Los Angeles LGBT Center and Affiliates

(a nonprofit California corporation)

Consolidated Financial Statements
and Supplemental Material
Years Ended June 30, 2017 and 2016

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Description of Organization

For nearly 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 20.

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 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).

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

Today the Center is a $147 million organization with approximately 600 employees and approximately 1,800 devoted volunteers every month. Its wide array of services includes: free and low-cost healthcare and medications for those most in need, including people with HIV/AIDS; housing, food, clothing and support for homeless LGBT youth and their allies; low-cost counseling and addiction-recovery services; essential services for LGBT seniors and parents; legal services; health education and HIV prevention programs; cultural arts programs; and more.

Information about the Los Angeles LGBT Center and its programs and services is available on the Web at www.lalgbtcenter.org.

Tel: 310-557-0300
Fax: 310-557-1777
www.bdo.com

1888 Century Park East
4th Floor
Los Angeles, CA 90067

Independent Auditor's Report

Board of Directors
Los Angeles LGBT Center
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, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2017 and 2016, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 27, 2017

Consolidated Financial Statements

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

Consolidated Statements of Financial Position

June 30,	**2017**	2016
Current assets		
Cash and cash equivalents	**$ 13,650,080**	$ 25,066,397
Restricted cash AMR Campus construction	**34,896,039**	-
Restricted cash NMTC CDE's fee reserve	**2,479,608**	-
Accounts and other receivables	**253,489**	592,680
Clinic fees receivable, net	**5,968,368**	4,775,028
Contracts and grants receivable, net	**3,096,373**	2,482,924
Pledges receivable, net	**2,175,956**	1,523,279
Short-term investments	**14,091,210**	25,763,233
Inventories	**611,541**	496,959
Total current assets	**77,222,664**	60,700,500
Noncurrent assets		
Contributions receivable – held in trust	**3,042,619**	2,741,539
Beneficial interests in trusts	**2,112,235**	1,902,300
Receivable from affiliate	**-**	9,579,303
Leverage loan receivable	**28,910,100**	-
Pledges receivable, net	**1,971,383**	2,310,098
Long-term investments	**1,625,048**	1,703,919
Property and equipment, net	**29,820,555**	9,954,176
Other assets	**2,327,613**	1,870,555
Total noncurrent assets	**69,809,553**	30,061,890
Total assets	**$ 147,032,217**	$ 90,762,390
Current liabilities		
Accounts payable	**$ 2,799,874**	$ 2,511,020
Accrued expenses and other liabilities	**6,183,725**	5,116,768
Payable to affiliate	**3,922,271**	-
Unearned revenue	**452,355**	484,536
Interest payable	**12,471**	-
Current portion of annuities payable	**188,033**	179,388
Current portion of long-term debt	**261,102**	1,730,197
Total current liabilities	**13,819,831**	10,021,909
Noncurrent liabilities		
Annuities payable, net of current portion	**903,375**	892,297
Long-term debt, net of current portion	**41,056,305**	7,293,214
Total noncurrent liabilities	**41,959,680**	8,185,511
Total liabilities	**55,779,511**	18,207,420
Commitments and Contingencies (Note 16)		
Net assets		
Unrestricted	**79,966,266**	54,446,523
Temporarily restricted	**6,007,113**	13,142,090
Permanently restricted	**5,279,327**	4,966,357
Total net assets	**91,252,706**	72,554,970
Total liabilities and net assets	**$ 147,032,217**	$ 90,762,390

