



Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

**Consolidated Financial Statements
and Supplemental Material**
Years Ended June 30, 2019 and 2018

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and Supplemental Material
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Los Angeles LGBT Center and Affiliates (a nonprofit California corporation)

Description of Organization (Unaudited)

For 50 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.

McCadden Campus LLC (“Campus LLC”) is a wholly-owned subsidiary of the Center formed as a Delaware limited liability company on February 6, 2014. Campus LLC executed an Agreement of Limited Partnership with an affiliate of Thomas Safran and Associates, an affordable housing developer, to acquire real property and to build a mixed-use development named the Anita May Rosenstein Campus. See Note 22.

AMR Campus QALICB, Inc. (“AMR QALICB”), is an affiliate nonprofit corporation of the Center and was created for the sole purpose of facilitating a New Markets Tax Credit (“NMTC”) transaction in June 2017. Its purpose and responsibilities are limited to owning and developing the Anita May Rosenstein Campus, leasing the Center Component to the Center for its operations, and making debt service payments on its loans.

AMR QALICB was formed pursuant to the filing of those certain Articles of Incorporation with the California Secretary of State on February 2, 2017. On November 3, 2017, the Internal Revenue Service issued a letter determining that the AMR QALICB was exempt from federal income tax under Internal Revenue Code (“IRC”) Section 501(c)(3).

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

With total consolidated assets of \$191 million, today's Center employs over 700 paid staff and has 1,450 volunteers in 10 locations across Los Angeles. The community is served at a rate of nearly 50,000 visits every month. The Center’s clients are primarily low and moderate income, and virtually all programs are free or low cost. The Center's many services are tailored specifically for LGBTQ people and include: healthcare and medication with specialties in HIV/AIDS and transgender care and HIV prevention; counseling and addiction recovery; housing, food, education and employment training for youth experiencing homelessness; essential services and affordable housing for seniors; legal services; advocacy and policy work; 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.



Independent Auditor's Report

Board of Directors
Los Angeles LGBT Center and Affiliates
Los Angeles, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Los Angeles LGBT Center and its Affiliates as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP
December 24, 2019

Consolidated Financial Statements

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidated Statements of Financial Position

| <i>June 30,</i> | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 19,430,841 | \$ 20,788,025 |
| Restricted cash AMR Campus construction | 2,280,181 | 16,056,545 |
| Restricted cash NMTC CDE's fee reserve | 1,850,173 | 2,155,633 |
| Accounts and other receivables | 68,164 | 121,700 |
| Receivable from affiliates | 1,831,919 | 2,142,765 |
| Clinic fees receivable, net | 7,292,006 | 5,966,759 |
| Contracts and grants receivable, net | 7,468,484 | 5,213,921 |
| Pledges receivable, net | 1,498,105 | 2,380,912 |
| Short-term investments | 15,139,404 | 14,807,916 |
| Inventories | 978,504 | 881,973 |
| Total current assets | 57,837,781 | 70,516,149 |
| Noncurrent assets | | |
| Contributions receivable - held in trust | 2,862,706 | 3,185,737 |
| Beneficial interests in trusts | 2,403,589 | 2,261,156 |
| Receivable from affiliates | 5,199,674 | - |
| Leverage loan receivable | 28,910,100 | 28,910,100 |
| Pledges receivable, net | 956,672 | 976,164 |
| Long-term investments | 1,805,194 | 1,677,112 |
| Property and equipment, net | 87,481,438 | 62,368,861 |
| Other assets | 3,661,434 | 2,471,625 |
| Total noncurrent assets | 133,280,807 | 101,850,755 |
| Total assets | \$ 191,118,588 | \$ 172,366,904 |
| Current liabilities | | |
| Accounts payable | \$ 7,264,189 | \$ 10,242,846 |
| Accrued expenses and other liabilities | 8,127,951 | 7,517,049 |
| Retainage | 2,472,145 | 2,779,641 |
| Unearned revenue | 1,217,941 | 1,394,143 |
| Interest payable | 269,515 | - |
| Current portion of annuities payable | 196,233 | 196,433 |
| Current portion of long-term debt | 25,162 | 144,106 |
| Total current liabilities | 19,573,136 | 22,274,218 |
| Noncurrent liabilities | | |
| Annuities payable, net of current portion | 984,941 | 891,222 |
| Long-term debt, net of current portion | 45,878,833 | 40,957,558 |
| Total noncurrent liabilities | 46,863,774 | 41,848,780 |
| Total liabilities | 66,436,910 | 64,122,998 |
| Commitments and contingencies (Note 17) | | |
| Net assets | | |
| Without donor restrictions | 115,057,119 | 97,486,980 |
| With donor restrictions | 9,624,559 | 10,756,926 |
| Total net assets | 124,681,678 | 108,243,906 |
| Total liabilities and net assets | \$ 191,118,588 | \$ 172,366,904 |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidated Statements of Activities and Changes in Net Assets

| <i>Year ended June 30, 2019</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-----------------------|
| Public support and other revenue | | | |
| Public support: | | | |
| Special events revenue: | | | |
| Gross receipts | \$ 8,164,749 | \$ 499,885 | \$ 8,664,634 |
| Less costs of direct benefits to donors | (203,672) | - | (203,672) |
| Net special events revenue | 7,961,077 | 499,885 | 8,460,962 |
| Program fees | 90,249,916 | - | 90,249,916 |
| Grants | 22,203,980 | - | 22,203,980 |
| Contributions | 5,658,363 | 1,118,152 | 6,776,515 |
| Contributions - Capital Campaign | 8,018,021 | - | 8,018,021 |
| Contributed goods and services | 923,729 | - | 923,729 |
| Other operating revenue | 505,854 | - | 505,854 |
| Total public support and other revenue | 135,520,940 | 1,618,037 | 137,138,977 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 2,371,155 | (2,371,155) | - |
| Total public support and other revenue and net assets released from restrictions | 137,892,095 | (753,118) | 137,138,977 |
| Operating expenses | | | |
| Program services | 113,304,098 | - | 113,304,098 |
| Supporting services: | | | |
| General and administrative | 976,127 | - | 976,127 |
| Fund-raising | 7,540,113 | - | 7,540,113 |
| Total supporting services | 8,516,240 | - | 8,516,240 |
| Total operating expenses | 121,820,338 | - | 121,820,338 |
| Change in net assets before non-operating income/gains (losses) and other revenue | 16,071,757 | (753,118) | 15,318,639 |
| Non-operating income/gains (losses) and other revenue | | | |
| Net investment return | 859,138 | - | 859,138 |
| Unrealized loss on trusts held by third parties | - | (180,597) | (180,597) |
| Change in value of split-interest agreements | - | (198,652) | (198,652) |
| Other nonoperating revenue | 639,244 | - | 639,244 |
| Total non-operating income/gains (losses) and other revenue | 1,498,382 | (379,249) | 1,119,133 |
| Change in net assets | 17,570,139 | (1,132,367) | 16,437,772 |
| Net assets, beginning of year | 97,486,980 | 10,756,926 | 108,243,906 |
| Net assets, end of year | \$ 115,057,119 | \$ 9,624,559 | \$ 124,681,678 |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

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

| <i>Year ended June 30, 2018</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|-----------------------|
| Public support and other revenue | | | |
| Public support: | | | |
| Special events revenue: | | | |
| Gross receipts | \$ 8,342,896 | \$ 357,385 | \$ 8,700,281 |
| Less costs of direct benefits to donors | (176,376) | - | (176,376) |
| Net special events revenue | 8,166,520 | 357,385 | 8,523,905 |
| Program fees | 80,082,288 | - | 80,082,288 |
| Grants | 17,378,733 | - | 17,378,733 |
| Contributions | 4,708,730 | 799,690 | 5,508,420 |
| Contributions - Capital Campaign | 8,515,778 | - | 8,515,778 |
| Contributed goods and services | 832,108 | - | 832,108 |
| Other operating revenue | 805,636 | - | 805,636 |
| Total public support and other revenue | 120,489,793 | 1,157,075 | 121,646,868 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 1,829,447 | (1,829,447) | - |
| Total public support and other revenue and net assets released from restrictions | 122,319,240 | (672,372) | 121,646,868 |
| Operating expenses | | | |
| Program services | 97,919,787 | - | 97,919,787 |
| Supporting services: | | | |
| General and administrative | 848,075 | - | 848,075 |
| Fund-raising | 7,290,235 | - | 7,290,235 |
| Total supporting services | 8,138,310 | - | 8,138,310 |
| Total operating expenses | 106,058,097 | - | 106,058,097 |
| Change in net assets before non-operating income/gains (losses) and other revenue | 16,261,143 | (672,372) | 15,588,771 |
| Non-operating income/gains (losses) and other revenue | | | |
| Net investment return | 959,513 | - | 959,513 |
| Unrealized gains on trusts held by third parties | - | 292,037 | 292,037 |
| Change in value of split-interest agreements | - | (149,179) | (149,179) |
| Other nonoperating revenue | 300,058 | - | 300,058 |
| Total non-operating income/gains (losses) and other revenue | 1,259,571 | 142,858 | 1,402,429 |
| Change in net assets | 17,520,714 | (529,514) | 16,991,200 |
| Net assets, beginning of year | 79,966,266 | 11,286,440 | 91,252,706 |
| Net assets, end of year | \$ 97,486,980 | \$ 10,756,926 | \$ 108,243,906 |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidated Statement of Functional Expenses

| Year ended June 30, 2019 | Program Services | | | | | | | | | Supporting Services | | | | Total |
|--|-----------------------------|---------------------------|---------------------|----------------------|---------------------|---------------------|--------------------------|-------------------|------------------------|----------------------------|---------------------|---------------------------|-----------------------|-------|
| | Policy & Community Building | Cultural Arts & Education | Senior Services | Health Services | Legal Services | Public Affairs | Children, Youth & Family | Culinary Arts | Total Program Services | General and Administrative | Fund-raising | Total Supporting Services | | |
| | | | | | | | | | | | | | | |
| Program Staff Salaries | \$ 985,115 | \$ 505,834 | \$ 637,209 | \$ 20,515,587 | \$ 759,723 | \$ 751,940 | \$ 4,574,131 | \$ 93,092 | \$ 28,822,631 | \$ - | \$ 2,501,002 | \$ 2,501,002 | \$ 31,323,633 | |
| Administration Salaries | 176,458 | 348,680 | 143,095 | 953,193 | 90,409 | 132,500 | 864,133 | 47,186 | 2,755,654 | 4,377,549 | 524,940 | 4,902,489 | 7,658,143 | |
| Employee Benefits | 146,355 | 167,714 | 148,138 | 3,391,330 | 132,016 | 138,042 | 1,390,765 | 23,284 | 5,537,644 | 465,745 | 378,726 | 844,471 | 6,382,115 | |
| Employer Taxes | 90,406 | 75,711 | 65,117 | 1,764,300 | 72,533 | 72,094 | 481,248 | 12,357 | 2,633,766 | 320,061 | 229,395 | 549,456 | 3,183,222 | |
| Medical Supplies | - | - | - | 50,286,581 | - | - | 3,267 | - | 50,289,848 | - | - | - | 50,289,848 | |
| Supplies | 7,309 | 21,506 | 28,364 | 197,105 | 8,164 | 10,510 | 154,089 | 16,964 | 444,011 | 174,929 | 54,550 | 229,479 | 673,490 | |
| Facilities, Repairs and Maintenance | 78,268 | 126,457 | 41,133 | 1,062,935 | 107,946 | 49,765 | 895,500 | 8,674 | 2,370,678 | 121,291 | 71,417 | 192,708 | 2,563,386 | |
| Telephone and Utilities | 10,476 | 46,468 | 11,514 | 279,798 | 11,216 | 6,015 | 154,330 | 3,412 | 523,229 | 392,903 | 22,011 | 414,914 | 938,143 | |
| Advertising, Printing and Postage | 2,603 | 9,243 | 46,586 | 222,514 | 3,761 | 124,250 | 24,643 | 138 | 433,738 | 94,966 | 398,275 | 493,241 | 926,979 | |
| Insurance | 1,922 | 8,200 | 4,405 | 20,817 | 7,321 | 765 | 17,698 | 639 | 61,767 | 298,868 | 2,778 | 301,646 | 363,413 | |
| Travel | 127,620 | 252 | 9,812 | 90,178 | 10,371 | 7,945 | 66,042 | 74 | 312,294 | 39,926 | 74,387 | 114,313 | 426,607 | |
| Professional Fees and Contracted Services | 497,158 | 17,787 | 12,218 | 1,881,850 | 138,111 | 195,548 | 69,041 | 25,251 | 2,836,964 | 634,183 | 287,051 | 921,234 | 3,758,198 | |
| Event Expenses | 278,216 | 153,547 | 88,489 | 828,301 | 42 | 307,875 | 116,929 | - | 1,773,399 | 13,908 | 1,422,901 | 1,436,809 | 3,210,208 | |
| Cost of direct benefit to donors | - | - | - | - | - | - | - | - | - | - | 203,672 | 203,672 | 203,672 | |
| Equipment Lease and Repair | 6,316 | 48,292 | 5,723 | 749,349 | 6,592 | 47,858 | 112,203 | 38,091 | 1,014,424 | 516,520 | 100,732 | 617,252 | 1,631,676 | |
| Client Services | 11,650 | 6,045 | 55,101 | 1,164,196 | 2,296 | - | 1,136,624 | 178 | 2,376,090 | - | 75 | 75 | 2,376,165 | |
| Lab Testing | - | - | - | 1,166,898 | - | - | - | - | 1,166,898 | - | - | - | 1,166,898 | |
| Taxes and Licenses | 1,105 | 5,587 | 1,887 | 27,217 | 88 | 56 | 4,951 | 64 | 40,955 | 219,976 | 2,419 | 222,395 | 263,350 | |
| Educational Materials | - | - | - | 78,295 | - | - | - | 10,233 | 88,528 | - | - | - | 88,528 | |
| Staff and Board Development | 19,268 | 3,069 | 7,291 | 201,510 | 6,257 | 9,418 | 30,977 | 237 | 278,027 | 178,852 | 181,095 | 359,947 | 637,974 | |
| Interest Expense | 1,002 | 4,298 | 2,317 | 10,876 | 927 | 400 | 9,282 | 343 | 29,445 | 159,234 | 1,452 | 160,686 | 190,131 | |
| Miscellaneous | 46,390 | - | - | 44,718 | - | 642 | 76,231 | - | 167,981 | 185,103 | 1,902 | 187,005 | 354,986 | |
| Contributed Goods and Services | 20,639 | - | 52,831 | 378,959 | 40,641 | 3,975 | 69,014 | - | 566,059 | 16,948 | 340,722 | 357,670 | 923,729 | |
| Bank, Payroll and Investment Fees | - | 110 | - | - | - | - | - | - | 110 | 601,698 | 197,541 | 799,239 | 799,349 | |
| Depreciation and amortization | 10,004 | 115,609 | 59,977 | 781,776 | 3,436 | 9,089 | 355,146 | 19,542 | 1,354,579 | 290,251 | 45,337 | 335,588 | 1,690,167 | |
| Allocated G&A | 268,885 | 133,296 | 176,753 | 5,154,555 | 193,592 | 209,851 | 1,258,183 | 30,264 | 7,425,379 | (8,126,784) | 701,405 | (7,425,379) | - | |
| Total expenses by function | 2,787,165 | 1,797,705 | 1,597,960 | 91,252,838 | 1,595,442 | 2,078,538 | 11,864,427 | 330,023 | 113,304,098 | 976,127 | 7,743,785 | 8,719,912 | 122,024,010 | |
| Less expenses included with revenues on the statement of activities | - | - | - | - | - | - | - | - | - | - | (203,672) | (203,672) | (203,672) | |
| Total expenses included in the expense section on the statement of activities | \$ 2,787,165 | \$ 1,797,705 | \$ 1,597,960 | \$ 91,252,838 | \$ 1,595,442 | \$ 2,078,538 | \$ 11,864,427 | \$ 330,023 | \$ 113,304,098 | \$ 976,127 | \$ 7,540,113 | \$ 8,516,240 | \$ 121,820,338 | |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidated Statement of Functional Expenses (Continued)

