



**Los Angeles LGBT Center  
(a nonprofit California corporation)**

**Financial Statements**  
Years Ended June 30, 2016 and 2015

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

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Years Ended June 30, 2016 and 2015

**Los Angeles LGBT Center**  
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# Los Angeles LGBT Center (a nonprofit California corporation)

## Description of Organization

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For over 45 years, the Los Angeles LGBT Center (the "Center") has been building the health, enriching the lives and advocating for the rights of lesbian, gay, bisexual and transgender ("LGBT") people. It was founded as an all-volunteer organization, offering counseling, shelter/support for homeless LGBT youth, senior citizens and a safe space for our community to gather.

The Los Angeles LGBT Center is building a world where LGBT people thrive as healthy, equal and complete members of society.

Today the Center is a \$91 million organization with nearly 600 employees and approximately 900 devoted volunteers every month. Its wide array of services includes: free and low-cost healthcare and medications for those most in need, including people with HIV/AIDS; housing, food, clothing and support for homeless LGBT youth and their allies; low-cost counseling and addiction-recovery services; essential services for LGBT seniors and parents; legal services; health education and HIV prevention programs; cultural arts programs; and more.

Information about the Los Angeles LGBT Center and its programs and services is available on the Web at [www.lalgbtcenter.org](http://www.lalgbtcenter.org).



## Independent Auditor's Report

Board of Directors  
Los Angeles LGBT Center  
Los Angeles, California

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Los Angeles LGBT Center (the "Center"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

### *Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 Los Angeles LGBT Center as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

December 28, 2016

## Financial Statements

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**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statements of Financial Position**

<i>June 30,</i>	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 25,066,397	\$ 32,820,465
Accounts and other receivables	592,680	164,262
Clinic fees receivable, net	4,775,028	4,377,392
Contracts and grants receivable, net	2,482,924	2,809,214
Pledges receivable, net	1,523,279	1,615,889
Short-term investments	25,763,233	10,538,568
Inventories	496,959	435,116
<b>Total current assets</b>	<b>60,700,500</b>	<b>52,760,906</b>
<b>Noncurrent assets</b>		
Contributions receivable - held in trust	2,741,539	2,927,495
Beneficial interests in trusts	1,902,300	3,220,753
Receivable from affiliate	9,579,303	7,539,575
Pledges receivable, net	2,310,098	2,803,438
Long-term investments	1,703,919	3,267,218
Property and equipment, net	9,954,176	10,302,611
Other assets	1,870,555	2,079,876
<b>Total noncurrent assets</b>	<b>30,061,890</b>	<b>32,140,966</b>
<b>Total assets</b>	<b>\$ 90,762,390</b>	<b>\$ 84,901,872</b>
<b>Current liabilities</b>		
Accounts payable	\$ 2,511,020	\$ 3,048,980
Accrued expenses and other liabilities	5,116,768	4,497,263
Unearned revenue	484,536	753,221
Current portion of annuities payable	179,388	166,558
Current portion of long-term debt	1,730,197	348,965
<b>Total current liabilities</b>	<b>10,021,909</b>	<b>8,814,987</b>
<b>Noncurrent liabilities</b>		
Annuities payable, net of current portion	892,297	875,378
Long-term debt, net of current portion	7,293,214	8,964,500
<b>Total noncurrent liabilities</b>	<b>8,185,511</b>	<b>9,839,878</b>
<b>Total liabilities</b>	<b>18,207,420</b>	<b>18,654,865</b>
<b>Commitments and Contingencies (Note 13)</b>		
<b>Net assets</b>		
Unrestricted	54,446,523	50,857,687
Temporarily restricted	13,142,090	10,226,817
Permanently restricted	4,966,357	5,162,503
<b>Total net assets</b>	<b>72,554,970</b>	<b>66,247,007</b>
<b>Total liabilities and net assets</b>	<b>\$ 90,762,390</b>	<b>\$ 84,901,872</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statements of Activities and Changes in Net Assets**

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and other revenue</b>				
Public support:				
Special events revenue:				
Gross receipts	\$ 8,600,967	\$ 387,154	\$ -	\$ 8,988,121
Less costs of direct benefits to donors	(272,261)	-	-	(272,261)
Net special events revenue	8,328,706	387,154	-	8,715,860
Program fees	57,366,308	-	-	57,366,308
Grants	14,965,547	-	-	14,965,547
Contributions	4,588,292	1,310,772	-	5,899,064
Contributions - Capital Campaign	-	3,037,424	-	3,037,424
Contributed goods and services	828,463	-	-	828,463
Other operating revenue	873,449	-	-	873,449
<b>Total public support and other revenue</b>	<b>86,950,765</b>	<b>4,735,350</b>	<b>-</b>	<b>91,686,115</b>
Satisfaction of program restrictions	1,678,921	(1,678,921)	-	-
<b>Total public support and other revenue and net assets released from restrictions</b>	<b>88,629,686</b>	<b>3,056,429</b>	<b>-</b>	<b>91,686,115</b>
<b>Operating expenses</b>				
Program services	76,699,191	-	-	76,699,191
Supporting services:				
General and administrative	392,968	-	-	392,968
Fund-raising	7,355,721	-	-	7,355,721
<b>Total supporting services</b>	<b>7,748,689</b>	<b>-</b>	<b>-</b>	<b>7,748,689</b>
<b>Total operating expenses</b>	<b>84,447,880</b>	<b>-</b>	<b>-</b>	<b>84,447,880</b>
Change in net assets before non-operating gains and other revenue	4,181,806	3,056,429	-	7,238,235
<b>Non-operating gains (losses) and other revenue</b>				
Interest and dividend income	629,039	-	-	629,039
Realized and unrealized losses on investments, net	(1,222,009)	-	-	(1,222,009)
Unrealized losses on trusts held by third parties	-	(5,902)	(196,146)	(202,048)
Change in value of split-interest agreements	-	(135,254)	-	(135,254)
<b>Total non-operating losses and other revenue</b>	<b>(592,970)</b>	<b>(141,156)</b>	<b>(196,146)</b>	<b>(930,272)</b>
<b>Change in net assets</b>	<b>3,588,836</b>	<b>2,915,273</b>	<b>(196,146)</b>	<b>6,307,963</b>
<b>Net assets, beginning of year</b>	<b>50,857,687</b>	<b>10,226,817</b>	<b>5,162,503</b>	<b>66,247,007</b>
<b>Net assets, end of year</b>	<b>\$ 54,446,523</b>	<b>\$ 13,142,090</b>	<b>\$ 4,966,357</b>	<b>\$ 72,554,970</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*



**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statements of Activities and Changes in Net Assets (Continued)**

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and other revenue</b>				
Public support:				
Special events revenue:				
Gross receipts	\$ 7,948,031	\$ 272,131	\$ -	\$ 8,220,162
Less costs of direct benefits to donors	(253,228)	-	-	(253,228)
Net special events revenue	7,694,803	272,131	-	7,966,934
Program fees	51,318,813	-	-	51,318,813
Grants	15,689,363	-	-	15,689,363
Contributions	3,599,144	1,470,753	-	5,069,897
Contributions - Capital Campaign	1,000,000	3,423,758	-	4,423,758
Contributed goods and services	900,789	-	-	900,789
Other operating revenue	98,762	-	-	98,762
<b>Total public support and other revenue</b>	<b>80,301,674</b>	<b>5,166,642</b>	<b>-</b>	<b>85,468,316</b>
Satisfaction of program restrictions	1,792,689	(1,792,689)	-	-
<b>Total public support and other revenue and net assets released from restrictions</b>	<b>82,094,363</b>	<b>3,373,953</b>	<b>-</b>	<b>85,468,316</b>
<b>Operating expenses</b>				
Program services	70,974,870	-	-	70,974,870
Supporting services:				
General and administrative	694,538	-	-	694,538
Fund-raising	6,498,574	-	-	6,498,574
<b>Total supporting services</b>	<b>7,193,112</b>	<b>-</b>	<b>-</b>	<b>7,193,112</b>
<b>Total operating expenses</b>	<b>78,167,982</b>	<b>-</b>	<b>-</b>	<b>78,167,982</b>
Change in net assets before non-operating gains and other revenue	3,926,381	3,373,953	-	7,300,334
<b>Non-operating gains (losses) and other revenue</b>				
Interest and dividend income	624,346	-	-	624,346
Realized and unrealized losses on investments, net	(237,963)	-	-	(237,963)
Unrealized gains on trusts held by third parties	-	263,801	313,383	577,184
Change in value of split-interest agreements	-	(61,205)	-	(61,205)
<b>Total non-operating gains and other revenue</b>	<b>386,383</b>	<b>202,596</b>	<b>313,383</b>	<b>902,362</b>
<b>Change in net assets</b>	<b>4,312,764</b>	<b>3,576,549</b>	<b>313,383</b>	<b>8,202,696</b>
<b>Net assets, beginning of year</b>	<b>46,544,923</b>	<b>6,650,268</b>	<b>4,849,120</b>	<b>58,044,311</b>
<b>Net assets, end of year</b>	<b>\$ 50,857,687</b>	<b>\$ 10,226,817</b>	<b>\$ 5,162,503</b>	<b>\$ 66,247,007</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

