

THE GAY AND LESBIAN COMMUNITY
SERVICES CENTER OF ORANGE COUNTY

FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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 (a nonprofit organization) (the "Center"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audit to obtain reasonable assurance about whether the financial statements are free from 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.

INDEPENDENT AUDITORS' REPORT (Continued)

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 Center as of June 30, 2017 and 2016, 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, appearing to read "Guzman & Gray".

Guzman & Gray, CPAs
Long Beach, CA
December 21, 2017

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

ASSETS

	June 30,	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,169	\$ 139,938
Investments		11,655
Account receivables	3,266	27,151
Grant receivables	11,688	1,494
Pledge receivables	5,000	
Prepaid expenses	6,661	8,359
Total Current Assets	<u>166,784</u>	<u>188,597</u>
NONCURRENT ASSETS		
Pledge receivables	<u>5,000</u>	
PROPERTY AND EQUIPMENT		
Property and equipment, net	316,104	342,335
Land	465,000	465,000
Total Property and Equipment	<u>781,104</u>	<u>807,335</u>
TOTAL ASSETS	<u>\$ 952,888</u>	<u>\$ 995,932</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Payables	\$ 13,094	\$ 16,225
Accrued liabilities	52,031	55,586
Deferred revenue	81,563	16,130
Mortgage payable, current	7,571	12,214
Total Current Liabilities	<u>154,259</u>	<u>100,155</u>
NONCURRENT LIABILITIES		
Mortgage payable, noncurrent	<u>460,770</u>	<u>463,482</u>
TOTAL LIABILITIES	<u>615,029</u>	<u>563,637</u>
NET ASSETS		
Unrestricted	327,859	429,382
Temporarily restricted	10,000	2,913
Total Net Assets	<u>337,859</u>	<u>432,295</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 952,888</u>	<u>\$ 995,932</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenue	\$ 478,115		\$ 478,115
Contributions	219,724	\$ 10,000	229,724
Programs	75,681		75,681
Special events, net	156,925		156,925
Interest income	45		45
Rental income	10,016		10,016
In-kind services	126,000		126,000
In-kind contributions	15		15
Other income (loss)	391		391
	<u>1,066,912</u>	<u>10,000</u>	<u>1,076,912</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>2,913</u>	<u>(2,913)</u>	
TOTAL SUPPORT AND REVENUE	<u>1,069,825</u>	<u>7,087</u>	<u>1,076,912</u>
EXPENSES			
Program services	989,357		989,357
Management and general	120,190		120,190
Fundraising	61,801		61,801
TOTAL EXPENSES	<u>1,171,348</u>		<u>1,171,348</u>
CHANGE IN NET ASSETS	(101,523)	7,087	(94,436)
BEGINNING NET ASSETS	<u>429,382</u>	<u>2,913</u>	<u>432,295</u>
ENDING NET ASSETS	<u>\$ 327,859</u>	<u>\$ 10,000</u>	<u>\$ 337,859</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (94,436)	\$ (109,963)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	28,786	30,359
Realized gains	1,609	992
Write off of capitalized loan costs		8,407
(Increase) decrease in assets:		
Account receivables	23,885	(25,906)
Grant receivables	(10,194)	54,084
Pledge receivables	(10,000)	
Prepaid expenses	1,698	5,221
Increase (decrease) in liabilities:		
Payables	(3,131)	(5,157)
Accrued liabilities	(3,555)	(7,105)
Deferred revenue	65,433	16,130
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>95</u>	<u>(32,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	11,655	
Purchase of equipment	<u>(4,164)</u>	
NET CASH USED BY INVESTING ACTIVITIES	<u>7,491</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	<u>(7,355)</u>	<u>(76,886)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(7,355)</u>	<u>(76,886)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	231	(109,824)
BEGINNING CASH AND CASH EQUIVALENTS	<u>139,938</u>	<u>249,762</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 140,169</u>	<u>\$ 139,938</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	<u>\$ 22,301</u>	<u>\$ 26,950</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, 2017

	Program Services	Management and General	Fund Raising	Total
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 463,835	\$ 62,099	\$ 41,400	\$ 567,334
Employee benefits	51,241	7,456	4,970	63,667
Payroll taxes	43,516	5,839	3,892	53,247
Total Salaries and Related Expenses	558,592	75,394	50,262	684,248
OTHER EXPENSES				
Program expenses	117,947			117,947
Interest expense	17,841	4,460		22,301
Travel and conference	1,274	340	85	1,699
Professional services	50,971	12,743		63,714
Repairs and maintenance	11,032	2,757		13,789
Insurance	11,825	2,063		13,888
Information technology	9,763	2,442		12,205
Office supplies	15,659	1,961	1,960	19,580
Utilities	11,275	2,819		14,094
Bank charges	2,936	734		3,670
Telephone	15,547	3,878		19,425
Printing	7,576	2,527	6,737	16,840
Postage and mailing	744	247	659	1,650
Taxes, licenses, and subscriptions	4,903	1,227		6,130
Advertising	1,399		2,098	3,497
Inkind Services	126,000			126,000
Inkind Goods	15			15
Miscellaneous expenses	1,029	841		1,870
Total Other Expenses	407,736	39,039	11,539	458,314
TOTAL EXPENSES BEFORE DEPRECIATION	966,328	114,433	61,801	1,142,562
DEPRECIATION	23,029	5,757		28,786
TOTAL EXPENSES	\$ 989,357	\$ 120,190	\$ 61,801	\$ 1,171,348