| Year ended June 30, 2018 | 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 Supporting Services | |
| Program Staff Salaries | \$ 869,271 | \$ 471,184 | \$ 596,872 | \$ 17,833,986 | \$ 588,790 | \$ 758,508 | \$ 3,719,960 | \$ 24,838,571 | \$ - | \$ 2,530,149 | \$ 2,530,149 | \$ 27,368,720 |
| Administration Salaries | 163,031 | 332,600 | 131,277 | 924,227 | 102,766 | 109,628 | 882,546 | 2,646,075 | 3,955,573 | 527,166 | 4,482,739 | 7,128,814 |
| Employee Benefits | 122,232 | 157,745 | 143,340 | 2,966,269 | 97,504 | 104,438 | 1,164,661 | 4,756,189 | 542,967 | 385,011 | 927,978 | 5,684,167 |
| Employer Taxes | 79,956 | 72,016 | 59,984 | 1,545,614 | 60,456 | 69,431 | 407,456 | 2,294,913 | 279,714 | 231,731 | 511,445 | 2,806,358 |
| Medical Supplies | - | - | - | 43,418,705 | - | - | 7,740 | 43,426,445 | - | - | - | 43,426,445 |
| Supplies | 4,982 | 24,143 | 20,888 | 206,957 | 7,809 | 6,892 | 152,999 | 424,670 | 134,542 | 27,934 | 162,476 | 587,146 |
| Facilities, Repairs and Maintenance | 88,889 | 129,211 | 31,493 | 790,180 | 97,890 | 61,120 | 889,941 | 2,088,724 | 87,191 | 59,628 | 146,819 | 2,235,543 |
| Telephone and Utilities | 10,795 | 39,359 | 5,221 | 264,940 | 12,090 | 6,019 | 143,066 | 481,490 | 399,151 | 23,576 | 422,727 | 904,217 |
| Advertising, Printing and Postage | 17,899 | 3,404 | 23,548 | 179,087 | 4,308 | 116,889 | 11,116 | 356,251 | 93,715 | 282,256 | 375,971 | 732,222 |
| Insurance | 1,957 | 6,720 | 3,086 | 19,447 | 6,699 | 718 | 14,087 | 52,714 | 240,841 | 2,510 | 243,351 | 296,065 |
| Travel | 117,845 | 251 | 8,093 | 69,070 | 15,221 | 7,570 | 55,571 | 273,621 | 44,240 | 71,574 | 115,814 | 389,435 |
| Professional Fees and Contracted Services | 287,396 | 2,861 | 53 | 1,547,236 | 91,519 | 369,805 | 62,785 | 2,361,655 | 565,462 | 400,133 | 965,595 | 3,327,250 |
| Event Expenses | 50,132 | 149,863 | 95,659 | 670,840 | 800 | 97,391 | 118,327 | 1,183,012 | 24,517 | 1,217,619 | 1,242,136 | 2,425,148 |
| Cost of direct benefit to donors | - | - | - | - | - | - | - | - | - | 176,376 | 176,376 | 176,376 |
| Equipment Lease and Repair | 12,885 | 26,644 | 15,013 | 799,753 | 10,919 | 20,328 | 167,646 | 1,053,188 | 432,261 | 104,278 | 536,539 | 1,589,727 |
| Client Services | 11,400 | 7,128 | 46,725 | 712,184 | 4,546 | - | 1,068,136 | 1,850,119 | - | 1,205 | 1,205 | 1,851,324 |
| Lab Testing | - | - | - | 1,099,345 | - | - | - | 1,099,345 | - | - | - | 1,099,345 |
| Taxes and Licenses | 474 | 5,051 | 1,227 | 18,901 | 52 | 27 | 4,404 | 30,136 | 32,842 | 7,255 | 40,097 | 70,233 |
| Educational Materials | - | - | - | 41,686 | - | - | - | 41,686 | - | - | - | 41,686 |
| Staff and Board Development | 27,684 | 2,953 | 6,654 | 146,689 | 5,172 | 47,730 | 34,054 | 270,936 | 156,053 | 169,127 | 325,180 | 596,116 |
| Interest Expense | 11,941 | 41,006 | 18,831 | 118,669 | 8,462 | 4,382 | 85,958 | 289,249 | 29,901 | 15,319 | 45,220 | 334,469 |
| Miscellaneous | 49,795 | 6,007 | 2,759 | 17,231 | 1,240 | 980 | 81,811 | 159,823 | 299,340 | 2,685 | 302,025 | 461,848 |
| Contributed Goods and Services | 8,127 | - | 39,786 | 363,640 | 39,729 | 1,931 | 58,315 | 511,528 | 23,136 | 297,444 | 320,580 | 832,108 |
| Bank, Payroll and Investment Fees | - | - | - | 24 | - | 5,134 | - | 5,158 | 535,500 | 189,234 | 724,734 | 729,892 |
| Depreciation and amortization | 7,736 | 88,754 | 11,357 | 743,887 | 3,007 | 1,557 | 151,121 | 1,007,419 | 99,279 | 33,121 | 132,400 | 1,139,819 |
| Allocated G&A | 237,654 | 126,051 | 170,262 | 4,505,466 | 148,876 | 198,716 | 1,029,845 | 6,416,870 | (7,128,150) | 711,280 | (6,416,870) | - |
| Total expenses by function | | | | | | | | | | | | |
| Less expenses included with revenues on the statement of activities | 2,182,081 | 1,692,951 | 1,432,128 | 79,004,033 | 1,307,855 | 1,989,194 | 10,311,545 | 97,919,787 | 848,075 | 7,466,611 | 8,314,686 | 106,234,473 |
| Cost of direct benefit to donors | - | - | - | - | - | - | - | - | - | (176,376) | (176,376) | (176,376) |
| Total expenses included in the expense section on the statement of activities | \$ 2,182,081 | \$ 1,692,951 | \$ 1,432,128 | \$ 79,004,033 | \$ 1,307,855 | \$ 1,989,194 | \$ 10,311,545 | \$ 97,919,787 | \$ 848,075 | \$ 7,290,235 | \$ 8,138,310 | \$ 106,058,097 |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash

| <i>Years ended June 30,</i> | 2019 | 2018 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 16,437,772 | \$ 16,991,200 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,690,167 | 1,139,819 |
| Allowance for bad debt | 16,711 | 248,239 |
| Realized investment (gain) | (80,226) | (160,884) |
| Unrealized investment (gain) | (76,371) | (188,422) |
| Change in restricted split-interest agreements and trust | 180,598 | (292,039) |
| Donation of investments | - | (82,058) |
| Changes in operating assets and liabilities: | | |
| Accounts and other receivables | 53,536 | 131,789 |
| Receivable from affiliates | (4,888,827) | (2,511,742) |
| Clinic fees receivable, net | (1,325,247) | 1,609 |
| Contracts and grants receivable, net | (2,268,748) | (2,162,548) |
| Pledges receivable, net | 899,773 | 587,024 |
| Inventories | (96,531) | (270,432) |
| Other assets | (1,189,809) | (144,012) |
| Accounts payable | (6,606,316) | 1,116,010 |
| Accrued expenses and other liabilities | 610,902 | 1,333,324 |
| Payable to affiliates | - | (3,115,200) |
| Retainage | (2,779,641) | - |
| Unearned revenue | (176,202) | 941,788 |
| Interest payable | 269,515 | (12,471) |
| Annuities payable | 93,519 | (3,753) |
| Net cash provided by operating activities | 764,575 | 13,547,241 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (20,702,941) | (25,019,616) |
| Purchase of investments | (876,243) | (1,980,528) |
| Proceeds from sale of investments | 960,875 | 1,947,708 |
| Interest income reinvested | (387,605) | (304,586) |
| Net cash used in investing activities | (21,005,914) | (25,357,022) |
| Cash flows from financing activities | | |
| Proceeds from notes payable | 4,930,159 | - |
| Increase in deferred financing costs | 16,279 | 27,844 |
| Increase in capital lease obligation | - | 18,679 |
| Repayments of notes payable and capital lease obligations | (144,107) | (262,266) |
| Net cash provided by (used in) financing activities | 4,802,331 | (215,743) |
| Net decrease in cash and cash equivalents and restricted cash | (15,439,008) | (12,025,524) |
| Cash and cash equivalents and restricted cash, beginning of year | 39,000,203 | 51,025,727 |
| Cash and cash equivalents and restricted cash, end of year | \$ 23,561,195 | \$ 39,000,203 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the year for interest | \$ 190,131 | \$ 334,469 |
| Noncash investing and financing activities | | |
| Acquired equipment in a capital lease agreement | \$ - | \$ 18,679 |
| Donation of investments | - | 82,058 |
| Investments in other entities | 900,000 | - |
| Capitalized development costs remaining in payables | 6,099,803 | 8,668,509 |

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

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Notes to the Consolidated Financial Statements

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.

McCadden Campus LLC (“Campus LLC”) is a wholly-owned subsidiary of the Center formed as a Delaware limited liability company on February 6, 2014. Campus LLC executed an Agreement of Limited Partnership with an affiliate of Thomas Safran and Associates, an affordable housing developer, to acquire real property and to build a mixed-use development named the Anita May Rosenstein Campus. See Note 22.

AMR Campus QALICB, Inc. (“AMR QALICB”), is an affiliate nonprofit corporation of the Center and was created for the sole purpose of facilitating a New Markets Tax Credit (“NMTC”) transaction in June 2017. Its purpose and responsibilities are limited to owning and developing the Anita May Rosenstein Campus, leasing the Center Component to the Center for its operations, and making debt service payments on its loans.

AMR QALICB was formed pursuant to the filing of those certain Articles of Incorporation with the California Secretary of State on February 2, 2017. On November 3, 2017, the Internal Revenue Service issued a letter determining that the AMR QALICB was exempt from federal income tax under IRC Section 501(c)(3). See Note 22.

AMR QALICB maintains separate financial statements apart from the Center and Campus LLC. AMR QALICB’s assets and liabilities are not available to satisfy the debts and other obligations of the Center, Campus LLC or any other entity.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Consolidation

The consolidated financial statements include the accounts of the Center, Campus LLC, and AMR QALICB. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Net assets and changes therein are classified and reported as follows:

Los Angeles LGBT Center and Affiliates
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Notes to the Consolidated Financial Statements

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations that limit the use of the donated assets and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the Board of Directors and are comprised of undesignated amounts.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that restrict the use of the donated assets. The restrictions are satisfied either by actions of the Center and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions that include a stipulation that the amounts contributed be permanently invested in perpetuity provide investment income for general support of Center's programs and operations.

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, 2019.

AMR QALICB, which is consolidated in with the Center, is required to keep unspent proceeds from a NMTC transaction (see Note 23) in segregated cash accounts to pay for construction costs of the Anita May Rosenstein Campus (see Note 22) and to pay for ongoing costs of the NMTC transaction. These amounts are classified as restricted cash on the accompanying Consolidated Statements of Financial Position.

Clinic Fees Receivable, Net

Clinic fees receivable represent balances due to the Center for services provided to clients prior to and including June 30, 2019. Payer types include clients, Medi-Cal, Medicare, AIDS Drug Assistance Program and commercial insurance. Management provides for probable uncollectible amounts through an allowance based on current status of client accounts. Receivables are written off if collection efforts prove unsuccessful or when management becomes aware of other circumstances that indicate uncollectibility.

Los Angeles LGBT Center and Affiliates
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Notes to the Consolidated Financial Statements

Contracts and Grants Receivable, Net

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. Receivables are written off if collection efforts prove unsuccessful, or when management becomes aware of other circumstances that indicate uncollectibility.

Pledges Receivable, Net

Pledges receivable represent individual and foundation pledges that have been made to the Center's Capital Campaign for the Anita May Rosenstein Campus (see Note 22), development general operations and AIDS LifeCycle. Management provides for probable uncollectible amounts through an allowance based on the current status of individual or foundation pledges.

Inventories

Inventories are stated at the lower of cost or net realizable value. 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, 2019 and 2018 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2019 and 2018, annuities payable were \$1,181,174 and \$1,087,655, respectively.

The contributed assets of \$2,641,290 and \$2,666,290 at June 30, 2019 and 2018, respectively, 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, 2019 and 2018 are 2.8% and 3.4%, respectively.

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Notes to the Consolidated Financial Statements

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 Consolidated Statements of Financial Position. The Center records realized and unrealized gains and losses on investments in the Consolidated Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations and is then recorded as net assets with donor restrictions.

Fair Value Measurements

The Center follows ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is defined 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 must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is 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:

- | | |
|----------------|--|
| <i>Level 1</i> | Quoted prices in active markets for identical assets or liabilities that the Center has the ability to access as of the measurement date. |
| <i>Level 2</i> | 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. |
| <i>Level 3</i> | 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.

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Notes to the Consolidated Financial Statements

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, restricted cash, 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.

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, 4.20% and 4.76%, which is 12-month LIBOR rate plus 2.00%, as of both June 30, 2019 and 2018, respectively. Amortization of discounts is recorded as contribution revenue annually in accordance with donor-imposed restrictions, if any, on the pledges.

Investments are carried at fair value.

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 the long-term debt and line of credit approximate 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:

| | |
|-----------------------------------|------------|
| Buildings and improvements | 3-40 years |
| Furniture, fixtures and equipment | 3-12 years |
| Computers and software | 3-5 years |

For assets acquired outside of the construction of the building, which is all capitalized, the Center will capitalize those assets over \$5,000.

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.

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Notes to the Consolidated Financial Statements

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 2019 and 2018, 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.

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, 2019 consisted primarily of \$212,812 related to grants, \$166,165 related to events and \$838,964 related to conditional donations. Unearned revenue at June 30, 2018 consisted primarily of \$362,797 related to grants, \$124,800 related to events and \$906,546 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, 4.20% which is 12-month LIBOR rate plus 2.00%. 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 with donor 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.

With donor restricted contributions where the restrictions are satisfied in the same year as the contribution is received are reported as increases in net assets without donor restrictions.

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.