Year ended June 30, 2016	Program Services								Supporting Services			Total
	Policy & Community Building	Cultural Arts & Education	Senior Services	Health & Mental Health Services	Legal Services	Public Affairs	Children, Youth & Family	Total Program Services	General and Administrative	Fund-raising	Total Supportive Services	
Program Staff Salaries	\$ 919,925	\$ 543,070	525,353	\$ 13,165,036	\$ 485,177	\$ 737,085	\$ 3,647,419	\$ 20,023,065	\$ -	\$ 2,222,954	\$ 2,222,954	\$ 22,246,019
Administration Salaries	110,339	257,588	93,472	605,885	95,257	31,961	742,329	1,936,831	3,377,580	497,269	3,874,849	5,811,680
Employee Benefits	132,960	154,250	117,457	2,279,429	94,537	102,634	1,137,802	4,019,069	415,607	354,730	770,337	4,789,406
Employer Taxes	85,083	73,474	52,749	1,138,324	49,267	62,856	387,404	1,849,157	247,893	211,514	459,407	2,308,564
Medical Supplies	-	-	-	32,266,475	-	-	3,699	32,270,174	-	-	-	32,270,174
Supplies	10,424	21,795	14,861	183,753	6,477	10,237	154,305	401,852	134,355	35,521	169,876	571,728
Facilities, Repairs and Maintenance	55,004	37,352	11,907	754,304	65,448	4,384	804,808	1,733,207	150,230	36,119	186,349	1,919,556
Telephone and Utilities	17,197	34,032	4,590	201,578	11,041	3,299	150,980	422,717	399,393	29,666	429,059	851,776
Advertising, Printing and Postage	6,360	6,725	23,360	112,282	2,799	130,388	8,513	290,427	115,717	310,961	426,678	717,105
Insurance	2,025	4,001	1,351	10,199	5,061	481	10,868	33,986	260,701	3,954	264,655	298,641
Travel	103,051	980	12,613	48,800	14,359	7,458	63,382	250,643	51,280	77,943	129,223	379,866
Professional Fees and Contracted Services	231,811	9,678	1,899	1,565,348	141	117,458	190,135	2,116,470	592,584	470,619	1,063,203	3,179,673
Event Expenses	35,079	132,852	66,238	642,127	2,297	21,693	104,160	1,004,446	25,752	1,665,056	1,690,808	2,695,254
Equipment Lease and Repair	18,096	40,113	4,848	490,701	6,808	20,369	148,748	729,683	455,899	79,944	535,843	1,265,526
Client Services	4,900	140	37,006	146,184	563	-	757,215	946,008	-	1,820	1,820	947,828
Lab Testing	-	-	-	619,485	-	-	-	619,485	-	-	-	619,485
Taxes and Licenses	1,428	5,721	851	12,803	64	89	3,185	24,141	20,847	4,853	25,700	49,841
Educational Materials	-	-	-	43,078	-	-	-	43,078	-	-	-	43,078
Staff and Board Development	20,783	1,893	7,262	97,121	8,384	22,852	21,707	180,002	102,014	200,694	302,708	482,710
Interest Expense	-	-	-	-	-	-	-	-	60,819	-	60,819	60,819
Miscellaneous	49,798	-	6,049	8,462	194	-	81,074	145,577	24,980	82	25,062	170,639
Contributed Goods and Services	34,190	-	13,980	422,983	58,289	-	44,734	574,176	1,500	252,787	254,287	828,463
Bank, Payroll and Investment Fees	-	-	-	-	-	-	25	25	509,983	150,265	660,248	660,273
Allocated G&A	268,624	164,609	170,201	3,818,212	146,374	212,732	1,148,057	5,928,809	(6,649,565)	720,756	(5,928,809)	-
<b>Total expenses before depreciation and amortization</b>												
depreciation and amortization	2,107,077	1,488,273	1,166,047	58,632,569	1,052,537	1,485,976	9,610,549	75,543,028	297,569	7,327,507	7,625,076	83,168,104
Depreciation and amortization	20,218	85,014	11,899	435,395	53,860	2,343	547,434	1,156,163	95,399	28,214	123,613	1,279,776
<b>Total expenses</b>	<b>\$ 2,127,295</b>	<b>\$ 1,573,287</b>	<b>\$ 1,177,946</b>	<b>\$ 59,067,964</b>	<b>\$ 1,106,397</b>	<b>\$ 1,488,319</b>	<b>\$ 10,157,983</b>	<b>\$ 76,699,191</b>	<b>\$ 392,968</b>	<b>\$ 7,355,721</b>	<b>\$ 7,748,689</b>	<b>\$ 84,447,880</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2015**

Year ended June 30, 2015	Program Services								Supporting Services			Total
	Policy & Community Building	Cultural Arts & Education	Senior Services	Health & Mental Health Services	Legal Services	Public Affairs	Children, Youth & Family Services	Total Program Services	General and Administrative	Fundraising	Total Supportive Services	
Program Staff Salaries	\$ 797,980	\$ 472,545	\$ 549,017	\$ 11,285,567	\$ 435,102	\$ 578,379	\$ 3,643,248	\$ 17,761,838	\$ -	\$ 1,944,260	\$ 1,944,260	\$ 19,706,098
Administration Salaries	71,394	222,523	77,609	550,492	96,275	47,863	788,129	1,854,285	2,840,743	417,814	3,258,557	5,112,842
Employee Benefits	114,388	148,847	119,013	1,990,037	89,078	85,529	1,146,818	3,693,710	313,807	307,271	621,078	4,314,788
Employer Taxes	70,555	61,253	54,126	984,857	44,882	50,884	394,515	1,661,072	208,891	183,285	392,176	2,053,248
Medical Supplies	-	-	-	29,764,736	-	-	3,723	29,768,459	-	-	-	29,768,459
Supplies	12,516	21,831	16,226	151,298	12,200	8,998	159,870	382,939	121,091	74,456	195,547	578,486
Facilities, Repairs and Maintenance	9,213	32,868	19,232	771,259	62,709	11,074	778,376	1,684,731	128,390	32,237	160,627	1,845,358
Telephone and Utilities	14,426	31,493	4,447	195,224	11,613	12,309	180,106	449,618	419,212	29,770	448,982	898,600
Advertising, Printing and Postage	723	7,470	19,707	98,811	1,523	211,503	5,244	344,981	162,124	294,935	457,059	802,040
Insurance	523	2,831	1,065	9,535	5,982	1,459	11,673	33,068	168,460	3,190	171,650	204,718
Travel	114,958	1,004	12,830	38,272	11,109	6,118	94,613	278,904	63,807	65,020	128,827	407,731
Professional Fees and Contracted Services	203,777	16,047	1,204	1,525,552	20,527	69,343	318,784	2,155,234	643,495	499,485	1,142,980	3,298,214
Event Expenses	19,332	98,172	61,691	584,716	2,724	8,195	108,872	883,702	13,691	1,288,781	1,302,472	2,186,174
Equipment Lease and Repair	9,535	39,013	8,994	573,332	11,715	30,183	186,902	859,674	486,317	80,720	567,037	1,426,711
Client Services	5,200	-	42,914	133,471	206	-	744,271	926,062	-	1,271	1,271	927,333
Lab Testing	-	-	-	644,495	-	-	-	644,495	-	-	-	644,495
Taxes and Licenses	1,124	5,796	832	18,423	43	73	4,845	31,136	13,360	3,340	16,700	47,836
Educational Materials	-	-	-	57,005	-	-	-	57,005	-	-	-	57,005
Staff and Board Development	23,848	755	6,596	113,217	6,684	11,111	16,554	178,765	133,903	127,565	261,468	440,233
Interest Expense	-	-	-	-	-	-	-	-	59,273	-	59,273	59,273
Miscellaneous	155,106	-	570	35,981	-	80,134	66,647	338,438	330,795	15	330,810	669,248
Contributed Goods and Services	41,779	-	33,038	365,916	74,473	-	28,228	543,434	2,816	354,539	357,355	900,789
Bank, Payroll and Investment Fees	-	-	-	7	-	-	2	9	457,804	135,077	592,881	592,890
Allocated G&A	233,828	147,879	175,726	3,301,311	133,371	168,941	1,156,136	5,317,192	(5,956,569)	639,377	(5,317,192)	-
Total expenses before depreciation and amortization	1,900,205	1,310,327	1,204,837	53,193,514	1,020,216	1,382,096	9,837,556	69,848,751	611,410	6,482,408	7,093,818	76,942,569
Depreciation and amortization	15,766	81,260	11,446	365,546	57,307	1,319	593,475	1,126,119	83,128	16,166	99,294	1,225,413
Total expenses	\$ 1,915,971	\$ 1,391,587	\$ 1,216,283	\$ 53,559,060	\$ 1,077,523	\$ 1,383,415	\$ 10,431,031	\$ 70,974,870	\$ 694,538	\$ 6,498,574	\$ 7,193,112	\$ 78,167,982