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

Year ended June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	$ 6,792,834	$ 524,374	$ -	$ 7,317,208
Less costs of direct benefits to donors	(261,928)	-	-	(261,928)
Net special events revenue	6,530,906	524,374	-	7,055,280
Program fees	72,805,008	-	-	72,805,008
Grants	15,904,305	-	-	15,904,305
Contributions	4,641,517	835,354	-	5,476,871
Contributions - Capital Campaign	7,149,204	1,000,000	-	8,149,204
Contributed goods and services	728,980	-	-	728,980
Other operating revenue	795,310	-	-	795,310
Total public support and other revenue	108,555,230	2,359,728	-	110,914,958
Satisfaction of program restrictions	9,562,470	(9,562,470)	-	-
Total public support and other revenue and net assets released from restrictions	118,117,700	(7,202,742)	-	110,914,958
Operating expenses				
Program services	87,162,280	-	-	87,162,280
Supporting services:				
General and administrative	1,474,742	-	-	1,474,742
Fund-raising	7,193,397	-	-	7,193,397
Total supporting services	8,668,139	-	-	8,668,139
Total operating expenses	95,830,419	-	-	95,830,419
Change in net assets before non-operating gains and other revenue	22,287,281	(7,202,742)	-	15,084,539
Non-operating gains (losses) and other revenue				
Interest and dividend income	1,081,880	-	-	1,081,880
Realized and unrealized gains on investments, net	814,640	-	-	814,640
Unrealized gains on trusts held by third parties	-	198,046	312,970	511,016
Change in value of split-interest agreements	-	(130,281)	-	(130,281)
Other nonoperating revenue	1,335,942	-	-	1,335,942
Total non-operating losses and other revenue	3,232,462	67,765	312,970	3,613,197
Change in net assets	25,519,743	(7,134,977)	312,970	18,697,736
Net assets, beginning of year	54,446,523	13,142,090	4,966,357	72,554,970
Net assets, end of year	$ 79,966,266	$ 6,007,113	$ 5,279,327	$ 91,252,706

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

Los Angeles LGBT Center and Affiliates
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Consolidated Statements of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	$ 8,508,382	$ 387,154	$ -	$ 8,895,536
Less costs of direct benefits to donors	(272,261)	-	-	(272,261)
Net special events revenue	8,236,121	387,154	-	8,623,275
Program fees	57,230,806	-	-	57,230,806
Grants	15,101,049	-	-	15,101,049
Contributions	4,680,877	1,310,772	-	5,991,649
Contributions - Capital Campaign	-	3,037,424	-	3,037,424
Contributed goods and services	828,463	-	-	828,463
Other operating revenue	873,449	-	-	873,449
Total public support and other revenue	86,950,765	4,735,350	-	91,686,115
Satisfaction of program restrictions	1,678,921	(1,678,921)	-	-
Total public support and other revenue and net assets released from restrictions	88,629,686	3,056,429	-	91,686,115
Operating expenses				
Program services	76,699,191	-	-	76,699,191
Supporting services:				
General and administrative	392,968	-	-	392,968
Fund-raising	7,355,721	-	-	7,355,721
Total supporting services	7,748,689	-	-	7,748,689
Total operating expenses	84,447,880	-	-	84,447,880
Change in net assets before non-operating gains and other revenue	4,181,806	3,056,429	-	7,238,235
Non-operating gains (losses) and other revenue				
Interest and dividend income	629,039	-	-	629,039
Realized and unrealized losses on investments, net	(1,222,009)	-	-	(1,222,009)
Unrealized losses on trusts held by third parties	-	(5,902)	(196,146)	(202,048)
Change in value of split-interest agreements	-	(135,254)	-	(135,254)
Total non-operating losses and other revenue	(592,970)	(141,156)	(196,146)	(930,272)
Change in net assets	3,588,836	2,915,273	(196,146)	6,307,963
Net assets, beginning of year	50,857,687	10,226,817	5,162,503	66,247,007
Net assets, end of year	$ 54,446,523	$ 13,142,090	$ 4,966,357	$ 72,554,970