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Contributed Goods and Services

The value of significant contributed goods is reflected as contributed goods and services in the consolidated financial statements at the fair value of such goods at the date of donation. There were contributed goods of \$331,121 and \$291,523 for the years ended June 30, 2019 and 2018, 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 and mental health and medical services, totaled \$592,608 and \$540,585 for the years ended June 30, 2019 and 2018, respectively, and is included in contributed goods and services in the accompanying consolidated 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 consolidated financial statements. The value of such volunteer services received is \$403,459 and \$388,923 for the years ended June 30, 2019 and 2018, respectively.

Program Fees

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

Grants

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 Consolidated Statements of Activities and Changes in Net Assets and detailed in the Consolidated Statements of Functional Expenses. The Consolidated Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain expenses have been allocated among the programs based on management's estimates.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, and depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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 consolidated financial statements.

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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 June 30, 2019 and 2018, there were no interest or penalties recorded or included in the Consolidated Statements of Activities and Changes in Net Assets related to taxes.

The tax years ended June 30, 2016 and subsequent years 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 return, net, 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 net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law. Other non-operating income includes interest income and expense from various loans held by the Center.

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 U.S. 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 consolidated 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.

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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, 2019, total contributions received are approximately \$2 million and are recorded as net assets with donor restrictions.

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, meet 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.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate cost, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Center has adopted the ASU retrospectively to all periods presented. Other than the changes to the financial statement presentation and disclosures described above, adoption of the ASU did not have a significant impact on the financial statements. There was no effect on the change in net assets for the year ended June 30, 2018.

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Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update, along with ASU 2018-10, *Codification Improvements to Topic 842: Leases*, ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The FASB issued ASC 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) - Effective Dates*, clarifying the effective dates of implementation of previously issued guidance. Based on ASU 2019-10, the effective date of ASU 2016-02, *Leases (Topic 842)*, is effective for the Center in fiscal years beginning after December 15, 2019 with early adoption permitted. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15")*. The ASU was issued to address the diversity in practice with regard to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU addresses the following eight types of cash flow issues: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt, (3) contingent consideration related to a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from settlement of corporate-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) classification of cash receipts and payments that have aspects of more than one class of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted, but the Entity must adopt all the amendments at that date. The amendments in this ASU should be applied using a retrospective transition method to each period presented. If it is impracticable to do so for certain of these items, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred that, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. The ASU is effective for transactions in which the entity serves as a resource provider to annual periods beginning after December 15, 2019. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the current year financial statement presentation.

3. Clinic Fees Receivable

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

| <i>June 30,</i> | 2019 | 2018 |
|--|---------------------|---------------------|
| Clinic fees receivable | \$ 7,416,918 | \$ 6,018,295 |
| Less: allowance for uncollectible clinic fees receivable | (124,912) | (51,536) |
| | \$ 7,292,006 | \$ 5,966,759 |

4. Pledges Receivable

Pledges receivable, are as follows:

| <i>June 30,</i> | 2019 | 2018 |
|---|---------------------|---------------------|
| Pledges receivable | \$ 2,781,322 | \$ 3,766,379 |
| Less: unamortized discount | (181,881) | (236,623) |
| Less: allowance for uncollectible pledges | (144,664) | (172,680) |
| Net pledges receivable | \$ 2,454,777 | \$ 3,357,076 |

Gross pledges receivable are due as follows:

| <i>June 30,</i> | 2019 | 2018 |
|--------------------------------------|---------------------|---------------------|
| Less than one year | \$ 1,642,769 | \$ 2,553,592 |
| One to five years | 738,553 | 712,787 |
| More than five years | 400,000 | 500,000 |
| Net contributions receivable pledges | \$ 2,781,322 | \$ 3,766,379 |

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In May 2014, the Center publicly announced a \$25,000,000 Capital Campaign (“Capital Campaign”) to acquire, develop and construct a new site for Center services and housing for LGBTQ seniors and youth, the Center’s administrative headquarters and retail space on property adjacent to the Center’s Village at Ed Gould Plaza. This new site was named the Anita May Rosenstein Campus. Early gifts to the Capital Campaign exceeded expectations, and in 2016, the Center’s Board of Directors increased the goal to \$40,000,000 in two phases: \$25,000,000 in Phase 1 and \$15,000,000 in Phase 2. In the subsequent two years, construction costs in Los Angeles dramatically escalated and millions of dollars in unexpected costs were imposed on the project by the local and state government for improvements such as upgrading the area’s power grid and a bike lane on the portion of Santa Monica Boulevard fronting the Campus. In response, a new milestone was set for the Capital Campaign to exceed \$50,000,000. The Center closed the Capital Campaign on June 30, 2019 with approximately \$67,000,000 raised, including \$9,500,000 from a New Markets Tax Credit transaction (see Note 23), the largest Capital Campaign in the LGBT community’s history.

During the year ended June 30, 2019, total cash collected related to the Capital Campaign was \$38,424,691. For the year ended June 30, 2019, the Center recognized \$8,018,021 as revenue, including an unamortized discount of \$163,260. At June 30, 2019, the Center had unconditional or irrevocable pledges due in more than one year of \$900,000 related to the Capital Campaign, included in the revenue recognized. At June 30, 2019, the Center had signed Statements of Intent in the amount of \$14,309,533 related to the Capital Campaign, which are not recognized as revenue until received. During the year ended June 30, 2018, total cash collected related to the Capital Campaign was \$29,267,312. For the year ended June 30, 2018, the Center recognized \$8,515,778 as revenue, including an unamortized discount of \$122,383. At June 30, 2018, the Center had unconditional or irrevocable pledges due in more than one year of \$1,000,000 related to the Capital Campaign, included in the revenue recognized. At June 30, 2018, the Center had signed Statements of Intent in the amount of \$14,478,297 related to the Capital Campaign, which are not recognized as revenue until received.

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

Contributions receivable held in trust at June 30, 2019 and 2018, were \$2,862,706 and \$3,185,737, respectively. The contributions received during the year are measured at fair value of the underlying assets in the accompanying consolidated financial statements at the time of gift. There were no new contributions held in trust received during the years ended June 30, 2019 and 2018. Subsequent changes in the value of the underlying assets are recorded in the accompanying Consolidated Statements of Activities and Changes in Net Assets as a component of non-operating income/gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is treated as net assets with donor restrictions for youth-oriented programs. Total income distribution for the years ended June 30, 2019 and 2018 was \$245,000 and \$152,484, 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, 2019 and 2018.

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

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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 2019 and 2018. This amount is classified as with donor restrictions net assets. At June 30, 2019 and 2018, the charitable remainder trust was adjusted to its estimated fair value of \$1,362,200 and \$1,275,761, respectively, and the change in fair value was classified as unrealized loss on the Consolidated 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. The benefactor passed away and the LLC's portion in the shopping center and restaurant site were sold and the Center received proceeds of \$1,692,138 for their interest. The Center did not recognize a gain on the sale, as the cash proceeds approximated fair value. At June 30, 2019, 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 net assets with donor restrictions and total approximately \$2 million.

Beneficial interests in trusts at June 30, 2019 and 2018 were \$2,403,589 and \$2,261,156, respectively.

6. Leverage Loan Receivable

In June 2017, as part of the NMTC transaction executed in June 2017 (see Note 23), the Center committed to lend \$28,910,100 to AMR Campus Investment Fund, LLC, which is an unconsolidated related party.

The notes accrue interest at a fixed rate, with interest-only payable quarterly at a rate of 1.00% over the first seven years and quarterly principal and interest (1.00%) payments are then required through 2041.

Notes receivable at June 30, 2019 and 2018, are as follows:

| <i>June 30,</i> | 2019 | 2018 |
|---|----------------------|----------------------|
| AMR Campus Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through June 15, 2024, and then principal and interest payments of \$462,839 are due quarterly through maturity in June 23, 2041. | \$ 28,910,100 | \$ 28,910,100 |

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7. Contracts and Grants Receivable

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

| <i>June 30,</i> | 2019 | 2018 |
|---|---------------------|---------------------|
| Alliance for Housing and Healing | \$ 77,026 | \$ 54,967 |
| California Office of Aids | 445,032 | 398,665 |
| California Office of Emergency Services | 546,356 | 129,252 |
| Centerlink | 11,320 | - |
| Chembio Diagnostic System, Inc. | 80,917 | - |
| Children's Hospital Los Angeles | 5,124 | 8,820 |
| City of Los Angeles | 78,675 | 34,205 |
| City of West Hollywood | 12,090 | 8,264 |
| Howard Brown Health Center | 5,000 | - |
| Legal Aid Foundation of Los Angeles | 1,000 | 3,000 |
| Los Angeles County Department of HIV and STD Programs | 3,739,604 | 1,801,419 |
| Los Angeles County Department of Mental Health | 269,046 | 579,123 |
| Los Angeles County Department of Probation | 3,334 | 5,000 |
| Los Angeles Homeless Services Authority | 1,339,637 | 1,087,940 |
| Mid-Atlantic Network of Youth & Family Services | 11,811 | 7,154 |
| Social & Scientific Systems, Inc. | 120 | 12,660 |
| The General Hospital Corporation | 15,519 | - |
| The People Concern OPCC & LAMP Community United | 260,688 | 94,546 |
| The RAND Corporation | 2,483 | - |
| The University of Pittsburgh | 5,900 | 6,400 |
| United Way of Greater Los Angeles | 28,447 | 21,351 |
| University of California, Los Angeles | 160,777 | 338,797 |
| US Department of Health & Human Services | 348,148 | 442,246 |
| US Department of Justice | 11 | 44,795 |
| US Department of State | 110,664 | 211,444 |
| Allowance for Contracts and Grants Receivable | (90,245) | (76,127) |
| Net Contract and Grant Receivables | \$ 7,468,484 | \$ 5,213,921 |

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8. Investments

Investments consist of the following:

| <i>June 30,</i> | 2019 | 2018 |
|----------------------------|----------------------|----------------------|
| Mutual funds | \$ 3,347,152 | \$ 3,185,611 |
| Equity securities | 5,297,585 | 5,918,146 |
| Fixed income securities | 5,840,551 | 5,069,275 |
| Non-traditional securities | 2,459,310 | 2,311,996 |
| | \$ 16,944,598 | \$ 16,485,028 |

Net investment return consists of the following:

| <i>Years ended June 30,</i> | 2019 | 2018 |
|---|-------------------|-------------------|
| Dividend income | \$ 728,465 | \$ 564,387 |
| Interest income | 69,600 | 45,820 |
| Total dividend and interest | 798,065 | 610,207 |
| Gross realized losses from sale of securities | (82,923) | (51,087) |
| Gross realized gains from sale of securities | 163,933 | 309,972 |
| Gross unrealized losses on fixed income securities | (180,992) | (266,424) |
| Gross unrealized gains on fixed income securities | 201,187 | 160,804 |
| Gross unrealized losses on equity securities | (1,013,980) | (540,313) |
| Gross unrealized gains on equity securities | 1,088,777 | 971,918 |
| Gross unrealized losses on non-traditional securities | (189,114) | (210,494) |
| Gross unrealized gains on non-traditional securities | 169,239 | 72,887 |
| Gross unrealized losses on mutual funds | - | (112) |
| Gross unrealized gains on mutual funds | 1,253 | 158 |
| Investments charges | (96,307) | (98,003) |
| Total realized and unrealized gains, net | 61,073 | 349,306 |
| Net investment return | \$ 859,138 | \$ 959,513 |

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 Consolidated Statements of Financial Position, based on their maturity date and the Center's intentions.

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9. Fair Value Measurements

The following tables summarize the Center's fair value measurements by level at June 30, 2019 and 2018 for the assets and liabilities measured at fair value on a recurring basis:

| <i>June 30, 2019</i> | <i>Level 1</i> | | <i>Level 2</i> | | <i>Level 3</i> | | <i>Total</i> |
|--|----------------------|-------------|----------------|---------------------|----------------|-------------|----------------------|
| Mutual funds | \$ 3,347,152 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,347,152 |
| Equity securities | 5,297,585 | - | - | - | - | - | 5,297,585 |
| Fixed income securities | 5,840,552 | - | - | - | - | - | 5,840,552 |
| Non-traditional securities | 2,080,495 | - | - | 378,815 | - | - | 2,459,310 |
| Contributions receivable, held in trust | 2,862,706 | - | - | - | - | - | 2,862,706 |
| Beneficial interests in trusts | - | - | - | 2,403,589 | - | - | 2,403,589 |
| Total assets at fair value | \$ 19,428,490 | \$ - | \$ - | \$ 2,782,404 | \$ - | \$ - | \$ 22,210,894 |
| Annuities payable | \$ - | \$ - | \$ - | \$ 1,181,174 | \$ - | \$ - | \$ 1,181,174 |

| <i>June 30, 2018</i> | <i>Level 1</i> | | <i>Level 2</i> | | <i>Level 3</i> | | <i>Total</i> |
|--|----------------------|-------------|----------------|---------------------|----------------|-------------|----------------------|
| Mutual funds | \$ 3,185,611 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,185,611 |
| Equity securities | 5,918,146 | - | - | - | - | - | 5,918,146 |
| Fixed income securities | 5,069,275 | - | - | - | - | - | 5,069,275 |
| Non-traditional securities | 2,069,097 | - | - | 242,899 | - | - | 2,311,996 |
| Contributions receivable, held in trust | 3,185,737 | - | - | - | - | - | 3,185,737 |
| Beneficial interests in trusts | - | - | - | 2,261,156 | - | - | 2,261,156 |
| Total assets at fair value | \$ 19,427,866 | \$ - | \$ - | \$ 2,504,055 | \$ - | \$ - | \$ 21,931,921 |
| Annuities payable | \$ - | \$ - | \$ - | \$ 1,087,655 | \$ - | \$ - | \$ 1,087,655 |

The Center's investments that are measured at fair value on a recurring basis are generally classified within Level 1 of the fair value hierarchy. The fair value of these investments are based on quoted market prices in active markets.

Level 1 measurement valuation techniques: The fair value of mutual funds, equity securities and structured equity products, fixed income securities, non-traditional securities and investments underlying the contributions receivable - held in trust are based on the market approach, which utilizes market transaction data for the same or similar instruments. Fair values of financial assets are obtained from an independent pricing service and are based on unadjusted quoted prices for identical assets in active markets.

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Level 2 measurement valuation techniques: The fair value of certain equity securities and structured equity products are based on the market values obtained from an independent pricing service that were evaluated using pricing models and incorporate available trade, bid and other market information and price quotes.

Level 3 measurement valuation techniques: 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 Consolidated Statements of Activities and Changes in Net Assets to reflect estimated fair value. Annuities payable are recorded at estimated fair value as liabilities in the Consolidated Statements of Financial Position at estimated fair value using present value calculations based on actuarial tables and discount rates established by the IRS.

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, 2019 and 2018:

| <i>June 30,</i> | 2019 | 2018 |
|---|---------------------|---------------------|
| Beginning balance | \$ 2,504,055 | \$ 2,231,931 |
| Purchase of non-traditional securities | 135,915 | 123,204 |
| Total net gains included in change in net assets (realized/unrealized) | 142,434 | 148,920 |
| Ending balance | \$ 2,782,404 | \$ 2,504,055 |

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, 2019 and 2018:

| <i>June 30,</i> | 2019 | 2018 |
|--|---------------------|---------------------|
| Beginning balance | \$ 1,087,655 | \$ 1,091,408 |
| Change in value of split interest agreements | 198,652 | 149,179 |
| Receipts | 76,128 | 37,037 |
| Payments | (181,261) | (189,969) |
| Ending balance | \$ 1,181,174 | \$ 1,087,655 |

There were no changes in the valuation methodologies.