*See accompanying summary of significant accounting policies and notes to financial statements.*

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Statements of Cash Flows**

Increase (Decrease) in Cash

<i>Years ended June 30,</i>	2016	2015
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 6,307,963	\$ 8,202,696
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,279,776	1,225,413
Realized investment loss	177,985	(625,667)
Unrealized investment loss	330,485	179,404
Change in temporarily restricted split-interest agreements	141,156	(202,596)
Change in permanently restricted split-interest agreements and trust	196,146	(313,383)
Changes in operating assets and liabilities:		
Accounts and other receivables	(428,418)	1,468,536
Receivable from affiliate	(2,039,728)	(412,575)
Clinic fees receivable, net	(397,636)	1,064,737
Contracts and grants receivable, net	326,290	(124,639)
Pledges receivable, net	585,950	(1,603,080)
Inventories	(61,843)	189,154
Other assets	209,321	(492,464)
Accounts payable	(537,960)	(573,209)
Accrued expenses and other liabilities	619,505	(7,466,560)
Unearned revenue	(268,685)	10,823
Annuities payable	29,749	(16,191)
<b>Net cash provided by operating activities</b>	<b>6,470,056</b>	<b>510,399</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(911,424)	(239,853)
Purchase of investments	(29,908,422)	(9,119,007)
Proceeds from sale of investments	15,907,632	9,480,172
Interest income reinvested	(253,546)	(406,019)
Proceeds from beneficial interest in trust	1,302,361	-
<b>Net cash used in investing activities</b>	<b>(13,863,399)</b>	<b>(284,707)</b>
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	-	7,000,000
Repayments of notes payable and capital lease obligations	(360,725)	(7,313,109)
<b>Net cash used in financing activities</b>	<b>(360,725)</b>	<b>(313,109)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,754,068)</b>	<b>(87,417)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>32,820,465</b>	<b>32,907,882</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 25,066,397</b>	<b>\$ 32,820,465</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 60,819	\$ 59,273
<b>Noncash investing and financing activities</b>		
Acquired equipment in a capital lease agreement	\$ 70,670	\$ -

*See accompanying summary of significant accounting policies and notes to financial statements.*

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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**1. Organization**

The Los Angeles LGBT Center (the "Center") is a nonprofit California corporation formed for the purpose of serving the lesbian, gay, bisexual and transgender communities. The Center is building a world where LGBT people thrive as healthy, equal and complete members of society.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

*Basis of Presentation*

The financial statements of the Center have been presented in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants. The guide states that net assets, revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations 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 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 Statements of Activities and Changes in Net Assets as satisfaction of program restrictions. The Center classifies donor-restricted contributions whose restrictions are met within the same year as the contributions are received as unrestricted contributions in the accompanying Statements of Activities and Changes in Net Assets.
- Permanently restricted net assets - Net assets that are permanently restricted by donors for investment in perpetuity. The net investment income from permanently restricted investments is made available for program operations in accordance with donor restrictions.

*Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of cash on deposit with banks and investments with original maturities of three months or less. The Center places its temporary cash investments with high credit quality financial institutions. At times cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance limits. The Center has not experienced any losses related to these balances. All noninterest-bearing and interest-bearing cash balances held in the same ownership category are aggregated and were insured up to at least \$250,000 per depositor at each financial institution at June 30, 2016.

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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*Contracts and Grants Receivable*

Contracts and grants receivable represent program expenditures incurred by the Center, which have not yet been reimbursed under the terms of the grant agreements. These receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through provisions for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

*Inventories*

Inventories are stated at the lower of cost or market. Inventory costs are determined on the first-in, first-out ("FIFO") method. Inventories consist of pharmacy drugs.

*Split-Interest Agreements*

The Center has been designated as the beneficiary for irrevocable split-interest agreements, including charitable remainder trusts and charitable gift annuities. The annuity agreements generally require the Center to make quarterly fixed payments to other beneficiaries for a specified period of time.

The Center is required by the State of California Department of Insurance to maintain minimum reserves related to these annuities. For annuities issued between January 1, 1992 and December 31, 2004, the minimum reserve basis is the a-1983 Table at an interest rate of 6.0%. Effective January 1, 2005, the minimum reserve basis for annuities issued on or after this date is the Annuity 2000 Mortality Table at an interest rate of 4.5%. Annuities payable at June 30, 2016 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2016 and 2015, annuities payable were \$1,071,685 and \$1,041,936, respectively.

The contributed assets are recorded at fair value and a corresponding liability has been recorded to reflect the present value of required lifetime payments. The portion of the contributed assets, which represent future annuity payments, is classified in cash and cash equivalents, and investments. The Center is also the beneficiary of assets held in charitable remainder trusts administered by other trustees. These trusts are recorded at the present value of the remainder interest held by the trustee.

The Center uses an interest rate commensurate with the risks involved to discount the charitable remainder trusts. The discount rate for the years ended June 30, 2016 and 2015 ranged from 2.8% to 7.0%.

*Investments*

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-320, *Investments-Debt and Equity Securities*, the Center accounts for its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value on the Statements of Financial Position. The Center records realized and unrealized gains and losses on investments in the Statements of Activities and Changes in Net Assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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*Fair Value Measurements*

The Center follows ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available.

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1*            Quoted prices in active markets for identical assets or liabilities that the Center has the ability to access as of the measurement date.
  
- Level 2*            Inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
  
- Level 3*            Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

*Fair Value of Financial Instruments*

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, clinic receivables, contract and grant receivables, inventories, other receivables, accounts payable, accrued expenses and other liabilities approximate fair value because of their short maturity.

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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Pledges are carried at fair value. The fair value of pledges that are expected to be paid in less than one year are measured at net realizable value and all other pledges are recorded at the present value of estimated future cash flows. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 2.47% or 30-day LIBOR rate plus 2.0%. Amortization of discounts is recorded as additional fundraising revenue annually in accordance with donor-imposed restrictions, if any, on the pledges.

Investments are carried at fair value, which is based on quoted market prices.

Rates currently available to the Center for debt with similar terms and remaining maturities are used to estimate the fair value of the existing long-term debt and line of credit. The carrying amount of these long-term debt and line of credit approximated the estimated fair value.

***Property and Equipment***

Property and equipment is recorded at cost if purchased, or if donated, at fair value at the date of donation. Property and equipment acquired with government grant funds is considered to be owned by the Center while used in the program or in future authorized programs. However, the granting agency has a reversionary interest in the property, as well as the right to determine the use of any proceeds from the sale of the assets. Management expects to have continuous use of such property and equipment throughout their useful lives. The estimated useful lives by classification are as follows:

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Buildings and improvements	3-30 years
Furniture, fixtures and equipment	3-5 years
Computers and software	3-5 years

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Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the term of the lease or estimated useful life, whichever is shorter. Depreciation and amortization expense includes the depreciation of assets acquired under capital leases.

Repairs and maintenance are charged to expense when incurred.

