	1,479	1,067	20,426
Insurance	11,188	1,769	975	13,932
Information technology	5,246	830	12,578	18,654
Office supplies	12,997	120	117	13,234
Utilities	13,190	636	621	14,447
Bank charges	5,707	903	498	7,108
Telephone	17,748	855	836	19,439
Printing	21,003	488	476	21,967
Postage and mailing	1,054	51	50	1,155
Taxes, licenses, and subscriptions	3,650	514	295	4,459
Advertising	2,529			2,529
Inkind Services	88,225			88,225
Inkind Goods	188		15,510	15,698
Miscellaneous expenses	3,233			3,233
Total Other Expenses	349,425	37,415	39,120	425,960
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	841,455	125,991	121,805	1,089,251
<b>DEPRECIATION</b>	28,229	1,077	1,053	30,359
<b>TOTAL EXPENSES</b>	<u>\$ 869,684</u>	<u>\$ 127,068</u>	<u>\$ 122,858</u>	<u>\$ 1,119,610</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, 2015

	Program Services	Management and General	Fund Raising	Total
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries and wages	\$ 472,067	\$ 47,207	\$ 70,810	\$ 590,084
Employee benefits	33,368	3,337	5,005	41,710
Payroll taxes	40,580	4,058	6,087	50,725
Total Salaries and Related Expenses	546,015	54,602	81,902	682,519
<b>OTHER EXPENSES</b>				
Program expenses	38,428			38,428
Interest expense	27,485	6,871		34,356
Travel and conference	2,793	745	186	3,724
Professional services	54,798	13,699		68,497
Repairs and maintenance	14,483	3,620		18,103
Insurance	20,676	2,297		22,973
Information technology	15,422	3,857		19,279
Office supplies	9,156	1,146	1,146	11,448
Utilities	11,809	2,953		14,762
Bank charges	5,569	1,392		6,961
Telephone	3,530	880		4,410
Printing	4,929	1,644	4,383	10,956
Postage and mailing	542	180	481	1,203
Taxes, licenses, and subscriptions	4,048	1,013		5,061
Advertising	2,447		3,670	6,117
Inkind Services	71,375			71,375
Inkind Goods			12,236	12,236
Miscellaneous expenses	1,961	1,604		3,565
Total Other Expenses	289,451	41,901	22,102	353,454
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>835,466</b>	<b>96,503</b>	<b>104,004</b>	<b>1,035,973</b>
<b>DEPRECIATION</b>	<b>23,620</b>	<b>5,905</b>		<b>29,525</b>
<b>TOTAL EXPENSES</b>	<b>\$ 859,086</b>	<b>\$ 102,408</b>	<b>\$ 104,004</b>	<b>\$ 1,065,498</b>

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, 2016 AND 2015

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 wellbeing 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, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair market value. Investments consist of mutual funds traded on an active exchange. At June 30, 2016, cost was \$11,217.

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, 2016, 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 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, 2016 AND 2015

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 October 20, 2016, 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, 2016 AND 2015

NOTE 3 – PROPERTY AND EQUIPMENT

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

	June 30	
	2016	2015
Land	\$ 465,000	\$ 465,000
Building	\$ 260,000	\$ 260,000
Building improvements	164,893	164,893
Mortgage interest	37,076	37,076
Furniture and equipment	314,365	314,365
Loan cost		21,928
	776,334	798,262
Less: accumulated depreciation	(433,999)	(417,161)
Net furniture and equipment	\$ 342,335	\$ 381,101

For the years ending June 30, 2016 and 2015, depreciation expense was \$30,359 and \$29,525, respectively.

NOTE 4 – LEASE COMMITMENTS

The Organization entered into a two year lease agreement for an additional program site commencing April 2015 to March 2017. Minimum lease payments are \$25,561 for the fiscal year ending June 30, 2017.

NOTE 5 – MORTGAGE PAYABLE

During June 2008, the Center borrowed \$652,500 to purchase real property located in Santa Ana, California. The mortgage payable was secured by a first deed of trust and bore interest at a fixed rate of 5.83% and payable in monthly installments of \$4,137, which includes interest. Effective November 2016, the balance was refinanced to bear interest at a fixed rate of 5.05%, and will require monthly payments of \$2,615. The full balance is due at maturity on October 2025.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

NOTE 5 – MORTGAGE PAYABLE (Continued)

As of June 30, 2016, the schedule of principal payments is as follows:

Years Ending <u>June 30,</u>	
2017	\$ 12,214
2018	12,458
2019	12,707
2020	12,938
2021	13,220
2022 and thereafter,	<u>412,159</u>
Total	\$ 475,696
Less: current portion	<u>12,214</u>
Noncurrent portion	<u>\$ 463,482</u>

For the years ended June 30, 2016 and 2015, interest expense incurred on the mortgage payable was \$25,569 and \$31,053, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

For the years ended June 30, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Building fund	\$ 2,913	\$ 69,365
Program costs		<u>20,000</u>
Total temporarily restricted	<u>\$ 2,913</u>	<u>\$ 89,365</u>

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, 2016 and 2015.

THE GAY AND LESBIAN COMMUNITY SERVICES CENTER  
OF ORANGE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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, 2016 and 2015, revenues and expenses relating to special events are as follows:

	June 30,	
	2016	2015
Revenue	\$ 295,743	\$ 233,913
Less: direct donor benefits	(109,705)	(105,519)
Net proceeds	<u>\$ 186,038</u>	<u>\$ 128,394</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 \$25 per hour. For the years ended June 30, 2016 and 2015, the Center recognized donated services of \$88,225 and \$71,375, respectively.

The Center receives donated supplies and equipment. For the years ended June 30, 2016 and 2015, the Center recognized donated goods of \$15,698 and \$12,236, 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, 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, 2016 and 2015, 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.