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Notes to the Consolidated Financial Statements

10. Property and Equipment

Property and equipment consists of the following:

| <i>June 30,</i> | 2019 | 2018 |
|---|----------------------|----------------------|
| Land | \$ 3,291,913 | \$ 3,550,247 |
| Buildings and improvements | 13,847,857 | 13,356,600 |
| Leasehold improvements | 2,101,952 | 2,114,109 |
| Furniture, fixtures and equipment | 3,728,169 | 2,268,288 |
| Computers and software | 2,016,632 | 1,138,047 |
| Construction in progress | 485,986 | 33,641 |
| Total Center property and equipment | 25,472,509 | 22,460,932 |
| Less: accumulated depreciation and amortization, including \$82,722 and \$87,762 accumulated depreciation for equipment acquired under capital leases at June 30, 2019 and 2018, respectively. | 15,018,792 | 13,772,648 |
| Total Center property and equipment, net of depreciation and amortization | 10,453,717 | 8,688,284 |
| AMR Campus - Land | 9,558,063 | 15,478,253 |
| AMR Campus - Buildings | 67,490,999 | - |
| AMR Campus - Furniture, fixtures and equipment | 402,262 | - |
| AMR Campus - Construction in progress | - | 38,202,324 |
| Total AMR Campus property and equipment | 77,451,324 | 53,680,577 |
| Less: accumulated depreciation and amortization, at June 30, 2019 and 2018, respectively. | 423,603 | - |
| Total AMR Campus property and equipment, net of depreciation and amortization | 77,027,721 | 53,680,577 |
| Total consolidated property and equipment, net of depreciation and amortization | \$ 87,481,438 | \$ 62,368,861 |

For the years ended June 30, 2019 and 2018, the value of the assets under capital lease obligations were \$388,914 and \$395,299, respectively.

Depreciation and amortization expense was \$1,690,167 and \$1,139,819 for the years ended June 30, 2019 and 2018, respectively. The Center did not dispose of any assets for the years ended June 30, 2019 and 2018.

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11. Lines of Credit

On June 20, 2017, the Center executed a new \$5,500,000 revolving line of credit ("LOC") with Wells Fargo Bank ("WFB") with a maturity date of June 20, 2019. On June 20, 2019, the Center extended the \$5,500,000 LOC with WFB with a maturity date of June 20, 2021. The LOCs were all collateralized by the Center's accounts receivable, general intangibles, inventory and equipment and bear interest at 2.00% above the Daily One Month LIBOR. There is an unused drawdown fee of 0.25% that is assessed on a quarterly basis. All LOCs required the Center to meet certain covenants. As of June 30, 2019 and 2018, the Center was in compliance with all covenants. There were no outstanding balances under the LOCs as of June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, the Center did not draw down on the LOCs and therefore, did not incur any interest expense related to the LOCs, other than the unused drawdown fee, which was immaterial as of June 30, 2019 and 2018. There were no outstanding balances under the LOCs as of December 19, 2019.

12. Term Loan/Revenue Bond

On June 20, 2017, the Center executed a new Term Loan/Revenue Bond ("Bond") for \$19,100,000 with Wells Fargo Bank issued by California Enterprise Development Authority ("CDE") with a maturity date of June 20, 2047. The Bond is collateralized by a 1st Deed of Trust/Mortgage on the properties located at 1119-1125 N McCadden Place, Los Angeles, CA 90038 and 1625 N Schrader Boulevard, Los Angeles, CA 90028 at an Index Floating Rate Mode whereby the interest rate on the Bond will be reset monthly at 67% of One Month LIBOR plus an applicable spread of 1.51%. There is an unused drawdown fee of 0.10% that is assessed on a quarterly basis. The Bond requires the Center to meet certain covenants. As of June 30, 2019 and 2018, the Center was in compliance with all covenants. During the years ending June 30, 2019 and 2018, the Center did not draw on the Bond and therefore, did not incur any interest expense related to the Bond, other than the unused drawdown fee, which was immaterial as of June 30, 2019 and 2018. There was no outstanding balance under the Bond as of June 30, 2019 and 2018. There was no outstanding balance under the Bond as of December 19, 2019.

13. Bridge Loan Note

On June 20, 2017, the Center executed a new Bridge Loan Note ("Bridge Note") for \$10,000,000 with Wells Fargo Bank with a maturity date of June 20, 2019. The Bridge Note is collateralized by any eligible investments and marketable securities held with Morgan Stanley at a fluctuating rate of (i) Prime plus 0% or (ii) One Month LIBOR plus .80% subject to a floor of 0%. During the years ending June 30, 2019 and 2018, the Center did not draw on the Bridge Note and therefore, did not incur any interest expense related to the Bridge Note. There was no outstanding balance under the Bridge Note as of June 30, 2019 and 2018. The Bridge Note matured on June 20, 2019.

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14. Note Payable to City of Los Angeles

The City of Los Angeles ("City") provided \$4,930,159 of Community Development Block Grant ("CDBG") funds for the Senior Component of the Project for the acquisition of the air space parcel on which to build the senior affordable housing. To accomplish this objective, the City executed a 55-year Acquisition and Permanent Loan ("City Loan") with the Center on January 16, 2018. Concurrent to this City Loan, the Center entered into a loan agreement with the Partnership, under the same terms and conditions as the City Loan. The Partnership then used these funds to buy the air space parcel from AMR QALICB when the senior affordable housing transaction closed on September 19, 2018. As a result, the Center has a receivable from the Partnership for \$4,930,159 related to the loan and a payable to the City for the same amount.

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Notes to the Consolidated Financial Statements

15. Debt

Notes payable and capital lease obligations are summarized as follows:

| <i>June 30,</i> | 2019 | 2018 |
|---|---------------------|-------------------|
| <p>Note payable to City of Los Angeles, collateralized by McCadden Plaza Senior Housing Project Land ("Project"). The note shall bear simple interest at the rate of 4% percent per annum on the principal amount outstanding. The principal of the loan and all accrued interest thereon shall be due and payable January 2073. Interest and principal payments to be repaid from residual receipts of the Project, if any. See Note 14.</p> | \$ 4,930,159 | \$ - |
| <p>Note payable A-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p> | 10,210,500 | 10,210,500 |
| <p>Note payable B-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p> | 4,489,500 | 4,489,500 |
| <p>Note payable A-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p> | 6,807,000 | 6,807,000 |
| <p>Note payable B-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p> | 2,993,000 | 2,993,000 |
| <p>Note payable A-3 to LADF XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p> | 6,607,000 | 6,607,000 |

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| <i>June 30,</i> | 2019 | 2018 |
|---|----------------------|----------------------|
| <i>(continued)</i> | | |
| Note payable B-3 to LADF XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23. | 3,393,000 | 3,393,000 |
| Note payable A-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23. | 5,285,600 | 5,285,600 |
| Note payable B-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23. | 2,474,400 | 2,474,400 |
| Capital lease obligation, expiring February 8, 2023. Payable in variable monthly principal and interest payments from \$5,662 to \$415. | 36,194 | 180,300 |
| Total debt | 47,226,353 | 42,440,300 |
| Less: cost of issuance | (1,322,358) | (1,338,636) |
| Less: current portion of long-term debt | (25,162) | (144,106) |
| Long-term debt, net of current portion | \$ 45,878,833 | \$ 40,957,558 |

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

| <i>Years ending June 30,</i> | CDBG Loan Payable | Capital Leases | NMTC Notes Payable | Total |
|------------------------------|----------------------|-------------------|--------------------------|----------------------|
| 2020 | \$ - | \$ 25,163 | \$ - | \$ 25,163 |
| 2021 | - | 3,870 | - | 3,870 |
| 2022 | - | 4,361 | - | 4,361 |
| 2023 | - | 2,800 | - | 2,800 |
| 2024 | - | - | 275,000 | 275,000 |
| Thereafter | 4,930,159 | - | 41,985,000 | 46,915,159 |
| | \$ 4,930,159 | \$ 36,194 | \$ 42,260,000 | \$ 47,226,353 |

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Interest expense related to long-term debt was \$190,131 and \$334,469 for the years ended June 30, 2019 and 2018, respectively.

16. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

| <i>June 30,</i> | 2019 | 2018 |
|---|---------------------|---------------------|
| Accrued payroll and other employee expenses | \$ 5,756,164 | \$ 5,280,153 |
| Medi-Cal refund reserve | 768,127 | 579,550 |
| Accrued expenses | 783,379 | 319,913 |
| Due to grantors | 273,896 | 260,025 |
| Medical insurance payable | 193,178 | 137,341 |
| Retreatment vaccine reserve | 135,931 | 360,391 |
| Other liabilities | 149,456 | 118,697 |
| 340B pharmaceutical reserve | 67,820 | 460,979 |
| Total accrued expenses and other liabilities | \$ 8,127,951 | \$ 7,517,049 |

Medi-Cal Refund Reserve

As a Federally Qualified Health Center (FQHC), the Center files an annual reconciliation report with the State of California Medi-Cal program. The Center determined that a reserve should be established for payback requests once the reconciliation reports have been audited by the State. As of June 30, 2019, \$393,291 and \$374,836 was established for the reconciliation report for fiscal year 2019 and 2018, respectively. The total reserve amount is \$768,127.

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 amount was \$574,193 as of June 30, 2018. As of June 30, 2019, the Center has reimbursed 13 pharmaceutical manufacturers in the amount of \$113,214. As of June 30, 2019, there are six pending reimbursements and there have been no reimbursement requests from other manufacturers. The Center has estimated the amount for the six pending reimbursements to be \$67,820 and has reduced the reserve to this amount.

Retreatment Vaccine Reserve

In March 2018, the Center discovered that the refrigerators in the clinic services area had gone out of the recommended temperature range for the storage of various vaccines used in the clinic. After further investigation, it was determined that these temperature excursions had occurred periodically from May 2016 to March 2018. For those patients who received vaccinations during the affected period, the Center has and will provide complimentary vaccinations. The Center estimated the cost of revaccinations for this population to be \$360,391 as of June 30, 2018, and established a reserve in that amount. As of June 30, 2019, the Center has provided vaccinations in the amount of \$224,460. The remaining reserve amount is \$135,931.

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Medical Insurance Payable

The Center identified that a small number of pharmacy transactions billed to Medi-Cal from July 2017 through June 2018 were not being adjudicated correctly based on the acquisition cost plus the dispensing fee. The Center estimated the overpayment amount to be \$137,341 through June 30, 2018 and established a reserve in that amount. An additional amount of \$7,666 was established through June 30, 2019. The total reserve amount is \$193,178.

In August 2017, the State of California Medi-Cal program announced that an increase in the dispensing fee for pharmaceuticals would take effect on April 1, 2017. The Center adjusted the dispensing fee billed per the new guidelines in October 2017. A policy clarification was issued in June 2018, stating that the change would not formally take effect until February 2019 and Medi-Cal would retroactively adjust billings. The Center adjusted the billed dispensing fee pending further guidance from Medi-Cal. A policy clarification was received in January 2019 confirming implementation in February 2019 and that communications related to retro-active implementation would be forthcoming. The Center determined that the payback amount for early implementation of the new dispensing fee from October 2017 through June 2018 was \$35,792 and established a reserve in that amount.

As a Federally Qualified Health Center (FQHC), the Center files an annual cost report with the federal Medicare program at which time reimbursements related to vaccine administration are determined. The Center received the cost report settlement for fiscal year 2018 in March 2019, but there was a concern the payment was overstated by \$12,379. The Center established a reserve in that amount.

17. 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, 2019, are presented in Note 15.

Aggregate maturities required on capital lease obligations are as follows:

| <i>Years ended June 30,</i> | <i>Amount</i> |
|-------------------------------------|------------------|
| 2020 | \$ 26,897 |
| 2021 | 4,985 |
| 2022 | 4,985 |
| 2023 | 2,913 |
| Less: portion representing interest | (3,586) |
| Total | \$ 36,194 |

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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 in Los Angeles, California. The term was five years and six months and commenced on April 1, 2011 and was to end on September 30, 2016. The Center renegotiated and extended the lease agreement effective on March 23, 2016. The term was two years and seven months and commenced on October 1, 2016 and ended on April 30, 2019.

The Center executed a lease agreement effective on December 10, 2014 to lease an approximately 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 is charged to rent expense on the straight-line method over the term of the lease. The Center is in the process of extending the lease agreement.

The Center executed a lease agreement effective on July 30, 2015 to lease an approximately 2,000 square-foot space in Los Angeles, California. The term was one year and five months and commenced on August 1, 2015. The base rent was \$3,100 per month for two office units. The fixed rental adjustment of the base rent was set to increase annually, as defined in the lease agreement, effective one year after the commencement of the first payment. The total amount of rental payments due over the lease term was charged to rent expense on the straight-line method over the term of the lease. On April 1, 2016, the Center amended the lease to add an additional office unit. The term was two years. The base rent was \$2,800 per month for the additional office unit. On April 1, 2018 the Center extended the lease agreements. The term is two years and commenced on April 1, 2018. The base rent is \$6,330 per month for all office units.

The Center executed a lease agreement effective on April 11, 2017 to lease an approximately 4,000 square-foot space in Los Angeles, California. The term was two years and commenced on the April 24, 2017. The base rent was \$6,250 per month, including parking. The base rent was set to increase annually by the greater of the increase in the Consumer Price Index, as defined in the lease agreement, or 3%. The total amount of rental payments due over the lease term was charged to rent expense on the straight-line method over the term of the lease. The Center extended the lease agreement effective on March 26, 2019. The term is one year and commenced on June 1, 2019 and will end on May 31, 2020. The base rent is \$8,691, which includes the initial premises from the original lease and approximately 1,200 square-foot of additional space. On October 8, 2019 the Center executed a Commercial Property Purchase Agreement and Joint Escrow Instructions to purchase the property. See Note 26, Subsequent Events.

The Center executed a lease agreement effective on August 15, 2018 to lease an approximately 5,520 square-foot space in South Los Angeles, California. The term is ten years and four months and commenced on July 1, 2018. The base rent is \$16,048, including parking, and commenced on November 1, 2018. The fixed rental adjustment of the base rent is set to change annually on December 15th, as defined in the lease agreement. The total amount of rental payments due over the lease term is charged to rent expense on the straight-line method over the term of the lease. The Center has a one-time option to terminate the lease as of December 14, 2023.

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At June 30, 2019, the estimated future minimum rental payments under these leases are as follows:

| <i>Years ending June 30,</i> | Amount |
|------------------------------|---------------------|
| 2020 | \$ 656,074 |
| 2021 | 315,027 |
| 2022 | 265,363 |
| 2023 | 207,397 |
| 2024 | 211,816 |
| Thereafter | 810,934 |
| Total | \$ 2,466,611 |

Rent expense is as follows:

| <i>Years ending June 30,</i> | 2019 | 2018 |
|------------------------------|---------------------|---------------------|
| Rent expense | \$ 1,243,098 | \$ 1,238,340 |
| Sublease rental income | (71,494) | (52,116) |
| Rent expense, net | \$ 1,171,604 | \$ 1,186,224 |

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, 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. The current agreement also has a provision which the CEO may resign and will receive the severance entitlement through the date of resignation. 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. The Center also entered into a severance agreement with an employee which provides for certain severance payments upon resignation or termination without cause any time after July 1, 2017. The payments range between four months to one year at the current salary depending on the date of resignation or termination. As of June 30, 2019 and 2018, the Center has accrued \$284,041 and \$589,928, respectively, related to these agreements.