***Impairment of Long-Lived Assets***

The Center reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2016 and 2015, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable and no impairments were recorded.



**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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*Unearned Revenue*

Unearned revenue represents a conditional grant or other funds received for services to be performed by the Center, which have not yet been provided under the terms of the agreements. The Center recognizes these amounts as public support and other revenue when such services have been performed or the condition has been met and/or funds expended. Unearned revenue at June 30, 2016 consisted primarily of \$128,948 related to grants, \$321,690 related to events and \$33,898 related to conditional donations. Unearned revenue at June 30, 2015 consisted primarily of \$487,914 related to grants, \$233,143 related to events and \$32,164 related to conditional donations.

*Contributions*

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 2.47% or 30-day LIBOR rate plus 2.0%. Amortization of discounts is recorded as additional contributions annually in accordance with donor-imposed restrictions, if any. Amounts received that are designated 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.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met. Statements of Intent are recognized as revenue when the amounts are collected.

*Special Events*

Revenue from special events is recorded at the fair market value for goods and services provided, with all amounts in excess of the costs of direct benefits to donors as contributions. Special events revenue includes silent auction proceeds, ticket sales, event pledges, raffle income, merchandise revenue and sponsorships.

*Contributed Goods and Services*

The value of significant contributed goods is reflected as contributions in the financial statements at the fair value of such goods at the date of donation. There were contributed goods of \$236,131 and \$322,965 for the years ended June 30, 2016 and 2015, respectively. Contributed services are recognized by the Center if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of such services, which consisted primarily of legal, mental health and medical services, totaled \$592,332 and \$577,824 for the years ended June 30, 2016 and 2015, respectively, and is included in contributed goods and services in the accompanying financial statements.

A significant number of volunteers contribute services to the Center that do not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. The value of such volunteer services received is \$444,658 and \$355,697 for the years ended June 30, 2016 and 2015, respectively.

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Notes to Financial Statements**

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*Program Fees*

Program fees are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

*Grant Revenue*

The Center recognizes grant revenue from all contracts to the extent eligible costs are incurred or services are performed up to an amount not to exceed the total contract authorized.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities and Changes in Net Assets and detailed in the Statements of Functional Expenses. Accordingly, certain expenses have been allocated among the programs based on management's estimates.

*Income Taxes*

The Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Center has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Center's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. For the years ended March 31, 2016 and 2015, there were no interest or penalties recorded or included in the statements of activities related to taxes.

The tax years ended June 30, 2013 through 2015 remain open to examination by the taxing jurisdictions to which the Center is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

*Non-Operating Income Allocated to Operations*

Contributions, except for split-interest agreements and perpetual trusts held by third parties, are reported as operating increases in the appropriate category of net assets. The Board of Directors has designated that split-interest agreements and perpetual trusts held by third parties are not generally available for use in operations; therefore, changes in value are recognized as non-operating activities in the appropriate category of net assets. Investment income, including realized and unrealized gains and losses, in excess of amounts utilized in operations, is accounted for as an increase or decrease in non-operating activities. It is classified as unrestricted unless its use is restricted by explicit donor stipulations or by law.

**Los Angeles LGBT Center**  
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**Notes to Financial Statements**

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*Allocation of Joint Costs*

Under ASC 958-720-05, *Accounting for Costs of Activities that Include Fundraising*, entities are required to report the costs of all materials and activities that include a fundraising appeal as fundraising costs, unless certain specific conditions are met, in which case the joint costs may be allocated between fundraising, program, and general and administrative expenses. The Center evaluates all programs that include fundraising to determine which programs would meet the requirements for allocation of costs.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including allocations to various program costs, during the reporting period. Actual results may differ from those estimates.

Certain judgments and estimates are considered in determining useful lives and pledge, clinic, pharmacy and grant allowances, including prior collection history, types of contributions, nature of contributions, the discount rate reflecting the risk inherent in future cash flows, the interpretation of current economic indicators and ability of donors to fulfill their future obligation. Actual results may differ from these judgments and estimates and could have a material adverse effect on the Center's financial condition or operating results.

*Endowments*

The Center is currently in the process of establishing a permanent endowment to be known as the Gil Garfield Fund for the Creative and Performing Arts that will exclusively support programming for the creative and performing arts at the Center. As of June 30, 2016, total contributions received are approximately \$2 million and are recorded as permanently restricted cash.

*Return Objectives and Risk Parameters*

The investment objectives for the management of endowment assets will be to manage contributions in a manner that will maximize the benefit intended by the donor, to produce current income to support the programs of the Center, donor objectives and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation.

*Reclassifications*

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Notes to Financial Statements**

**3. Clinic Fees Receivable**

Clinic fees receivable, which are due within one year, are as follows:

<i>June 30,</i>	2016	2015
Clinic fees receivable	\$ 4,837,265	\$ 4,403,585
Less: allowance for uncollectible clinic fees receivable	(62,237)	(26,193)
	<b>\$ 4,775,028</b>	<b>\$ 4,377,392</b>

**4. Pledges Receivable**

Pledges receivable, are as follows:

<i>June 30,</i>	2016	2015
Pledges receivable	\$ 4,086,387	\$ 4,799,821
Less: unamortized discount	(80,358)	(123,556)
Less: allowance for uncollectible	(172,652)	(256,938)
Net pledges receivable	<b>\$ 3,833,377</b>	<b>\$ 4,419,327</b>

Gross pledges receivable are due as follows:

<i>June 30,</i>	2016	2015
Less than one year	\$ 1,755,931	\$ 1,872,827
One to five years	2,330,256	2,926,694
More than five years	200	300
Net contributions receivable pledges	<b>\$ 4,086,387</b>	<b>\$ 4,799,821</b>

In May 2014, the Center publicly announced a \$25,000,000 Capital Campaign to acquire, develop and construct Center programming space for seniors and youth, the Center's administrative offices, and retail space on property adjacent to the Los Angeles LGBT Center Village at Ed Gould Plaza ("Anita May Rosenstein Campus"). Early gifts exceeded expectations, causing the board of directors to increase the goal to \$40,000,000 in two phases: \$25,000,000 in Phase 1 and \$15,000,000 in Phase 2. As of June 30, 2016, total cash collected is \$12,447,979. For the year ended June 30, 2016, the Center recognized \$3,037,424 as revenue, including an unamortized discount of \$43,026. At June 30, 2016, the Center has unconditional or irrevocable pledges due in more than one year of \$2,000,000 related to the Capital Campaign. At June 30, 2016, the Center has signed Statements of Intent in the amount of \$13,704,359 related to the Capital Campaign, which shall not be recognized as revenue until received or conditions are satisfied. The Center recognized \$4,423,758 as revenue, including an unamortized discount of \$107,575, for the year ended June 30, 2015. At June 30, 2015, the Center had pledges due in more than one year of \$2,400,000 related to the Capital Campaign. At June 30, 2015, the Center had signed Statements of Intent in the amount of \$9,287,042 related to the Capital Campaign, which shall not be recognized as revenue until received or conditions are satisfied.

**Los Angeles LGBT Center**  
**(a nonprofit California corporation)**

**Notes to Financial Statements**

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**5. Contributions Receivable - Held in Trust and Beneficial Interest in Trusts**

Contributions receivable held in trust at June 30, 2016 and 2015, were \$2,741,539 and \$2,927,495, respectively. The contributions received during the year are measured at fair value of the underlying assets in the accompanying financial statements at the time of gift. There were no new contributions held in trust received during the years ended June 30, 2016 and 2015. Subsequent changes in the value of the underlying assets are recorded in the accompanying Statements of Activities and Changes in Net Assets as a component of non-operating gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is temporarily restricted for youth-oriented programs. Total income distribution for the years ended June 30, 2016 and 2015 was \$147,814 and \$151,609, respectively. Principal of the trust is distributed to the Center either based on a predetermined schedule or at the discretion of the trustees. There were no trust principal payments received by the Center during the years ended June 30, 2016 and 2015.

The Center is a beneficiary of irrevocable charitable remainder trusts held and administered by third-party trustees; the significant ones are noted below.

On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2016 and 2015. This amount is classified as temporarily restricted net assets. At June 30, 2016 and 2015, the charitable remainder trust was adjusted to its estimated fair value of \$1,057,988 and \$962,540, respectively, and the change in fair value was classified as unrealized gains on the Statements of Activities and Changes in Net Assets.