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
SALARIES AND RELATED EXPENSES				
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
OTHER EXPENSES				
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
TOTAL EXPENSES BEFORE DEPRECIATION	841,455	125,991	121,805	1,089,251
DEPRECIATION	28,229	1,077	1,053	30,359
TOTAL EXPENSES	\$ 869,684	\$ 127,068	\$ 122,858	\$ 1,119,610

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, 2017 AND 2016

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 (GAAP) 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, 2017 AND 2016

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, 2017 and 2016, cost was \$0 and \$11,655, respectively.

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, 2017 and 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 thirty 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, 2017 AND 2016

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.

Reclassification

Certain liabilities amounts were reclassified as of the beginning of the earliest year presented to conform to current period presentation.

Reporting of Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 21, 2017, 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, 2017 AND 2016

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment for the year ended June 30, 2017, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	\$ 260,000	(70,777)	\$ 189,223
Building improvements	172,921	(78,888)	94,033
Mortgage interest	37,077	(9,887)	27,190
Furniture and equipment	<u>314,365</u>	<u>(308,707)</u>	<u>5,658</u>
Total depreciable assets	784,363	(468,259)	316,104
Land	<u>465,000</u>		<u>465,000</u>
Total	<u>\$ 1,249,363</u>	<u>(468,259)</u>	<u>\$ 781,104</u>

A summary of property and equipment for the years ended June 30, 2016, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	\$ 260,000	(62,111)	\$ 197,889
Building improvements	164,892	(65,272)	99,620
Mortgage interest	37,077	(8,651)	28,426
Furniture and equipment	<u>314,365</u>	<u>(297,965)</u>	<u>16,400</u>
Total depreciable assets	776,334	(433,999)	342,335
Land	<u>465,000</u>		<u>465,000</u>
Total	<u>\$ 1,241,334</u>	<u>(433,999)</u>	<u>\$ 807,335</u>

For the years ending June 30, 2017 and 2016, depreciation expense was \$28,786 and \$30,359, respectively.

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

JUNE 30, 2017 AND 2016

NOTE 4 – LEASE COMMITMENTS

The Center entered into a two year lease agreement for an additional program site commencing April 2015 to March 2017 and payable on a monthly basis. An option to extend the lease term through March 2018 was exercised in January 2017.

The future minimum payments under this lease agreement are as follows:

Year Ending June 30,

2018	\$ <u>23,337</u>
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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.

As of June 30, 2017, the schedule of principal payments is as follows:

Years Ending June 30,

2018	\$ 7,571
2019	7,968
2020	8,322
2021	8,822
2022	9,284
2023 and thereafter,	<u>426,374</u>
Total	468,341
Less: Current portion	(7,571)
Noncurrent portion	\$ <u>460,770</u>

For the years ended June 30, 2017 and 2016, interest expense incurred on the mortgage payable was \$22,301 and \$26,950, respectively.

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

JUNE 30, 2017 AND 2016

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	June 30,	
	2017	2016
Building fund	\$ 10,000	\$ 2,913
Total temporarily restricted	\$ 10,000	\$ 2,913

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, 2017 and 2016.

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, 2017, revenues and expenses relating to special events are as follows:

	June 30,	
	2017	2016
Revenue	\$ 270,221	\$ 295,743
Less: Direct donor benefit	(113,296)	(109,705)
Net proceeds	\$ 156,925	\$ 186,038

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

JUNE 30, 2017 AND 2016

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, 2017 and 2016, the Center recognized donated services of \$126,000 and \$88,225, respectively.

The Center receives donated supplies and equipment. For the years ended June 30, 2017 and 2016, the Center recognized donated goods of \$17,478 and \$15,698, respectively.

For the period ended June 30, 2017, \$17,463 of inkind goods were recognized as special events revenue and direct donor benefit expense.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Center engaged the services of Collete's Catering, a business co-owned and operated by a current member of the board, for the purpose of special events catering.

The Center incurred expenses of approximately \$39,876 and \$42,728 related to these transactions for the periods ended June 30, 2017, and 2016, respectively. These transactions are provided at a significant discount, and were reviewed and approved by board members not having a conflict of interest.

NOTE 10 – 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, 2017 and 2016, the cash balances held at financial institutions did not exceed the FDIC insured amount of \$250,000. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.