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 consolidated financial position.

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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 consolidated financial position.

18. 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, 2019 and 2018.

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, 2019 and 2018, the Center holds assets totaling \$1,242,193 and \$1,164,925, respectively, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying Consolidated 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.

19. Net Assets

Without Donor Restrictions Net Assets

| | 2019 | 2018 |
|---------------------------------------|----------------|---------------|
| Undesignated | \$ 115,057,119 | \$ 97,486,980 |
| Without donor restrictions net assets | \$ 115,057,119 | \$ 97,486,980 |

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With Donor Restrictions Net Assets

With donor restrictions net assets are subject to the following restrictions at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--|--------------|---------------|
| Purpose restrictions | | |
| Development of Anita May Rosenstein Campus | \$ 836,740 | \$ 1,981,098 |
| Health and HIV Prevention Services | 499,885 | 457,385 |
| Policy | - | 31,100 |
| Youth, Seniors and Women's Services | 92,855 | 167,275 |
| Charitable remainder trusts | 2,801,129 | 3,173,854 |
| Funds to establish an endowment | 2,102,138 | 2,102,138 |
| Subtotal - purpose restrictions | 6,332,747 | 7,912,850 |
| Time restrictions | | |
| Charitable remainder trusts | 2,266,515 | 2,123,859 |
| For periods after June 30, 2019 and 2018 - general operations | 1,025,297 | 720,217 |
| Subtotal - time restrictions | 3,291,812 | 2,844,076 |
| With donor restrictions net assets | \$ 9,624,559 | \$ 10,756,926 |

Net assets of \$2,371,155 and \$1,829,447 were released from donor and time restrictions in 2019 and 2018, respectively, by incurring expenses related to specific programs that satisfied the restricted purposes.

At June 30, 2019 and 2018, net assets with donor restrictions of \$5,101,918 and \$5,425,172, respectively, are contributions restricted by donors whereby the interest and dividends are used to support operations of the Center. These net assets with donor restrictions are primarily managed by third-party trustees, and the Center does not have control over investment decisions.

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20. Liquidity and Availability of Resources

The Center's financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditure are as follows:

| <i>Years ended June 30,</i> | 2019 | 2018 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 19,430,841 | \$ 20,788,025 |
| Short-term investments | 15,139,404 | 14,807,916 |
| Accounts and other receivables | 68,164 | 121,700 |
| Receivable from affiliate - current | 1,831,919 | 2,142,765 |
| Clinic fees receivable, net | 7,292,006 | 5,966,759 |
| Contracts and grants receivable, net | 7,468,484 | 5,213,921 |
| Pledges receivable current, net | 1,498,105 | 2,380,912 |
| Total financial assets available within one year* | 52,728,923 | 51,421,998 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose restrictions | (1,429,480) | (2,636,858) |
| Restricted by donors in perpetuity | (2,102,138) | (2,102,138) |
| Total amounts unavailable for general expenditures within one year | (3,531,618) | (4,738,996) |
| Total financial assets available to management for general expenditures within one year | \$ 49,197,305 | \$ 46,683,002 |

**Total current assets, less restricted cash and inventories*

Liquidity Management

The Center maintains a policy of structuring its financial assets to be available as its general expenses, liabilities and other obligations come due. In addition, the Center invests cash in excess of weekly requirements in short-term investments.

To help manage unanticipated liquidity needs the Center has a committed line of credit of \$5,500,000, which it could draw upon.

21. 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 \$3,694,084 and \$3,469,409 of joint costs for the years ended June 30, 2019 and 2018, 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> | 2019 | 2018 |
|-------------------------------------|---------------------|---------------------|
| Fundraising | \$ 2,944,871 | \$ 2,862,399 |
| Health/Education/Prevention Program | 749,213 | 607,010 |
| Total | \$ 3,694,084 | \$ 3,469,409 |

22. Anita May Rosenstein Campus

McCadden Campus, LLC ("Campus LLC") and McCadden Plaza Affordable Housing, LLC ("TSA LLC"), an unrelated third party, are the General Partners ("Partners") of McCadden Plaza, LP ("Partnership" or "LP"), a partnership formed in February 2014 to acquire real property located at 1116 North McCadden Place and 6725 Santa Monica Boulevard in Los Angeles ("East Property") to build a mixed-use development ("Project"). The East Property was acquired from the State of California on February 20, 2014 for \$12,700,000 with the stipulation that the East Property was to be used for an affordable housing project. Thereafter, the Center donated a small adjacent parcel of land to the Project. The Project scope is to build up to 100 units of affordable housing for seniors, with parking, ("Senior Component"), as well as Center programming space for seniors and youth, housing for homeless youth, the Center's administrative offices and retail space, with parking, ("Center Component"). The Project was subsequently named the Anita May Rosenstein Campus.

Campus LLC is wholly-owned by the Center. Campus LLC is the Managing General Partner of the Partnership; however, the Partnership is jointly controlled with TSA LLC. The partnership obligations are set forth in the McCadden Plaza LP Limited Partnership Agreement ("LPA") and the First Amendment to the LPA ("Amendment").

In addition, on April 15, 2017, an Agreement of Limited Partnership of McCadden Plaza TAY Housing LP ("TAY LP"), a California limited partnership, was executed by an affiliate of TSA LLC. Neither the Center nor any of its affiliates were party to that agreement. On November 14, 2017, the Partners executed an Amended and Restated Agreement of Limited Partnership of McCadden Plaza TAY Housing LP ("Amended TAY LPA") to acquire real property located at 1119 North McCadden Place ("West Property"), which was owned by the Center, and develop up to 26 units of affordable housing for youth ("Youth Component") as well as parking.

At the time, the Partners intended for the East Property to be subdivided into legal parcels pursuant to an air-rights subdivision ("Subdivision"), which subsequently occurred on February 21, 2018.

The Center owns and was primarily responsible for the management and supervision of the construction of the Center Component through an affiliate AMR QALICB. The Center was solely responsible for obtaining financing for the acquisition, construction and development of the Center Component and associated parking.

To the extent the Partnership or TAY LP required funds for the development of the Senior Component and Youth Component, primarily related to the land acquisition, parking and Soft Costs, Center LLC and TSA LLC were responsible for advancing funds. However, to start the Project before the Partnership and TAY LP had secured their respective financings, the Center agreed to advance a substantial portion of their costs and be repaid once their financings were closed and funds were available. The Partners will reconcile existing advances and contributions by the Partners to reflect any updated cost allocation plans and conclude on the final amounts.

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On June 14, 2017, the Partnership executed a Guaranteed Maximum Price Contract ("Contract") with Swinerton Builders ("Contractor"). The contract sum was guaranteed by the Contractor not to exceed \$57,533,628 without approved change orders. The Contract includes construction of the foundation, approximately 350 underground parking stalls, site work and buildings related to the Center Component. As of June 30, 2019, the Contract was increased to \$66,907,483 through additional change orders. As of November 30, 2019, the Contract was increased to \$67,177,646 through a series of change orders and, in addition, approximately \$500,000 in pending change orders were under review related to upgrading the area's power grid, installing a bike lane on Santa Monica Boulevard, and upgrading an adjoining neighbor's property that was impacted by the Project construction. Construction on the Project began on June 23, 2017.

As part of financing the development of the Center Component and parking, the Center entered into a New Markets Tax Credit ("NMTC") transaction on June 23, 2017, which is fully described in Note 23. As the Subdivision of the East Property was not recorded prior to June 23, 2017, the Partnership was required to transfer the deed of the East Property to AMR QALICB, including the Senior Component of the land, to complete the transaction. The Partners executed the Amendment on June 15, 2017 to transfer the East Property. AMR QALICB executed an Amended and Restated Agreement of Purchase and Sale and Joint Escrow Instructions, effective June 21, 2017, with the Partnership to sell the affordable housing air space parcel of the East Property to the Partnership for development of the Senior Component for \$4,930,158 following Subdivision.

In addition, AMR QALICB executed two additional Agreements of Purchase and Sale and Joint Escrow Instructions with the Partnership to sell parking for the Senior Component and Youth Component in an amount equal to \$54,557 per parking stall. The number of parking stalls to be sold were subject to negotiation. These agreements were later amended and restated in 2018 with the Partnership to sell 84 parking stalls for the Senior Component in an amount equal to \$4,663,982 and \$1,835,742 for shared improvements. For the Youth Component, an agreement was reached with TAY LP to sell 12 parking stalls for the Youth Component in an amount equal to \$850,594 and \$160,263 for shared improvements. In both agreements, the prices may be adjusted for reasonably unforeseen cost increases actually incurred, up to ten percent of the original price.

The Center also secured three credit facilities with Wells Fargo Bank in June 2017 to finance the development of the Center Component and parking: 1) a \$5,500,000 Line of Credit discussed in Note 11; 2) a \$19,100,000 Term Loan/Revenue Bond discussed in Note 12; and 3) a \$10,000,000 Bridge Loan Note discussed in Note 13.

As of June 30, 2019, the Bridge Loan Note matured and none of the credit facilities were drawn down due to the success of the Capital Campaign, cash generated from operations, proceeds from the NMTC transaction, and cash and investments on hand.

As discussed in Note 4, Pledges Receivable, the Center publicly announced a Capital Campaign in May 2014 that successfully concluded in June 2019 and provided a significant source of funding during construction.

The Center's Component and underground parking was substantially completed on April 6, 2019 at which time the Center received a six-month Temporary Certificate of Occupancy ("TCO"). On November 5, 2019, the Center was granted an extension on the TCO through April 24, 2020. The Center will receive a permanent Certificate of Occupancy when construction on the Senior and Youth Components are completed, which is anticipated to be in late 2020.

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TSA LLC was primarily responsible for identifying and negotiating the terms of all debt and equity financing for the development and construction of the Senior and Youth Components as well as related parking. The Partners applied for and secured local, state, and Federal funding and tax credit sources to develop the Senior and Youth Components and related parking. The Partners also syndicated the limited partnership interests in the Partnership and TAY LP to a qualified investor in low-income housing projects ("Investor Limited Partners").

To facilitate the Senior and Youth Component financings, the Center donated land that was recorded as an investment in affiliate of \$250,000 to the TAY LP and converted \$650,000 in receivables from affiliate related to Soft Costs that was subsequently recorded as an investment in affiliate to the Partnership. If residual receipts allow, the \$650,000 has the potential to be paid back to the Center.

The City of Los Angeles ("City") provided \$4,930,159 of Community Development Block Grant ("CDGB") funds for the Senior Component of the Project for the acquisition of the air space parcel on which to build the senior affordable housing. To accomplish this objective, the City executed a 55-year Acquisition and Permanent Loan ("City Loan") with the Center on January 16, 2018. Concurrent to this City Loan, the Center entered into a loan agreement with the Partnership, under the same terms and conditions as the City Loan. The Partnership then used these funds to buy the air space parcel from AMR QALICB when the senior affordable housing transaction closed on September 19, 2018. As a result, the Center has a receivable from the Partnership for \$4,930,159 related to the loan and a payable to the City for the same amount.

On September 21, 2018, the Partners executed agreements ("Youth Housing Close"), including a Second Amended and Restated Agreement of Limited Partnership, to build 26 units for the Youth Component of the project on the West Property that was donated by the Center. As part of the transaction, the Center had to agree to guaranties or indemnities to Wells Fargo in an amount not to exceed an aggregate \$7,000,000, an environmental indemnity to and for the benefit of Wells Fargo, a mechanic's lien indemnity to and for the benefit of Chicago Title insurance Company, and a guaranty to and for the benefit of Wells Fargo Affordable Housing Community Development Corporation (subject to a liability cap of twenty five percent (25%) of an applicable claim, except for claims related to environmental indemnities, for which no such cap shall apply). As is typical in these types of transactions, Campus LLC's partnership interest was reduced to 0.0051% with the addition of the Investor Limited Partner who took control of TAY LP with 99.99% interest.

On December 19, 2018, the Partners executed agreements ("Senior Housing Close"), including an Amended and Restated Agreement of Limited Partnership, to build 98 units for the Senior Component of the project on the East Property. As part of the transaction, the Center had to agree to guaranties or indemnities to Wells Fargo in an amount not to exceed an aggregate \$25,000,000, an environmental indemnity to and for the benefit of Wells Fargo, a mechanic's lien indemnity to and for the benefit of Chicago Title insurance Company, and a guaranty to and for the benefit of Wells Fargo Affordable Housing Community Development Corporation (subject to a liability cap of twenty five percent (25%) of an applicable claim, except for claims related to environmental indemnities, for which no such cap shall apply). Campus LLC's partnership interest was reduced to 0.0051% with the addition of the Investor Limited Partner who took control of the Partnership with 99.99% interest.

As of June 30, 2019, on a consolidated basis, the Center had a receivable of \$7,031,592 due from the Partnership and TAY LP, primarily related to the City Loan and the advancement of Hard and Soft Costs incurred during construction.

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As of June 30, 2018, on a consolidated basis, the Center has a receivable of \$8,045,992 due from the Partnership and TAY LP, primarily due to the advancement of funds to cover Soft Costs incurred during construction, as well as paying off the Partnership's portion of a land acquisition loan early in August 2017. The Center also still had a payable due to the Partnership in the amount of \$5,903,227 for the transfer of land and land acquisition costs to AMR QALICB to close the NMTC transaction. For reporting purposes, the receivable from and payable to the Partnership and TAY LP were netted against each other in the Center's financials and resulted in an aggregate receivable in the amount of \$2,142,765 at June 30, 2018.

AMR QALICB had \$9,558,063 and \$15,478,253 recorded as land and land development as of June 30, 2019 and 2018, respectively. The decrease from year to year was related to the Partnership buying the air space parcel and related land acquisition costs from AMR QALICB in December 2018. In 2017, the Partnership transferred \$12,700,000 for the East Property and \$2,072,206 for land acquisition costs, AMR QALICB paid \$404,018 for demolition costs, and the Center donated a small parcel near the East Property at a value of \$258,333. In fiscal year 2018, capitalized interest of \$43,696 related to the land acquisition was donated as well.

As of June 30, 2019, AMR QALICB had \$67,490,999 recorded as Buildings, including Hard Costs, Soft Costs and Other Costs, related to the Center Component and associated parking. The Center Component was substantially completed on April 6, 2019. The Center donated \$26,618,952 for the Center Component to AMR QALICB during fiscal year 2019. During fiscal year 2019, Partnership and TAY LP paid \$9,505,715 to the Center and AMR QALICB for a substantial amount of their respective Hard and Soft Costs. The outstanding balance was reclassified to Receivable from Affiliates from Construction in Progress. See Note 10.