On December 17, 1993, the Center was named as 100% beneficiary of a charitable remainder trust holding a California limited liability company ("LLC"). The LLC owned a one-third interest in a shopping center and restaurant site in Montclair, California. On November 14, 2003, the benefactor amended the charitable remainder trust to name the Center as irrevocable beneficiary in exchange for the establishment of a permanent endowment fund in his honor upon death. During the year ended June 30, 2011, the benefactor passed away. In September 2013, the LLC's portion in the shopping center was sold and the Center received proceeds of \$389,777 for their interest. The Center did not recognize a gain on the sale, as the cash proceeds approximated fair value. In July 2015, the LLC's portion in the restaurant site was sold and the Center received proceeds of \$1,302,361 for their interest. The Center did not recognize a gain on the sale, as the cash proceeds approximated fair value. At June 30, 2016, an endowment fund has not yet been created and the Center is in the process of creating the endowment fund in accordance with the agreement. Funds received are classified as permanently restricted and total approximately \$2 million.

Beneficial interests in trusts at June 30, 2016 and 2015 were \$1,902,300 and \$3,220,753, respectively.

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Notes to Financial Statements**

**6. Contracts and Grants Receivable**

Receivables expected to be collected within one year under the following contracts and grant awards are:

<i>June 30,</i>	2016	2015
Aids Project Los Angeles	\$ -	\$ 3,750
California Health Benefit Exchange	-	11,194
California Office of Aids	116,608	236,734
California Office of Emergency Services	83,002	38,021
Children's Hospital Los Angeles	1,498	1,493
City of Los Angeles	13,533	55,000
City of West Hollywood	8,556	8,313
Equal Justice Works Fellowship	166	-
Legal Aid Foundation of Los Angeles	14,365	5,455
Los Angeles County Department of HIV and STD Programs	960,930	1,150,988
Los Angeles County Department of Mental Health	213,776	320,982
Los Angeles County Department of Probation	2,500	2,500
Los Angeles Homeless Services Authority	32,060	67,838
New York City Gay and Lesbian Anti-Violence Project	-	1,763
The Center at Blessed Sacrament	-	11,081
The North West Network	1,843	825
University of California, Los Angeles	176,780	245,224
US Department of Health & Human Services	517,248	502,038
US Department of Housing & Urban Development	158,460	164,214
US Department of Justice	155,606	24,702
US Department of State	84,117	-
Allowance for Contracts and Grants Receivable	(58,124)	(42,901)
	<b>\$ 2,482,924</b>	<b>\$ 2,809,214</b>

**Los Angeles LGBT Center**  
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**Notes to Financial Statements**

**7. Investments**

Investments consist of the following:

<i>June 30,</i>	2016	2015
Mutual funds	\$ 979,327	\$ 646,438
Equity securities and structured equity products	5,813,048	8,639,761
Fixed income securities	18,338,601	3,984,645
Non-traditional securities	2,336,176	534,942
	<b>\$ 27,467,152</b>	<b>\$ 13,805,786</b>

Investment income consists of the following:

<i>Years ended June 30,</i>	2016	2015
Dividend income	\$ 518,741	\$ 607,318
Interest income	110,298	17,028
<b>Total investment income</b>	<b>629,039</b>	<b>624,346</b>
Gross realized losses from sale of securities	(887,678)	(264,786)
Gross realized gains from sale of securities	80,654	266,107
Gross unrealized losses on fixed income securities	(153,915)	(282,475)
Gross unrealized gains on fixed income securities	22,467	188,871
Gross unrealized losses on equity securities	(246,740)	(1,484,970)
Gross unrealized gains on equity securities	20,013	1,382,819
Gross unrealized losses on non-traditional securities	(13,713)	(36,485)
Gross unrealized gains on non-traditional securities	59,968	65,465
Gross unrealized losses on mutual funds	(26,971)	(74,111)
Gross unrealized gains on mutual funds	8,406	61,482
Investments charges	(84,500)	(59,880)
<b>Total realized and unrealized losses, net</b>	<b>(1,222,009)</b>	<b>(237,963)</b>
<b>Net investment (loss) income</b>	<b>\$ (592,970)</b>	<b>\$ 386,383</b>

Fixed income securities consist primarily of agency securities, domestic and international mutual funds, and investment-grade corporate securities.

All investments are classified between short-term and long-term investments on the Statements of Financial Position, based on their maturity date and the Center's intentions.

**Los Angeles LGBT Center**  
(a nonprofit California corporation)

**Notes to Financial Statements**

**8. Fair Value Measurements**

The following tables summarize the Center's fair value measurements by level at June 30, 2016 and 2015 for the assets and liabilities measured at fair value on a recurring basis:

<i>June 30, 2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Mutual funds	\$ 979,327	\$ -	\$ -
Equity securities and structured equity products	4,077,648	1,735,400	-
Fixed income securities	18,338,601	-	-
Non-traditional securities	2,291,176	-	45,000
Contributions receivable, held in trust	2,741,539	-	-
Beneficial interests in trusts	-	-	1,902,300

<b>Total assets at fair value</b>	<b>\$ 28,428,291</b>	<b>\$ 1,735,400</b>	<b>\$ 1,947,300</b>
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<b>Annuities payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,071,685</b>
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<i>June 30, 2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Mutual funds	\$ 646,438	\$ -	\$ -
Equity securities and structured equity products	6,339,236	2,300,525	-
Fixed income securities	3,984,645	-	-
Non-traditional securities	534,942	-	-
Contributions receivable, held in trust	2,927,495	-	-
Beneficial interests in trusts	-	-	3,220,753

<b>Total assets at fair value</b>	<b>\$ 14,432,756</b>	<b>\$ 2,300,525</b>	<b>\$ 3,220,753</b>
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<b>Annuities payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,041,936</b>
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The following table summarizes the Center's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016 and 2015:

<i>June 30,</i>	<b>2016</b>	<b>2015</b>
<b>Beginning balance</b>	<b>\$ 3,220,753</b>	<b>\$ 2,547,264</b>
Purchase of non-traditional securities	45,000	-
Proceeds from beneficial interest in trust	(1,302,361)	-
Total net gains (losses) included in change in net assets (realized/unrealized)	(16,092)	673,489
<b>Ending balance</b>	<b>\$ 1,947,300</b>	<b>\$ 3,220,753</b>



**Los Angeles LGBT Center**  
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**Notes to Financial Statements**

The following table summarizes the Center's activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016 and 2015:

<i>June 30,</i>	2016	2015
Beginning balance	\$ 1,041,936	\$ 1,058,127
Change in value of split interest agreements	135,254	61,205
Receipts	67,415	84,690
Payments	(172,920)	(162,086)
<b>Ending balance</b>	<b>\$ 1,071,685</b>	<b>\$ 1,041,936</b>

For fair value measurements categorized within Level 3, the valuations are based as follows: Beneficial interest in trusts are measured based on the discounted present value of the remainder interest for each charitable remainder trust based on the actuarial tables established by the IRS and are adjusted annually through the Statement of Activities and Changes in Net Assets to reflect estimated fair value. Annuities payable are recorded at estimated fair value as liabilities in the Statements of Financial Position at estimated fair value using present value calculations based on actuarial tables and discount rates established by the IRS.

## 9. Property and Equipment

Property and equipment consists of the following:

<i>June 30,</i>	2016	2015
Land	\$ 3,808,580	\$ 3,808,580
Buildings and improvements	12,858,383	12,836,445
Leasehold improvements	2,067,677	1,854,333
Furniture, fixtures and equipment	2,028,586	1,475,553
Computers and software	2,167,701	1,955,478
Construction in progress	169,596	238,793
	<b>23,100,523</b>	<b>22,169,182</b>
Less: accumulated depreciation and amortization, including \$126,782 and \$64,906 accumulated depreciation for equipment acquired under capital leases at June 30, 2016 and 2015, respectively.	<b>13,146,347</b>	<b>11,866,571</b>
	<b>\$ 9,954,176</b>	<b>\$ 10,302,611</b>

Depreciation and amortization expense was \$1,279,776 and \$1,225,413 for the years ended June 30, 2016 and 2015, respectively. The Center did not dispose any fully depreciated assets for the years ended June 30, 2016 and 2015.