As of June 30, 2018, AMR QALICB had \$38,202,324 recorded as construction in progress related to the Project. AMR QALICB incurred \$28,830,829, and the Center donated \$4,581,922 on behalf of the Senior and Youth Components during fiscal year 2018.

As of June 30, 2019, AMR QALICB had a payable to the Center for \$1,072,876, primarily related to Soft Costs, and the Center has an offsetting receivable from AMR QALICB. In addition, the Center had a payable to AMR QALICB for \$5,571,176, and AMR QALICB has an offsetting receivable from the Center related to Hard Costs for the Center Component. These two amounts are eliminated in the Consolidated Statements of Financial Position.

As of June 30, 2018, AMR QALICB had a payable to the Center for \$343,518, primarily related to Soft Costs, and the Center had an offsetting receivable from AMR QALICB. In addition, the Center had a payable to AMR QALICB for \$808,589, and AMR QALICB had an offsetting receivable from the Center related to Hard Costs for the Senior and Youth Components. These two amounts are eliminated in the Consolidated Statements of Financial Position.

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The Center is using the equity method of accounting for the Partnership and TAY LP, at this time, since the partnership agreements do not give the Center a controlling interest of the partnerships. Through June 30, 2019 and 2018, no income or expense has been recognized by the Center as all costs incurred by the Partnership and TAY LP are related to development of the Project and have been capitalized. At June 30, 2019, the Partnership and TAY LP had approximately \$59,442,000 (unaudited) in assets consisting of capitalized development and construction costs and approximately \$59,442,000 (unaudited) in equity and liabilities. At June 30, 2018, the Partnership and TAY LP had approximately \$9,887,000 (unaudited) in assets consisting of the \$5,903,000 receivable from the Center for the transfer of the East Property and related costs to AMR QALICB with the remaining amount of capitalized development costs and construction and approximately \$9,887,000 (unaudited) in equity and liabilities. Campus LLC had a 51% partnership interest in the Partnership and TAY LP as of June 30, 2018, which was reduced to 0.0051% at the Youth Housing Close for the TAY LP and to 0.0051% at the Senior Housing Close for the Partnership with the addition of the Investor Limited Partners into each partnership who took control of each partnership with 99.99% interest.

23. New Market Tax Credits

On June 23, 2017, the Center entered into a New Markets Tax Credit ("NMTC") transaction to help finance the construction of the Center Component of the Anita May Rosenstein Campus. The NMTC Program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit for Qualified Equity Investments ("QEI") made through investment vehicles known as Community Development Entities ("CDEs"). CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas under favorable economic terms, typical of this type of tax credits-based deals.

The NMTC transaction is composed of several sub-transactions, as described below:

QALICB: For the sole purpose of facilitating the NMTC transaction as a Qualified Active Low-Income Community Business ("QALICB"), the Center created AMR QALICB. AMR QALICB was formed pursuant to the filing of those certain Articles of Incorporation with the California Secretary of State on February 2, 2017. On November 3, 2017, the Internal Revenue Service issued a letter determining that the QALICB was exempt from federal income tax under IRC Section 501(c)(3).

Leverage Loan: As part of the transaction, the Center committed to lend \$28,910,000 to AMR Campus Investment Fund, LLC, the Investment Fund. The proceeds of this leverage loan were used by the Investment Fund towards making a QEI into four CDEs as listed below. The Leverage Loan bears an interest rate of 1.00% and matures on June 23, 2041.

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Qualified Low-Income Community Investment (“QLICI Loan”): Under the NMTC transaction, AMR Campus QALICB obtained QLICI Loans from the following CDEs: (i) New Markets Community Capital XX, LLC (“NMCC”); (ii) GLA Sub-CDE XX, LLC (“GLA”); (iii) LADF XI, LLC (“LADF”); and (iv) LIIF Sub-CDE XL, LLC (“LIIF”). The following QLICI A and B loans were made to AMR QALICB:

| | 2019 | 2018 |
|-------------------------|----------------------|----------------------|
| 1. QLICI Loan A1 (NMCC) | \$ 10,210,500 | \$ 10,210,500 |
| 2. QLICI Loan B1 (NMCC) | 4,489,500 | 4,489,500 |
| 3. QLICI Loan A2 (GLA) | 6,807,000 | 6,807,000 |
| 4. QLICI Loan B2 (GLA) | 2,993,000 | 2,993,000 |
| 5. QLICI Loan A3 (LADF) | 6,607,000 | 6,607,000 |
| 6. QLICI Loan B3 (LADF) | 3,393,000 | 3,393,000 |
| 7. QLICI Loan A4 (LIIF) | 5,285,600 | 5,285,600 |
| 8. QLICI Loan B4 (LIIF) | 2,474,400 | 2,474,400 |
| Total | \$ 42,260,000 | \$ 42,260,000 |

The QLICI Loans bear interest at a fixed rate equal to 1.33% and mature on June 23, 2047. The QLICI Loans are recorded in the Center’s Consolidated Statements of Financial Position. The QLICI Loans are secured by a mortgage on the East Property. As discussed in Note 22, at the Senior Housing Close, the Partnership purchased back the air rights parcel from AMR QALICB for the Senior Component, at which point the QLICI Loans are now secured by the Center Component of the Project.

As part of the NMTC transaction, the Center executed a Master Lease Agreement with AMR QALICB. The term of the lease is for 30 years from the date of the NMTC transaction with provisions to cancel it when the put/call agreements are exercised on the seventh-year anniversary as discussed below. Rent commenced on April 1, 2019 at \$26,426 and will increase to \$29,595 by the end of the seventh year. All rental activity will be eliminated upon consolidation.

Neither the Center nor AMR QALICB controls or has economic interest in the assets of either the QEI or the CDEs. The QEI is controlled and wholly owned by Wells Fargo Bank, and the Investment Fund controls and funds the CDEs.

To earn the tax credit, the QEI must remain invested in the CDEs for a seven-year period. AMR QALICB has significant reporting requirements to its lenders, including financial reports and community impact reports. AMR QALICB is restricted against accumulating and holding certain types of assets (including options, stocks, promissory notes and excess cash), having its own employees, or otherwise engaging in activities unrelated to the Center. Provided AMR QALICB satisfies the foregoing requirements and avoids violating the foregoing restrictions, it will remain in substantial compliance with its obligations pursuant to the NMTC financing.

The Center and Wells Fargo Community Investment Holdings, LLC (“Wells Fargo Holdings”) have executed an Investment Fund Put and Call Agreement to take place at the end of the seven-year compliance period. Under the agreement, Wells Fargo Holdings can exercise a put option to sell all interest in the QEI for \$1,000 to the Center. If Wells Fargo Holdings does not exercise the put option within 90 days of the seven-year period, the Center can exercise a call option to purchase the interest of the QEI at an appraised fair market value.

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These put/call options do not represent embedded derivatives and, accordingly, have not been accounted for as derivative instruments in the Center's consolidated financial statements.

If the Investment Fund Put and Call Agreement is exercised at the seventh-year anniversary of the NMTC transaction, the Center would gain control of all outstanding loans payable and receivable, there would be no residual amounts due to or from any external third parties, and the Center would record a net gain associated with the dissolution of the \$28,910,000 Leverage Loan Receivable and the \$42,260,000 QLICI Loans Payable. Including transaction expenses, the Center expects to net approximately \$9,500,000 from the NMTC transaction to help finance the construction of the Center Component and associated parking.

24. 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 and 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 ("Initial Term") with GLEH-LA to replace the Services Agreement on that same date. At the expiration of the Initial Term, this agreement automatically renewed for successive six-month periods unless either party provides the other party with notice of non-renewal at least thirty days prior to expiration of then current term. 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 \$846,543 and \$642,053 for the years ended June 30, 2019 and 2018, respectively, however the Center did not recognize revenue due to the uncertainty of collection and the amount is fully reserved.

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 ("GLEH 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.

The \$1,500,000 GLEH 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 ("GLEH Project"). The GLEH 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 GLEH Note, the GLEH Note shall not bear interest thereafter. Interest on the GLEH 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 GLEH Note to the Center. Any outstanding principal and interest shall be due on August 5, 2051.

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Notes to the Consolidated Financial Statements

The GLEH Project is regulated by the California Housing Finance Agency as to rent charges, operating methods and other matters. Additionally, the GLEH 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 unit gross rent, among other requirements. The GLEH 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 GLEH 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, 2019 and 2018.

25. 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.

26. Subsequent Events

The Center evaluated subsequent events through December 24, 2019, which is the date the consolidated financial statements were available to be issued. There were no events that require adjustments to or disclosures in the Center's consolidated financial statements for the year ended June 30, 2019, except as described below.

A Commercial Property Purchase Agreement and Joint Escrow Instructions was executed on October 8, 2019 for the Center to purchase real property at 1111 N. Las Palmas Avenue in Los Angeles for \$5,200,000. The Center made a \$156,000 deposit on October 9, 2019 with the remaining balance to be paid at the close of escrow on January 3, 2020. The real property includes a lot, which is 8,886 square-feet and two buildings that total 5,422 square-feet. The Center is currently leasing most of the office space.

Supplemental Material



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515 Flower Street
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Los Angeles CA 90071

Independent Auditor's Report on Supplemental Material

Board of Directors
Los Angeles LGBT Center and Affiliates
Los Angeles, California

Our audits of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental material presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

December 24, 2019

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Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidating Statement of Financial Position

| <i>June 30, 2019</i> | Los Angeles LGBT Center | AMR Campus QALICB, Inc. | Elimination Entries | Consolidated Financials |
|--|----------------------------|----------------------------|------------------------|----------------------------|
| Current assets | | | | |
| Cash and cash equivalents | \$ 19,430,841 | \$ - | \$ - | \$ 19,430,841 |
| Restricted cash AMR Campus construction | - | 2,280,181 | - | 2,280,181 |
| Restricted cash NMTC CDE's fee reserve | - | 1,850,173 | - | 1,850,173 |
| Accounts and other receivables | 68,164 | - | - | 68,164 |
| Receivable from affiliates | 1,285,705 | 7,190,266 | (6,644,052) | 1,831,919 |
| Clinic fees receivable, net | 7,292,006 | - | - | 7,292,006 |
| Contracts and grants receivable, net | 7,468,484 | - | - | 7,468,484 |
| Pledges receivable, net | 1,498,105 | - | - | 1,498,105 |
| Short-term investments | 15,139,404 | - | - | 15,139,404 |
| Inventories | 978,504 | - | - | 978,504 |
| Total current assets | 53,161,213 | 11,320,620 | (6,644,052) | 57,837,781 |
| Noncurrent assets | | | | |
| Contributions receivable - held in trust | 2,862,706 | - | - | 2,862,706 |
| Beneficial interests in trusts | 2,403,589 | - | - | 2,403,589 |
| Receivable from affiliate | 5,199,674 | - | - | 5,199,674 |
| Leverage loan receivables | 28,910,100 | - | - | 28,910,100 |
| Pledges receivable, net | 956,672 | - | - | 956,672 |
| Long-term investments | 1,805,194 | - | - | 1,805,194 |
| Property and equipment, net | 10,453,717 | 77,027,721 | - | 87,481,438 |
| Other assets | 3,661,434 | - | - | 3,661,434 |
| Total noncurrent assets | 56,253,086 | 77,027,721 | - | 133,280,807 |
| Total assets | \$ 109,414,299 | \$ 88,348,341 | \$ (6,644,052) | \$ 191,118,588 |
| Current liabilities | | | | |
| Accounts payable | \$ 3,636,531 | \$ 3,627,658 | \$ - | \$ 7,264,189 |
| Accrued expenses and other liabilities | 8,127,951 | - | - | 8,127,951 |
| Payable to affiliates | 5,571,176 | 1,072,876 | (6,644,052) | - |
| Retainage | - | 2,472,145 | - | 2,472,145 |
| Unearned revenue | 1,217,941 | - | - | 1,217,941 |
| Interest payable | 269,515 | - | - | 269,515 |
| Current portion of annuities payable | 196,233 | - | - | 196,233 |
| Current portion of long-term debt | 25,162 | - | - | 25,162 |
| Total current liabilities | 19,044,509 | 7,172,679 | (6,644,052) | 19,573,136 |
| Noncurrent liabilities | | | | |
| Annuities payable, net of current portion | 984,941 | - | - | 984,941 |
| Long-term debt, net of current portion | 4,911,176 | 40,967,657 | - | 45,878,833 |
| Total noncurrent liabilities | 5,896,117 | 40,967,657 | - | 46,863,774 |
| Total liabilities | 24,940,626 | 48,140,336 | (6,644,052) | 66,436,910 |
| Commitments and Contingencies (Note 17) | | | | |
| Net assets | | | | |
| Without donor restrictions | 74,849,114 | 40,208,005 | - | 115,057,119 |
| With donor restrictions | 9,624,559 | - | - | 9,624,559 |
| Total net assets | 84,473,673 | 40,208,005 | - | 124,681,678 |
| Total liabilities and net assets | \$ 109,414,299 | \$ 88,348,341 | \$ (6,644,052) | \$ 191,118,588 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Consolidating Statement of Activities and Changes in Net Assets

| <i>Year ended June 30, 2019</i> | Los Angeles LGBT Center | AMR Campus QALICB, Inc. | Elimination Entries | Consolidated Financials |
|---|----------------------------|----------------------------|------------------------|----------------------------|
| Public support and other revenue | | | | |
| Public support: | | | | |
| Special events revenue: | | | | |
| Gross receipts | \$ 8,664,634 | \$ - | \$ - | \$ 8,664,634 |
| Less costs of direct benefits to donors | (203,672) | - | - | (203,672) |
| Net special events revenue | 8,460,962 | - | - | 8,460,962 |
| Program fees | 90,249,916 | - | - | 90,249,916 |
| Grants | 22,203,980 | - | - | 22,203,980 |
| Contributions | 6,776,515 | - | - | 6,776,515 |
| Contributions - Capital Campaign | 8,018,021 | - | - | 8,018,021 |
| Contributed goods and services | 923,729 | - | - | 923,729 |
| Other operating revenue | 505,854 | 79,278 | (79,278) | 505,854 |
| Total public support and other revenue | 137,138,977 | 79,278 | (79,278) | 137,138,977 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | - | - | - | - |
| Total public support and other revenue and net assets released from restrictions | 137,138,977 | 79,278 | (79,278) | 137,138,977 |
| Operating expenses | | | | |
| Program services | 113,304,098 | - | - | 113,304,098 |
| Supporting services: | | | | |
| General and administrative | 479,937 | 575,468 | (79,278) | 976,127 |
| Fund-raising | 7,540,113 | - | - | 7,540,113 |
| Total supporting services | 8,020,050 | 575,468 | (79,278) | 8,516,240 |
| Total operating expenses | 121,324,148 | 575,468 | (79,278) | 121,820,338 |
| Change in net assets before non-operating income/gains (losses) and other revenue | 15,814,829 | (496,190) | - | 15,318,639 |
| Non-operating income/gains (losses) and other revenue | | | | |
| Net investment return | 859,138 | - | - | 859,138 |
| Unrealized loss on trusts held by third parties | (180,597) | - | - | (180,597) |
| Change in value of split-interest agreements | (198,652) | - | - | (198,652) |
| Other nonoperating revenue | 639,244 | - | - | 639,244 |
| Donation of construction in progress | (18,374,336) | 18,374,336 | - | - |
| Total non-operating income/gains (losses) and other revenue | (17,255,203) | 18,374,336 | - | 1,119,133 |
| Change in net assets | (1,440,374) | 17,878,146 | - | 16,437,772 |
| Net assets, beginning of year | 85,914,047 | 22,329,859 | - | 108,243,906 |
| Net assets, end of year | \$ 84,473,673 | \$ 40,208,005 | \$ - | \$ 124,681,678 |