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**Notes to Financial Statements**

**10. Line of Credit**

On July 30, 2014, the Center executed a new \$4,500,000 revolving line of credit arrangement with Wells Fargo Bank (“LOC”) with a maturity date of July 30, 2016. On July 29, 2016, the Center extended the \$4,500,000 revolving line of credit arrangement with Wells Fargo Bank with a maturity date of July 30, 2018. There were no outstanding balances under the LOC as of June 30, 2016 and 2015. The LOC is collateralized by the Center’s accounts receivable, general intangibles, inventory and equipment and bears interest at a fluctuating rate determined by the financial institution to be 2% above the Daily One Month Libor (2.47% at June 30, 2016). The LOC requires the Center to meet certain covenants. As of June 30, 2016 and 2015, the Center was in compliance with all covenants. During the years ended June 30, 2016 and 2015, the Center did not draw on the LOC and therefore, did not incur any interest expense related to the LOC.

**11. Debt**

Notes payable and capital lease obligations are summarized as follows:

<i>June 30,</i>	2016	2015
Mortgage note payable to the Community Redevelopment Agency, collateralized by land and building, due October 2016, non-interest bearing, subordinated to bank line of credit; annual principal payments to be repaid from residual receipts of operations (as defined).	\$ 1,339,744	\$ 1,339,744
Note payable to Wells Fargo Bank, collateralized by building, due October 1, 2017; interest is payable monthly at 6.43%. Payable in variable monthly principal and interest payments ranging from \$25,674 to \$28,576. Unpaid interest and principal are due upon maturity.	421,544	714,408
Note payable to Wells Fargo Bank, collateralized by investments, due July 30, 2017; interest is payable monthly at Daily One Month LIBOR plus 1.25%. See Note 17.	7,000,000	7,000,000
Capital lease obligation, expiring October 8, 2019. Payable in variable monthly principal and interest payments of \$7,704.	262,123	259,313
Total debt	9,023,411	9,313,465
Less: current portion of long-term debt	(1,730,197)	(348,965)
Long-term debt, net of current portion	\$ 7,293,214	\$ 8,964,500

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On July 30, 2014, the Center executed a \$7,000,000 Promissory Note with Wells Fargo Bank ("Note"). The proceeds were loaned to an affiliate to repay a Bridge Loan, which was used to partially pay for land and preconstruction costs related to the Anita May Rosenstein Campus (see Note 17). The Note is fully collateralized with Center investments and is due on July 30, 2017. Interest is payable at Daily One Month LIBOR plus 1.25%, which was 1.72% at June 30, 2016.

Minimum principal payments on notes payable and capital lease obligations are summarized as follows:

<i>Years ending June 30,</i>	Notes Payable	Capital Leases	Notes with Residual Value	Total
2017	\$ 314,336	\$ 76,117	\$ 1,339,744	\$ 1,730,197
2018	7,107,208	80,064	-	7,187,272
2019	-	84,215	-	84,215
Thereafter	-	21,727	-	21,727
	<b>\$ 7,421,544</b>	<b>\$ 262,123</b>	<b>\$ 1,339,744</b>	<b>\$ 9,023,411</b>

Interest expense related to long-term debt was \$52,615 and \$59,273 for the years ended June 30, 2016 and 2015, respectively.

## 12. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

<i>June 30,</i>	2016	2015
Accrued payroll and other employee expenses	\$ 3,404,294	\$ 3,025,707
Accrued expenses	693,730	503,871
340B pharmaceutical reserve	574,194	404,101
Medical insurance payable	171,509	-
Due to grantors	141,913	141,016
Other liabilities	131,128	352,826
Pharmacy Medi-Cal refund reserve	-	69,742
Total accrued expenses and other liabilities	<b>\$ 5,116,768</b>	<b>\$ 4,497,263</b>

### *Pharmacy Medi-Cal Refund Reserve*

Through preparation of the annual reconciliation report to Medi-Cal, which takes into account payments received through its managed Medi-Cal and fee-for-service programs, the Center identified overpayments from Medi-Cal in the amount of \$171,509. As of June 30, 2015, the Center established a reserve of \$69,742 related to the use of an incorrect dispensing fee for Medi-Cal pharmaceutical drug claims from July 1, 2014 through February 2015. In February 2016, the Center refunded Medi-Cal the entire reserve amount.

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*340B Pharmaceutical Reserve*

The Center determined that from October 2014 through September 2015, some pharmaceutical drugs were incorrectly replenished using the 340B Drug Pricing Program. The Center estimated the refund to drug manufacturers to be \$404,101 through June 30, 2015 and established a reserve in that amount. An additional reserve amount of \$170,092 was estimated for replenishment activity from July 2015 through September 2015. The total reserve at June 30, 2016 is \$574,194.

*Medical Insurance Payable*

Through preparation of the annual reconciliation report to Medi-Cal, which takes into account payments received thru its managed Medi-Cal program and fee for services program, the Center identified overpayments from Medi-Cal in the amount of \$171,509. As of June 30, 2016, a reserve has been established in this amount.

**13. Commitments and Contingencies**

*Capital Leases*

The Center leases certain equipment under agreements that are classified as capital leases. The current and long-term portions of capital lease obligations as of June 30, 2016, are presented in Note 11.

Aggregate maturities required on capital lease obligations are as follows:

<i>Years ended June 30,</i>	<i>Amount</i>
2017	\$ 87,644
2018	87,644
2019	87,644
2020	21,911
Less: portion representing interest	(22,720)
<b>Total</b>	<b>\$ 262,123</b>

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*Operating Leases*

The Center executed a lease agreement effective on March 25, 2011 to lease an approximately 32,000 square-foot building on approximately 47,000 square feet of land in Los Angeles, California. The term is five years and six months and commenced on April 1, 2011 and was to end on September 30, 2016. The base rent was \$56,000 per month plus taxes and insurance of \$8,000 per month. The first six months of the lease included free base rent. The fixed rental adjustment of the base rent was set to increase 3% annually, effective April 1, 2012. The Center estimated that taxes and insurance would also increase at a rate of 3% annually. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accrued expenses and other current liabilities in the accompanying Statements of Financial Position. In 2012, the Center received approximately \$216,000 for a tenant improvement allowance, which was recorded in deferred rent and is being recognized over the term of the lease. Deferred rent included in accrued expenses and other liabilities was \$41,655 and \$190,911 for the years ended June 30, 2016 and 2015, respectively. In March 2016, the lease was renegotiated and extended through April 2019.

The Center executed a lease agreement effective on December 10, 2014 to lease approximately a 2,500 square-foot space in West Hollywood, California. The term is five years and commenced on September 1, 2015. The base rent is \$14,000 per month plus \$1,500 per month for 10 parking spaces. The fixed rental adjustment of the base rent is set to increase 3% annually; effective one year after the space is occupied. The total amount of rental payments due over the lease term will be charged to rent expense on the straight-line method over the term of the lease.

At June 30, 2016, the estimated future minimum rental payments under these leases are as follows:

<i>Years ending June 30,</i>	Amount
2017	\$ 1,031,840
2018	1,060,590
2019	918,243
2020	208,328
2021	34,891
	<b>\$ 3,253,892</b>

Rent expense is as follows:

<i>Years ending June 30,</i>	2016	2015
Rent expense	\$ 946,580	\$ 845,534
Sublease rental income	(87,767)	(83,148)
Rent expense, net	<b>\$ 858,813</b>	<b>\$ 762,386</b>

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*Employment Agreements*

The Center entered into an employment agreement with the Chief Executive Officer (“CEO”) effective June 16, 2012 for a term of ten years. The agreement provides for an annual base salary, various benefits and a possible annual performance bonus. This followed three successive agreements, two two-year and one five-year agreements, under which the CEO accrued an entitlement to severance. The current agreement also includes a severance provision in the event that the CEO is terminated with or without cause. If the CEO is terminated with cause on or after June 16, 2015, she accrues an additional severance entitlement. If the CEO is terminated without cause, the Center is required to pay all salary and benefits due under the terms of the agreement, including severance. However, the CEO must mitigate these liabilities by promptly seeking new employment. In the event that the salary of said new employment is less than the salary under the terms of the current agreement, the Center must pay the CEO the difference.

*Litigation*

The Center is a party to various pending legal actions. The Center’s management believes that the ultimate disposition of all such matters will not have a material effect on the financial position.

*Government Regulations*

The Center is subject to extensive regulation by numerous government authorities, including federal, state and local jurisdictions. Although the Center believes that it is currently in compliance with applicable laws, regulations and rules, some such laws are broadly written and subject to interpretation by courts or administrative authorities. The Center also participates in a number of federally funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the Center expects such amounts, if any, would not be material to its financial position.