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

Schedule of Expenditures of Federal Awards
and Independent Auditor's Reports Required
by *Government Auditing Standards* and the
Uniform Guidance
Year Ended June 30, 2019

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards and Independent Auditor's
Reports Required by *Government Auditing* Standards and the
Uniform Guidance
Year Ended June 30, 2019

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

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Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|--|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Housing and Urban Development Pass through Alliance for Housing and Healing Housing Opportunities for Persons with AIDS (HOPWA) | Agreement 04-01 | 04/01/18 - 06/30/19 | 14.241 | \$ 219,000 | \$ 199,812 |
| Subtotal - 14.241 | | | | | 199,812 |
| U.S. Department of Housing and Urban Development Pass through Los Angeles Homeless Services Authority (LAHSA) Rapid Rehousing for Youth | CA1489L9D001601 | 01/01/18 - 12/31/18 | 14.267 | 240,742 | 83,665 |
| Subtotal - 14.267 | | | | | 83,665 |
| U.S. Department of Justice Office on Violence Against Women Direct Programs: Justice for Families Program | 2017-VF-GX-K013 | 10/01/17 - 09/30/20 | 16.021 | 450,000 | 73,070 |
| Subtotal - 16.021 | | | | | 73,070 |
| U.S. Department of Justice Office of Criminal Justice Planning Pass through California Office of Emergency Services Unserved/Underserved Victim Advocacy & Outreach Program | XV15 01 1497 | 04/01/16 - 12/31/19 | 16.575 | 656,250 | 208,573 |
| Unserved/Underserved Victim Advocacy & Outreach Program | UV18 03 1497 | 10/01/18 - 09/30/19 | 16.575 | 175,000 | 130,038 |
| Unserved/Underserved Victim Advocacy & Outreach Program | UV16 02 1497 | 04/01/17 - 09/30/18 | 16.575 | 262,500 | 61,866 |
| Domestic Violence Housing First | KD17 01 1497 | 10/01/17 - 12/31/19 | 16.575 | 525,000 | 205,285 |
| Specialized Emergency Housing | KE17 01 1497 | 10/01/17 - 09/30/19 | 16.575 | 624,750 | 275,581 |
| Victim Legal Assistance Program | KL 1801 1497 | 01/01/19 - 12/31/19 | 16.575 | 200,000 | 74,711 |
| Subtotal - 16.575 | | | | | 956,054 |
| U.S. Department of Justice Office of Criminal Justice Planning Direct Programs: Crime Victim Assistance/Discretionary Grants | 2017-VF-GX-K013 | 10/01/17 - 09/30/20 | 16.582 | 450,000 | 63,981 |
| Subtotal - 16.582 | | | | | 63,981 |
| U.S. Department of Justice Office of Criminal Justice Planning Pass through The Mid-Atlantic Network of Youth and Family Services (MANY) Juvenile Mentoring Program | 2017-JU-FX-0004 | 03/01/18 - 03/01/20 | 16.726 | 109,000 | 56,018 |
| Subtotal - 16.726 | | | | | 56,018 |

(continued)

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|---|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Labor | | | | | |
| WIOA Cluster | | | | | |
| Pass through City of Los Angeles | | | | | |
| WIOA Youth Activities Cluster | C-130189 | 07/01/18 - 12/31/18 | 17.259 | 27,777 | 27,390 |
| Total WIOA Cluster | | | | | Subtotal - 17.259 |
| | | | | | 27,390 |
| U.S. Department of State | | | | | |
| Bureau of Democracy, Human Rights and Labor | | | | | |
| Direct Programs: | | | | | |
| LGBT Human Rights Advancement: China DRL | S-LMAQM-15-GR-1123 | 08/24/15 - 02/28/19 | 19.345 | 900,000 | 148,346 |
| LGBT Human Rights Advancement: China DRL | S-LMAQM-18-GR-2129 | 07/26/18 - 08/31/19 | 19.345 | 900,000 | 127,249 |
| Subtotal - 19.345 | | | | | 275,595 |
| U.S. Department of Health and Human Services | | | | | |
| ACYF - Family and Youth Services Bureau | | | | | |
| Pass through Children Hospital Los Angeles | | | | | |
| CHLA - Project Legacy | SGF9994 | 09/30/17 - 09/29/18 | 93.092 | 10,000 | 2,350 |
| LGBTCHLA - Project Legacy | SGF009994-C | 09/30/18 - 09/29/19 | 93.092 | 5,000 | 3,925 |
| Subtotal - 93.092 | | | | | 6,275 |
| U.S. Department of Health and Human Services | | | | | |
| Health Resources and Services Administration | | | | | |
| Health Center Program Cluster | | | | | |
| Direct Programs: | | | | | |
| Consolidated Health Centers Cluster | 6 H80CS26621-05-12 | 02/01/18 - 01/31/19 | 93.224 | 1,992,231 | 1,259,707 |
| Consolidated Health Centers Cluster | 6 H80CS26621-06-03 | 02/01/19 - 01/31/20 | 93.224 | 1,957,801 | 636,277 |
| Total Health Center Program Cluster | | | | | Subtotal - 93.224 |
| | | | | | 1,895,984 |
| U.S. Department of Health and Human Services | | | | | |
| National Institutes of Health | | | | | |
| Direct Programs: | | | | | |
| Drug-Free Communities Support Program Grants | 5H79SP080136-02 | 09/30/18 - 09/29/19 | 93.276 | 125,000 | 112,124 |
| Drug-Free Communities Support Program Grants | 5H79SP080136-03 | 09/30/19 - 09/29/20 | 93.276 | 125,000 | 21,750 |
| Subtotal - 93.276 | | | | | 133,874 |

(continued)

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|--|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Health and Human Services | | | | | |
| National Institutes of Health | | | | | |
| Pass through The RAND Corporation | | | | | |
| Drug Abuse and Addiction Research Programs | R21DA044073 | 07/19/18 - 04/30/19 | 93.279 | 25,107 | 15,951 |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| MSM and Substance Cohort at UCLA - Mstudy | 1935 G VB031 | 06/01/18 - 04/30/19 | 93.279 | 395,647 | 320,304 |
| MSM and Substance Cohort at UCLA - Mstudy | 1935 G VB031 | 05/01/19 - 04/30/20 | 93.279 | 416,338 | 57,830 |
| Subtotal - 93.279 | | | | | 394,085 |
| U.S. Department of Health and Human Services | | | | | |
| Health Resources and Services Administration | | | | | |
| Direct Programs: | | | | | |
| Health Infrastructure Investment Program | 6 C8DCS29096-01-06 | 09/30/15 - 09/29/19 | 93.526 | 1,000,000 | 12,000 |
| Subtotal - 93.526 | | | | | 12,000 |
| U.S. Department of Health and Human Services | | | | | |
| ACYF - Family and Youth Services Bureau | | | | | |
| Direct Programs: | | | | | |
| Transitional Living Program | 90CX7171-01-00 | 09/30/17 - 09/29/18 | 93.550 | 194,726 | 41,518 |
| Transitional Living Program | 90CX7171-02-00 | 09/30/18 - 09/29/19 | 93.550 | 194,726 | 124,272 |
| Subtotal - 93.550 | | | | | 165,790 |
| U.S. Department of Health and Human Services | | | | | |
| Administration for Children and Families-Financial Assistance Award | | | | | |
| Direct Programs: | | | | | |
| Street Outreach Program (SOP) | 90YO2270-02-00 | 09/30/17 - 09/29/18 | 93.557 | 190,000 | 70,939 |
| Street Outreach Program (SOP) | 90YO2270-03-00 | 09/30/18 - 09/29/19 | 93.557 | 190,000 | 158,458 |
| Subtotal - 93.557 | | | | | 229,397 |
| U.S. Department of Health and Human Services | | | | | |
| Office of Criminal Justice Planning | | | | | |
| Pass through California Office of Emergency Services | | | | | |
| Equality in Prevention and Services for Domestic Abuse (GL) Program | GL18 08 1497 | 07/01/18 - 06/30/19 | 93.671 | 141,000 | 141,000 |
| Subtotal - 93.671 | | | | | 141,000 |
| U.S. Department of Health and Human Services | | | | | |
| National Institutes of Health | | | | | |
| Cardiovascular Diseases Research | 5U01HL123336-05 | 05/01/18 - 04/30/19 | 93.837 | 48,543 | 48,543 |
| Cardiovascular Diseases Research | 5U01HL123336-06 | 05/01/19 - 04/30/20 | 93.837 | 15,000 | 4,600 |
| Subtotal - 93.837 | | | | | 53,143 |

(continued)

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|--|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Health and Human Services | | | | | |
| National Institutes of Health | | | | | |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| Natural History of AIDS Homosexual Men - Multi-Center AIDS Cohort Study (MACS) | 1935 G SA391 AMD 13 | 04/01/18 - 06/30/19 | 93.855 | 320,483 | 242,828 |
| Pass through Duke Clinical Research Institute | | | | | |
| Rapid Start Network | PNAAT Master-GC-0351 | 12/01/17 - 11/30/18 | 93.855 | 150,000 | 113,979 |
| Subtotal - 93.855 | | | | | 356,807 |
| U.S. Department of Health and Human Services | | | | | |
| National Institutes of Health | | | | | |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| UCLA-Semel Institute for Neuroscience | 2000 G UN 354 | 06/01/18 - 05/31/19 | 93.865 | 233,046 | 211,361 |
| UCLA-Semel Institute for Neuroscience | 2000 G UN 354 | 06/01/19 - 05/31/20 | 93.865 | 220,620 | 19,449 |
| Subtotal - 93.865 | | | | | 230,810 |
| U.S. Department of Health and Human Services | | | | | |
| Health Resources and Services Administration | | | | | |
| Ryan White HIV/AIDS Program Part A | | | | | |
| Pass through County of Los Angeles Department of HIV and STD Programs | | | | | |
| HIV/AIDS Medical Care Coordination | PH002362-09 Schedule 7 | 03/01/18 - 02/28/19 | 93.914 | 1,855,201 | 1,221,597 |
| HIV/AIDS Medical Care Coordination | PH-003756 | 03/01/19 - 02/29/20 | 93.914 | 1,855,201 | 715,443 |
| HIV/AIDS Ambulatory/Outpatient Medical Services | PH-002427-09 Schedule 30-33 | 03/01/18 - 02/28/19 | 93.914 | 1,605,395 | 710,920 |
| HIV/AIDS Ambulatory/Outpatient Medical Services | PH-003755 | 03/01/19 - 02/29/20 | 93.914 | 1,605,395 | 315,542 |
| Subtotal - 93.914 | | | | | 2,963,502 |
| U.S. Department of Health and Human Services | | | | | |
| Health Resources and Services Administration | | | | | |
| Ryan White HIV/AIDS Program Part C | | | | | |
| Direct Programs: | | | | | |
| Ryan White Part C Outpatient EIS Program | 6 H76HA00158-27-05 | 01/01/18 - 12/31/18 | 93.918 | 779,075 | 482,145 |
| Ryan White Part C Outpatient EIS Program | 6 H76HA00158-28-01 | 01/01/19 - 12/31/19 | 93.918 | 779,075 | 341,771 |
| Subtotal - 93.918 | | | | | 823,916 |

(continued)

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|--|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Health and Human Services | | | | | |
| Center for Disease Control and Prevention | | | | | |
| Direct Programs: | | | | | |
| HIV Testing - Linkage to Care: ARTAS | 6 NU65PS004801-03 | 07/01/18 - 06/30/19 | 93.939 | 76,328 | 107,208 |
| Medication Adherence: Every Dose Every Day | 6 NU65PS004801-03 | 07/01/18 - 06/30/19 | 93.939 | 208,843 | 149,450 |
| HIV Prevention with Positive Mpowerment | 6 NU65PS004801-03 | 07/01/18 - 06/30/19 | 93.939 | 62,428 | 57,424 |
| HIV Outreach and Testing | 6 NU65PS923651-02-01 | 04/01/18 - 03/31/19 | 93.939 | 101,105 | 81,144 |
| HIV Outreach and Testing | 6 NU65PS923651-03-00 | 04/01/19 - 03/31/20 | 93.939 | 100,000 | 28,659 |
| Prevention for HIV Positive | 6 NU65PS923651-02-01 | 04/01/18 - 03/31/19 | 93.939 | 202,137 | 115,162 |
| Prevention for HIV Positive | 6 NU65PS923651-03-00 | 04/01/19 - 03/31/20 | 93.939 | 204,801 | 42,590 |
| Prevention for HIV Positive | 6 NU65PS923651-02-01 | 04/01/18 - 03/31/19 | 93.939 | 51,355 | 21,118 |
| Prevention for HIV Positive | 6 NU65PS923651-03-00 | 04/01/19 - 03/31/20 | 93.939 | 49,796 | 7,062 |
| Subtotal - 93.939 | | | | | 609,817 |
| U.S. Department of Health and Human Services | | | | | |
| Centers for Disease Control and Prevention | | | | | |
| Pass through County of Los Angeles Department of HIV and STD Programs | | | | | |
| HIV Education & Risk Reduction (Center WeHo) PFP | PH000821-13 Schedule 19 | 01/01/18 - 12/31/18 | 93.940 | 210,000 | 44,413 |
| HIV Education & Risk Reduction (Center WeHo) PFP | PH000821-14 Schedule 21 | 01/01/18 - 12/31/18 | 93.940 | 210,000 | 69,257 |
| HIV Education & Risk Reduction (Center WeHo) BASE | PH000821-13 Schedule 18.1 | 01/01/18 - 12/31/18 | 93.940 | 365,000 | 130,269 |
| HIV Education & Risk Reduction (Center WeHo) BASE | PH000821-14 Schedule 20 | 01/01/19 - 12/31/19 | 93.940 | 365,000 | 107,575 |
| Routine HIV Testing in Clinical Setting Services | PH-000834-09 Schedule 11 | 01/01/18 - 12/31/18 | 93.940 | 75,000 | 25,374 |
| Routine HIV Testing in Clinical Setting Services | PH-000834 Schedule 12 | 01/01/19 - 12/31/19 | 93.940 | 75,000 | 22,256 |
| HIV Education & Risk Reduction (Positive Images) | PH-001044-12 Schedule 14 | 07/01/18 - 12/31/18 | 93.940 | 112,500 | 71,680 |
| HIV Education & Risk Reduction (Positive Images) | PH-001044-12 Schedule 15 | 01/01/19 - 12/31/19 | 93.940 | 225,000 | 49,907 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-W1 Schedule 07 | 03/30/17 - 09/29/18 | 93.940 | 453,976 | 9,667 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-W1 Schedule 06 | 09/30/17 - 09/29/18 | 93.940 | 1,741,778 | 162,425 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-W1 Schedule 10 | 09/30/18 - 09/29/19 | 93.940 | 768,157 | 237,306 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-W1 Schedule 09 | 09/30/18 - 09/29/19 | 93.940 | 339,720 | 112,533 |
| STD Screening, Treatment, Case Finding, and Educational Services (CDC) | H-701701-17 Schedule 21 | 07/01/18 - 06/30/19 | 93.940 | 252,853 | 245,248 |
| Subtotal - 93.940 | | | | | 1,287,910 |
| U.S. Department of Health and Human Services | | | | | |
| Center for Disease Control and Prevention | | | | | |
| Pass through County Department of Public Health | | | | | |
| STD Screening, Treatment, Case Finding, and Educational Services (CDC) | H-701701-17 Schedule 21 | 07/01/18 - 06/30/19 | 93.977 | 93,420 | 90,610 |
| Subtotal - 93.977 | | | | | 90,610 |

(continued)

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Expenditure of Federal Awards
Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Pass-Through Entity/ Grantor's Identifying Number | Grant Period | Federal CFDA Number | Program Award Amount | Total Federal Expenditures |
|--|--|---------------------|------------------------|-------------------------|-------------------------------|
| U.S. Department of Homeland Security Federal Emergency Management Administration | | | | | |
| Pass Through United Way of Greater Los Angeles | | | | | |
| Emergency Food and Shelter Program (EFSP) | Phase 36 | 10/01/18 - 12/31/19 | 97.024 | 36,500 | 9,283 |
| Emergency Food and Shelter Program (EFSP) | Phase 35 | 01/01/18 - 12/31/19 | 97.024 | 30,634 | 28,447 |
| Subtotal - 97.024 | | | | | 37,730 |
| Total Federal Programs | | | | \$ | 11,168,235 |

See Notes to Schedule of Expenditures of Federal Awards.