**14. Retirement Plans**

*Defined Contribution Plan*

The Center has a defined contribution plan covering substantially all employees who have completed one year of service and have attained the age of 18. Employer contributions are at the discretion of management. There were no employer contributions for the years ended June 30, 2016 and 2015.

*Deferred Compensation Plan*

The Center has a nonqualified deferred compensation plan (under IRC Section 457(b)) for key executives to defer a portion of their compensation. The deferred amounts and earnings thereon are payable to participants, or designated beneficiaries, upon retirement or death. The Center does not make contributions to this plan. At June 30, 2016 and 2015, the Center holds assets totaling \$890,453 and \$836,449, respectively, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying Statements of Financial Position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

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**15. Net Assets**

*Unrestricted Net Assets*

	2016	2015
Undesignated	\$ 50,941,155	\$ 47,352,319
Board-designated - Capital Campaign	3,505,368	3,505,368
Unrestricted net assets	\$ 54,446,523	\$ 50,857,687

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are subject to the following restrictions at June 30, 2016 and 2015:

	2016	2015
<b>Purpose restrictions</b>		
Development of Anita May Rosenstein Campus	\$ 9,790,838	\$ 6,753,414
Health and HIV Prevention Services	450,864	325,341
Policy	458,250	55,750
Youth, Seniors and Women's Services	141,650	466,285
<b>Time restrictions</b>		
Charitable remainder trusts	1,779,620	1,785,523
For periods after June 30, 2016 and 2015 - general operations	520,868	840,504
Temporarily restricted net assets	\$ 13,142,090	\$ 10,226,817

Net assets of \$1,678,921 and \$1,792,689 were released from donor restrictions in 2016 and 2015, respectively, by incurring expenses related to specific programs that satisfied the restricted purposes.

*Permanently Restricted Net Assets*

At June 30, 2016 and 2015, permanently restricted net assets of \$4,966,357 and \$5,162,503, respectively, are contributions restricted by donors whereby the interest and dividends are used to support operations of the Center and the original investments are held in perpetuity. These permanently restricted net assets are primarily managed by third-party trustees, and the Center does not have control over investment decisions.

**16. Allocation of Joint Costs**

The Center conducted activities that include requests for contributions, as well as program, management and general components. Those activities included a special event. The costs of conducting those activities included \$3,554,176 and \$2,809,945 of joint costs for the years ended June 30, 2016 and 2015, respectively, which are not specifically attributable to components of the activities (joint costs).

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These joint costs were allocated as follows:

<i>Years ended June 30,</i>	2016	2015
Fundraising	\$ 2,960,125	\$ 2,290,866
Health/Education/Prevention Program	594,051	519,079
<b>Total</b>	<b>\$ 3,554,176</b>	<b>\$ 2,809,945</b>

**17. Anita May Rosenstein Campus**

The Center has partnered with Thomas Safran and Associates (“TSA”), an affordable housing developer, to acquire real property located at 1116 North McCadden Place and 6725 Santa Monica Boulevard in Los Angeles (“Property”) to build a mixed-use development. The intent is to build up to 105 units of affordable housing for seniors (“Senior Affordable Housing Component”), as well as Center programming space for seniors and youth, the Center’s administrative offices, and retail space (“Center Component”). To effect the transaction and development, on February 6, 2014, the Center formed McCadden Campus LLC (“Center LLC”), a Delaware limited liability company. TSA also formed McCadden Plaza Affordable Housing, LLC (“TSA LLC”), a California limited liability company. Center LLC and TSA LLC are herein referred to as Partners.

On February 19, 2014, Center LLC and TSA LLC executed an Agreement of Limited Partnership of McCadden Plaza, LP, a California limited partnership (“Partnership”). The Partnership was formed to acquire, own, maintain, operate, develop, finance and construct affordable housing for seniors, Center program space, retail space, and parking spaces (collectively referred to as “Anita May Rosenstein Campus”). The Partnership shall continue until December 31, 2073, unless sooner terminated as provided in the Partnership agreement.

Center LLC is the Managing General Partner with an ownership interest of 25.05% and a 25.05% interest as a limited partner. TSA LLC is Co-General Partner with an ownership interest of 24.95% and a 24.95% interest as a limited partner. The Partners intend to apply to the California Tax Credit Allocation Committee for an allocation of federal and/or state low income housing tax credits for the Senior Affordable Housing Component. Center LLC contributed \$25.05 as capital as the Managing General Partner and \$25.05 as a limited partner. TSA LLC contributed \$24.95 as capital as Co-General Partner and \$24.95 as a limited partner. Center LLC and TSA LLC each loaned the Partnership \$127,000. The loans bear an interest rate of 8.0%. As of June 30, 2016 and 2015, the Center classified the funds as a receivable from affiliate on the accompanying Statements of Financial Position.

The Partners ultimately intend to syndicate the limited partnership interests in the Partnership on terms and conditions as are reasonably competitive within the marketplace for tax credit equity investments to one or more qualified investors in low-income housing projects. Following such syndication, Center LLC and TSA LLC shall each withdraw as a limited partner. It is anticipated that Center LLC will own .0051% of the Partnership (with Center LLC continuing to act as the Managing General Partner), TSA LLC will own a .0049% interest in the Partnership (with TSA continuing to act as the Co-General Partner) and the equity investor will own a 99.99% interest in the Partnership, as the limited partner.



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The Partners intend for the Property to be subdivided into legal parcels pursuant to an air-rights subdivision ("Subdivision") and for the Senior Affordable Housing Component and all parking facilities for the Senior Affordable Housing Component to be constructed on one or two parcels. The Center Component and associated parking will be constructed on another parcel.

The Center will own and be primarily responsible for the management and supervision of the construction of the Center Component. The Center is solely responsible for obtaining financing for the acquisition, construction and development of the Center Component and associated parking. This will include a capital campaign, mortgage and potentially, New Markets Tax Credits. TSA LLC will be primarily responsible for identifying and negotiating the terms of all debt and equity financing for the development and construction of the Senior Affordable Housing Component. In addition, TSA LLC shall be primarily responsible for the management and supervision of the construction of the Senior Affordable Housing Component. TSA LLC is also evaluating developing up to 35 units of affordable housing for transitional-aged youth, aged 18-24, (TAY Housing) on the south parking lot of The Village at Ed Gould Plaza, which is directly across from the Property and already owned by the Center.

The Partnership shall convey the Center Component, along with parking, to Center LLC for a purchase price to be determined at the time of sale by the Partners and, to the extent the Partners cannot agree on such a price, for an amount equal to the aggregate amount of the Partnership's outstanding debt and any costs incurred by the Partnership with respect to Anita May Rosenstein Campus multiplied by the percentage that the gross square footage of the Center Component (inclusive of any associate garage space) bears to the aggregate square footage of Anita May Rosenstein Campus less any costs that are solely and directly related to the Senior Affordable Housing Component.

The Property was acquired from the State of California on February 20, 2014 for \$12,700,000 with the stipulation that the Property will be used for an affordable housing project as required by California Government Code Section 11011.1 et seq. Transfer of title to the Property is conditioned upon continued use of the Property as housing for persons and families of low and moderate income for at least 40 years as required by California Government Code Section 11011.1 et seq.

To finance the Property acquisition, the Partnership executed a Secured Promissory Note ("Note") on February 20, 2014 with the New Generation Fund ("Lender") in the amount of \$8,191,500 with a three-year term and 5% interest rate. Of the Note, \$1,298,493 was withheld as an interest reserve and \$290,729 is restricted with the Lender and available for drawdown under certain conditions. Monthly interest payments are automatically capitalized into the loan principal on the first business day of the following month. The principal outstanding as of June 30, 2016 and 2015, was \$7,442,125 and \$7,074,060, respectively, net of the interest reserve. The Partnership has the right to request one extension of the maturity date to not exceed one year. The Center and Thomas L. Safran, an individual, (together "Guarantors") executed a Repayment Guaranty in favor of the Lender. The Guarantors, on a joint and several basis, guarantee and promise to pay to Lender or order, on demand, in lawful money of the United States, in immediately available funds the smaller of: (i) \$2,047,875 together with interest and any other sums payable under the loan or any of the other loan documents or (ii) the outstanding amount of the obligations of the Partnership to the Lender.

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On February 10, 2014, the Center also executed a fully secured \$7,000,000 Loan Commitment Note ("Bridge Loan") with a three-month term and Daily One Month LIBOR plus 1.25% interest rate. The Bridge Loan was repaid by a fully secured \$7,000,000 Promissory Note to the Center on July 30, 2014 with a three-year term and 30-day LIBOR plus 1.25% interest rate. The funds were subsequently loaned to the Partnership. At June 30, 2016 and 2015, the Center has a receivable from affiliate recorded in the amount of the loan in the accompanying Statements of Financial Position.

Prior to the Subdivision, and conveyance of the Center's Component, to the extent the Partnership requires funds for the development of Anita May Rosenstein Campus, which are not funded from the proceeds of any loans made to the Partnership, the Center and TSA LLC shall advance such funds. At June 30, 2016, the Center had advanced approximately \$2,200,000 and TSA LLC had advanced approximately \$800,000 to the Partnership in the form of interest bearing loans at a rate not to exceed 8% per annum. Upon completion of the schematic drawings for Anita May Rosenstein Campus, the Center and TSA LLC are in the process of adjusting the advances to reflect the Partners' agreement that Center's percentage share for funds necessary for the development of Anita May Rosenstein Campus shall be equal to the ratio that the gross square footage of the improvement comprising the Center's Component (inclusive of any parking garage attributable thereto) bears to the aggregate square footage of the improvements constituting Anita May Rosenstein Campus. TSA LLC's percentage share for funds necessary for the development of Anita May Rosenstein Campus shall be equal to the ratio that the gross square footage of the improvements comprising the Senior Affordable Housing Component and TAY Housing Component (inclusive of any parking garage attributable thereto) bears to the aggregate square footage of the improvements constituting Anita May Rosenstein Campus (collectively, the "Updated Cost Sharing Ratio"). The Partners shall cooperate to "true up" and reconcile existing advances and contributions by the Partners to reflect the Updated Cost Sharing Ratio. The Partners shall be repaid, on a pro rata basis, any advances made by either the Center or TSA LLC on behalf of Anita May Rosenstein Campus from the proceeds of any financing obtained by the Partnership and/or the proceeds of the syndication of the limited partnership interest in the Partnership.

After the date of the Subdivision and conveyance of the Center Component or, to the extent any such costs or expenses relate solely to the development of the Seniors Affordable Housing Component or TAY Housing Component, TSA LLC shall advance 100% of such funds in the form of capital contributions and/or loans to the Partnership, which loans shall be interest at a rate not to exceed 8% per annum. To the extent any Partner has advanced more than its allocated share of costs and expenses, advances shall be reconciled and reimbursed by the other Partner on a bi-annual basis.

After in-person presentations before a committee comprised of Center and TSA personnel, design and executive architect firms were selected. In addition, the Partners are working with other third parties on developing the Property, including land use attorneys, land use consultants, community outreach consultants, construction consultants and environmental consultants.

The concept, schematic and design development phases of the project have been completed and construction drawings are being finalized. The construction drawings will be circulated to sub-contractors in January 2017, after which a guaranteed maximum price contract for the campus construction will be executed.

A full Environmental Impact Report was completed in October 2016 and no objections or appeals were received. The project was subject to four public hearings as part of the entitlements process. The last of those hearings took place on December 7, 2016, at which time the City Council gave its final approval for the project to proceed.

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The existing building on the site is set for demolition in January 2017 and construction is estimated to commence in April 2017. Construction is expected to be completed in two years.

The Center is using the equity method of accounting for the project at this time since the Partnership agreement does not give the Center a controlling interest of the Partnership. Through June 30, 2016, no income or expense has been recognized by the Center as all costs incurred by the Partnership are related to development of the project and have been capitalized in accordance with GAAP. At June 30, 2016, the Partnership had approximately \$18,000,000 (unaudited) in assets consisting primarily of \$12,700,000 (unaudited) related to land with the remaining amount capitalized development costs and approximately \$18,000,000 (unaudited) in liabilities.

At June 30, 2015, the Partnership had nearly \$14,700,000 (unaudited) in assets consisting primarily of \$12,700,000 (unaudited) related to land with the remaining amount capitalized development costs and nearly \$14,700,000 (unaudited) in liabilities.

### **18. Gay & Lesbian Elder Housing Corporation**

On January 6, 2014, the Center executed a Services Agreement with the Gay & Lesbian Elder Housing Corporation, a California nonprofit public benefit corporation ("GLEH") and GLEH Los Angeles Corporation ("GLEH-LA"), a California nonprofit public benefit corporation. The mission of GLEH and GLEH-LA is to promote and provide decent affordable housing, care and supportive services on a non-discriminatory basis for low and moderate income persons living in Southern California, with a special emphasis on identifying and servicing the needs of gay and lesbian elders for such housing services. The Services Agreement had a term of one year and called for the Center to provide administrative and back-office services for GLEH and social services to the residents, administrative and back-office services for GLEH-LA.

GLEH merged with and into GLEH-LA on November 12, 2014, and the Center executed a Master Services Agreement ("MSA") through December 31, 2016 with GLEH-LA to replace the Services Agreement on that same date. Under the MSA, the Center agreed to continue to provide social services to the residents and other management, administrative and back-office services for fees commensurate with fair market value. If the cash flow is not adequate to cover the fees charged, the fees will accrue interest free and will carryover and be paid in the next successive year or until such time that monies are available. Under the MSA, the Center is entitled to \$186,836 and \$59,990 for the years ended June 30, 2016 and 2015, respectively, however the Center did not recognize revenue due to the uncertainty of collection.

On August 27, 2014, the Center executed a Donation and Undertaking Agreement with GLEH. GLEH donated to the Center and the Center accepted GLEH's right, title and interest in and to all of GLEH's assets other than cash, which consisted primarily of a promissory note ("Note"), dated as of August 5, 2005, by Encore Hall Senior Housing, L.P. to GLEH in the original principal amount of \$1,500,000.

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The \$1,500,000 Note was provided by GLEH for construction and permanent financing of a 104-unit apartment complex intended for rental to senior persons of very low-, low- and moderate-income ("Project"). The Note is secured by a third leasehold deed of trust on the property. Interest accrued at a rate of 5.51% from the date of funding through January 2007. According to the terms of the Note, the Note shall not bear interest thereafter. Interest on the Note shall not exceed \$120,000, with \$60,000 due at Closing, \$30,000 upon completion of construction and \$30,000 at Final Closing. The Borrower shall pay 0.65% of the Net Cash Flow, as defined in the loan agreement, to the Lender until the loan is repaid in full. Interest of \$120,000 was paid on the loan, which was paid prior to the donation of the Note to the Center. Any outstanding principal and interest shall be due on August 5, 2051.

The Project is regulated by the California Housing Finance Agency as to rent charges, operating methods and other matters. Additionally, the Project has qualified for and was allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and until gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

The Limited Partnership will continue to operate until December 31, 2065, unless dissolved earlier in accordance with the Partnership Agreement.

Due to the lack of marketability of the Note, the 2051 maturity date and the regulated use of the Project, management has determined the Center does not have sufficient evidential matter to determine the fair market value of the Note and has assigned no value to the Note as of June 30, 2016.

## **19. Effect of Economic Conditions on Contributions**

The Center depends heavily on contributions from the public for its revenue. The ability of certain of the Center's contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions to the Center. While the Center's Board of Directors believes the Center has the resources to continue its programs, its ability to do so and the extent to which certain programs continue, may be dependent on the above factors.

## **20. Subsequent Events**

The Center evaluated subsequent events through December 28, 2016, which is when these financial statements were available to be issued. The Center is not aware of any additional significant subsequent events that would have a material impact on its financial statements, except as follows:

The Center was awarded \$4,547,151 in new government and foundation grants that will begin in fiscal year 2017 with periods ranging from seven months to three years and includes \$2,017,435 for the Children, Youth and Family Services Program, \$2,464,716 for the Health and Mental Health Services Program and \$65,000 for the Legal Services Program.

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On July 29, 2016, the Center extended the \$4,500,000 revolving line of credit arrangement with Wells Fargo Bank with a maturity date of July 30, 2018.

The Center successfully negotiated five year agreements with the two unions, Service Employees International Union, United Service Workers West, and Service Employees, International Union (SEIU), Local 721, CTW-CLC, which will result in increased costs over the five year period.