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Los Angeles LGBT Center and Affiliates (the "Center") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. In fiscal year 2019, the Center used an indirect rate of 19%, which was the latest approved provisional rate from Department of Health & Human Services, unless the grant agreements stated a lower rate.

Note 4 - Subrecipients

The Center provided no federal funds to subrecipients for the year ended June 30, 2019.



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Los Angeles LGBT Center and Affiliates
Los Angeles, California

We have audited, in accordance with the 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, the consolidated financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Los Angeles, California
December 24, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Los Angeles LGBT Center and Affiliates
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the Los Angeles LGBT Center and Affiliates' (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The Los Angeles LGBT Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Los Angeles LGBT Center and Affiliates as of and for the year ended June 30, 2019 and have issued our report thereon dated December 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Los Angeles, California
December 24, 2019

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the financial statements audited were Prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of Major Federal Programs

CFDA Numbers

Name of Federal Program or Cluster

16.575

Office of Justice Program

93.918

Health Resources and Services Administration - Ryan White Program

93.940

Centers for Disease Control and Prevention - HIV Prevention Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Section II - Financial Statement Findings

There were no findings related to the consolidated financial statements that are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

Finding 2019-001: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), Passed through County of Los Angeles Department of HIV and STD Programs("DHSP")

Contract No. PH-001044, HIV/AIDS Health Education/Risk Reduction Prevention Services

Criteria or Specific Requirement

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement.

Condition

During our testing of level of effort requirements, we noted that the level of effort requirements of contract No. PH-001044 requirements 2.0, 2A.0, 3, 3A.0 and 4.0, were not met by the requirement date.

Cause

During the year ended June 30, 2019, the Center's ability to meet the required service deliverables was hindered by difficulty in recruiting qualified staff, a two-month delay in availability for the required prerequisite training from CDC, and most significantly, lower than expected client demand for service. The Center believes the low participation rate had to do with patient reluctance to receive group-level interventions from a non-licensed peer navigator rather than a licensed clinician.

Effect or Potential Effect

The Center is not in compliance with the stated provisions related to level of effort outlined in the grant terms and provisions.

Questioned Costs

Questioned costs cannot be determined at this time.

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Context

This is a condition identified per review of the programmatic goals and objectives measurements noted in the grant agreement as it pertains to level of effort requirements.

Repeat Finding

This was reported as finding 2017-001 in the 2017 report.

Recommendation

The Center should improve the program management to enhance effective outreach and participant engagement. Additionally, the Center should continue to work with the granting agency to monitor the level of effort requirements as well as amend grant agreements to provide for level of effort requirements which are in line with the program.

Views of Responsible Officials

Please refer to management's corrective action plan.

Finding 2019-002: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Passed through County of Los Angeles Department of HIV and STD Programs

Contract No. PH-003085, Biomedical HIV Prevention Services

Criteria or Specific Requirement

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement.

Condition

Based on our testing of the level of effort requirements, we noted that the level of effort requirements of contract No. PH-003085 W-1 and W-1-3 were not met by the requirement date.

Cause

Post-exposure prophylaxis ("PEP") goals were not met due to significantly increased linkage to pre-exposure prophylaxis ("PrEP").

Effect or Potential Effect

The Center not meeting level of effort requirements results in noncompliance with the grant terms and provisions.

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Questioned Costs

Questioned costs cannot be determined at this time.

Context

This is a condition identified per review of the programmatic goals and objectives measurements noted in the grant agreements as it pertains to level of effort requirements.

Repeat Finding

This was reported as a finding 2017-003 in the 2017 report.

Recommendation

The Center should continue to work with the granting agency to monitor the level of effort requirements. The Center should request realistic objectives and level of effort requirements.

Views of Responsible Officials

Please refer to management's corrective action plan.

Finding 2019-003: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Passed through County of Los Angeles Department of HIV and STD Programs

Contract No. H-701701-17, STD Screening, Treatment, Case Finding, and Educational Services

Criteria or Specific Requirement

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement.

Condition

Based on our testing of the level of effort requirements, we noted that the level of effort requirements of contract No. H-701701-17 were not met by the requirement date.

Cause

STD screening numbers were impacted by hundreds of patients transitioning onto PrEP. Once on PrEP, patients receive STD screening visits through the Center's primary healthcare clinic instead of through the routine screening program.

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Effect or Potential Effect

The Center not meeting level of effort requirements results in noncompliance with the grant terms and provisions.

Questioned Costs

Questioned costs cannot be determined at this time.

Context

This is a condition identified per review of the programmatic goals and objectives measurements noted in the grant agreements as it pertains to level of effort requirements.

Repeat Finding

N/A

Recommendation

The Center should continue to work with the granting agency to adjust and monitor the level of effort requirements. The Center should request realistic objectives and level of effort requirements.

Views of Responsible Officials

Please refer to management's corrective action plan.

Management Prepared Documents



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Summary Schedule of Prior Audit Findings Year Ended June 30, 2019

Finding 2018-001: Eligibility

Information on Federal Program

CFDA No. 93.914 - HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A ("RWP")) - US Department of Health and Human Services, Health Resources and Services Administration, passed through County of Los Angeles, Department of HIV and STD Programs ("DHSP")

Contract No. PH-002362, HIV/AIDS SPAS 2-8 Medical Care Coordination Services Contract ("MCC"); PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services ("AOM")

Prior Year Finding

In accordance with the above-referenced contracts, the Center is responsible for reassessments of the client's Los Angeles County residency, income and insurance status every six months. During our testing of eligibility requirements, 5 of the 60 samples reviewed did not have an eligibility reassessment performed within six months.

Current Year Status

This finding also existed during our 2016 audit. Since then, the Center established new protocols to help ensure the Center's HIV clients are screened every six months to determine their eligibility for Center programs, regardless of insurance type.

Through the practice management system ("PMS"), the program staff are now receiving weekly reports that identify clients who are due for their six-month reassessments and attempt to schedule the screening as soon as possible. However, many of the Center's clients are indigent and/or homeless and therefore, can be difficult to contact and obtain necessary documentation.

For those clients with mobile phones, the Center implemented an electronic reminder system called CareMessage in June 2017. Text messages are sent to those clients needing a six-month reassessment within the next 30-45 days. Additionally, the Center has a benefits specialist calling clients to remind them a day before their scheduled appointment to arrive early and complete the reassessment. These procedures have significantly improved the six-month reassessment requirement, but as noted, the Center has significant challenges with some clients urgently in need of medical care.

Program staff review eligibility information prior to providing care. If a client goes over their six-month reassessment due date and the reassessment was not performed, program staff attempt to ensure that documentation of their outreach communication with the client is retained in their patient file. If the client does not complete a timely reassessment, the Center tries to have it completed at their next appointment.



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Summary Schedule of Prior Audit Findings Year Ended June 30, 2019

In addition, the Center is recommending to DHSP to change their six-month reassessment timing to be consistent with the AIDS Drug Assistance Program (“ADAP”), which many RWP patients utilize. Both programs have six-month reassessments; however, the RWP reassessment takes place six months from the initial client visit, while ADAP starts on the client’s birthday. So, clients utilizing both programs are required to come in four times in a 12-month period, which is creating challenges to be compliant with both programs.

During the year, the Center is also implementing an additional initiative that will help with the six-month Ryan White reassessment process.

The Center is in the process of adding the six-month verification form into the Center’s electronic registration system, Phreesia, and having clients sign this document electronically based on their six-month reassessment date. This will partially automate the reassessment process and should help retain clients by streamlining the process for them. The Center anticipates the rollout of this verification process by March 31, 2020.

Finding 2018-002: Level of Effort

Information on Federal Program

CFDA No. 93.914 - HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A) - US Department of Health and Human Services, Health Resources and Services Administration, passed through County of Los Angeles, Department of HIV and STD Programs (DHSP)

Contract No. PH-002362-09, HIV/AIDS Medical Care Coordination Services Contract (“MCC”); H210803-13 HIV/AIDS Mental Health Psychotherapy Services Contract (“Psychotherapy”); PH-002872-4 HIV/AIDS Mental Health Psychiatry Services Contract (“Psychiatry”)

Prior Year Finding

The Center was not in compliance with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreements. Based on our testing of the level of effort requirements, although the number of clients seen exceeded the requirements for contract No. PH-002362-09 (MCC), H210803-13 (Psychotherapy) and PH-002872-4 (Psychiatry), the numbers pertaining to direct service hours (DSH) were not met.



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Summary Schedule of Prior Audit Findings Year Ended June 30, 2019

Current Year Status

MCC

Direct Service Hours (DSH): The Center's Electronic Healthcare Record system (EHR) tracks the number of DSH provided by MCC team members allocated to the contract. As a quality assurance measure, the MCC program management team has created a weekly EHR DSH report to identify any deficiencies in the number of DSH reported by the Center's MCC teams. Ongoing weekly MCC team reporting has been implemented to identify deficient DSH and address any issues that require correction within the EHR or Casewatch, an Los Angeles County reporting system, so that the DSH performed by the MCC team is correctly reflected in the Casewatch system and monthly report. Additionally, the MCC team members have been trained to align the Casewatch dates of MCC screeners and trackers with the EHR's progress/note billing date so that there is consistency and accurate reporting of these DSH activities.

During the year, the Center also met with DHSP to discuss challenges in meeting DSH including adjusting DHS when there are staffing shortages and decreasing the number of required DSH per full time employee (FTE) to accommodate meetings and required trainings. DHSP acknowledged and adjusted required DSH per FTE to reflect allowances for meetings and trainings but no adjustments were made for staffing shortages.

As a result of our concerted quality assurance efforts, the Center outcomes for DHSP contract PH-002362 for the contract period 03/01/2018 - 02/28/2019 exceeded the annual DSH goal of 32,032. Our actual DHS for that contract year was 33,139, which was 103.5% above the contract goal.

The Center recently inquired with our DHSP MCC program manager about hiring temporary staff to address extended leave of absences from our FTE's in our effort to meet the contract DSH requirement 03-01-19 to 02-29-20 term; the DHSP response is pending.

Psychotherapy and Psychiatry

The Psychotherapy and Psychiatry contracts ended on August 31, 2017, and the Center declined to renew the contracts due to the low participation of RWP patients.



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Management's Corrective Action Plan Year Ended June 30, 2019

Finding 2019-001: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Passed through County of Los Angeles Department of HIV and STD Programs

Contract No. PH-001044, HIV/AIDS Health Education/Risk Reduction Prevention Services

Contact: Dustin Kerrone, Director of Community Health Programs

Telephone Number: (323) 993-7520

Estimated Completion Date: June 30, 2020

During the year ending June 30, 2019, the Center's ability to meet the required service deliverables was hindered by difficulty in recruiting qualified staff, a two-month delay in availability for the required pre-requisite training from the Centers for Disease Control and Prevention ("CDC"), and most significantly, lower than expected client demand for service. The Center believes the low participation rate had to do with patient reluctance to receive group-level interventions from a non-licensed peer navigator rather than a licensed clinician.

The Center is currently in discussions with the granting agency to redesign the program using a licensed counselor or psychotherapist to provide outreach, recruitment and interventions. Based on the Center's recommendation of its participants and group leaders, the Center hopes to relax curriculum requirements, improve responsiveness to participant needs and allow more open discussion for issues presented. Finally, the Center plans to strengthen collaboration with the Center's Jeffrey Goodman Clinic, where several thousand HIV-positive clients already receive care.

The program needs to be restructured to better fit the needs of participants, specifically by transitioning to a licensed clinician model and allowing a more participant-led, flexible curriculum. Program staff may also be relocated to the Jeffrey Goodman Clinic where the priority population is already receiving care.



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Management's Corrective Action Plan Year Ended June 30, 2019

Finding 2019-002: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Passed through County of Los Angeles Department of HIV and STD Programs

Contract No. PH-003085, Biomedical HIV Prevention Services

Contact: Dustin Kerrone, Director of Community Health Programs

Telephone Number: (323) 993-7520

Estimated Completion Date: June 30, 2020

PEP goals were not met due to significantly increased linkage to PrEP.

The fact that the Center slightly underutilized PEP is a good outcome. It speaks to the success of the Center's PrEP enrollment, a measure that exceeded contract requirements, supporting clients in taking a significantly more effective treatment for HIV prevention. Going forward, the Center expects our PEP numbers to continue to decline as more at-risk people enroll in PrEP, making PEP less significant. DHSP, working with the Center as a key partner, has recognized this trend and has begun adjusting funding and contract requirements accordingly.

Finding 2019-003: Level of Effort

Information on Federal Program

CFDA No. 93.940 - U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Passed through County of Los Angeles Department of HIV and STD Programs

Contract No. H-701701-17, STD Screening, Treatment, Case Finding, and Educational Services

Contact: Dustin Kerrone, Director of Community Health Programs

Telephone Number: (323) 993-7520

Estimated Completion Date: June 30, 2020

STD screening numbers were impacted by hundreds of patients transitioning onto PrEP. Once on PrEP, patients receive STD screening visits through the Center's primary healthcare clinic instead of through the routine screening program.



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Management's Corrective Action Plan Year Ended June 30, 2019

Although the Center achieved 98% of our required testing numbers, the Center did not meet 100% due to transitioning hundreds of clients from the routine screening program to the PrEP program. This represents a public health success as these clients are now engaged in primary care, are actively preventing HIV infection through use of PrEP and are being screened for STDs on a regular quarterly schedule.

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