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

Los Angeles LGBT Center and Affiliates
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Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services								Supporting Services			
Year ended June 30, 2017	Policy & Community Building	Cultural Arts & Education	Senior Services	Health & Mental Health Services	Legal Services	Public Affairs	Children, Youth & Family	Total Program Services	General and Administrative	Fund-raising	Total Supportive Services	Total
Program Staff Salaries	$ 878,444	$ 516,543	509,258	$ 15,924,954	$ 619,575	$ 794,467	$ 3,471,798	$ 22,715,039	$ -	$ 2,454,252	$ 2,454,252	$ 25,169,291
Administration Salaries	96,158	285,271	86,119	774,041	91,388	71,051	741,596	2,145,624	4,590,535	550,332	5,140,867	7,286,491
Employee Benefits	139,432	158,699	113,105	2,779,792	117,133	139,484	1,107,906	4,555,551	542,826	417,930	960,756	5,516,307
Employer Taxes	78,067	71,269	51,652	1,378,598	61,266	69,603	375,281	2,085,736	296,832	230,284	527,116	2,612,852
Medical Supplies	-	-	-	37,518,369	-	-	7,286	37,525,655	-	-	-	37,525,655
Supplies	9,034	24,547	22,221	197,478	6,893	11,759	141,931	413,863	124,713	31,956	156,669	570,532
Facilities, Repairs and Maintenance	109,138	142,492	24,006	599,136	102,477	54,036	830,755	1,862,040	133,803	69,152	202,955	2,064,995
Telephone and Utilities	11,895	37,285	3,912	239,047	11,719	6,073	141,599	451,530	419,598	21,832	441,430	892,960
Advertising, Printing and Postage	2,942	6,622	34,299	209,371	4,112	162,951	9,845	430,142	63,721	236,175	299,896	730,038
Insurance	1,457	5,004	1,287	11,291	7,262	535	10,338	37,174	239,790	1,869	241,659	278,833
Travel	143,070	304	4,862	66,371	13,958	11,357	53,540	293,462	39,142	63,618	102,760	396,222
Professional Fees and Contracted Services	340,793	7,510	1,500	1,142,235	42,390	346,054	47,540	1,928,022	501,362	456,748	958,110	2,886,132
Event Expenses	55,505	140,797	81,108	725,937	6,272	83,795	108,919	1,202,333	26,221	1,306,172	1,332,393	2,534,726
Equipment Lease and Repair	10,204	48,547	4,637	615,940	12,044	19,289	125,770	836,431	524,185	75,366	599,551	1,435,982
Client Services	6,700	-	43,634	577,541	2,143	-	850,864	1,480,882	-	423	423	1,481,305
Lab Testing	-	-	-	799,588	-	-	-	799,588	-	-	-	799,588
Taxes and Licenses	473	5,381	1,144	21,575	23	12	3,514	32,122	30,585	3,541	34,126	66,248
Educational Materials	-	-	-	40,885	-	-	-	40,885	-	-	-	40,885
Staff and Board Development	29,920	2,839	6,068	138,932	6,497	30,702	15,527	230,485	138,630	138,828	277,458	507,943
Interest Expense	-	-	-	-	-	-	-	-	30,679	-	30,679	30,679
Miscellaneous	81,873	268	29	260,132	439	650	65,504	408,895	118,265	1,588	119,853	528,748
Contributed Goods and Services	11,465	-	30,114	407,584	44,564	6,431	39,340	539,498	375	189,107	189,482	728,980
Bank, Payroll and Investment Fees	-	-	-	-	-	2,406	-	2,406	513,718	162,411	676,129	678,535
Allocated G&A	244,185	144,473	151,535	4,259,093	168,573	218,074	1,012,924	6,198,857	(6,948,801)	749,944	(6,198,857)	-
Total expenses before depreciation and amortization	2,250,755	1,597,851	1,170,490	68,687,890	1,318,728	2,028,729	9,161,777	86,216,220	1,386,179	7,161,528	8,547,707	94,763,927
Depreciation and amortization	7,436	85,402	9,108	626,492	11,777	6,103	199,742	946,060	88,563	31,869	120,432	1,066,492
Total expenses	$ 2,258,191	$ 1,683,253	$ 1,179,598	$ 69,314,382	$ 1,330,505	$ 2,034,832	$ 9,361,519	$ 87,162,280	$ 1,474,742	$ 7,193,397	$ 8,668,139	$ 95,830,419

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, 2016

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

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

Years ended June 30,	**2017**	2016
Cash flows from operating activities		
Increase in net assets	**$ 18,697,736**	$ 6,307,963
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	**1,066,492**	1,279,776
Allowance for bad debt	**207,223**	-
Realized investment (gain) loss	**(18,660)**	177,985
Unrealized investment (gain) loss	**(795,980)**	330,485
Change in temporarily restricted split-interest agreements	**(198,045)**	141,156
Change in permanently restricted split-interest agreements and trust	**(312,970)**	196,146
Donation of Investments	**(252,285)**	
Donation of Land, Land Development and Predevelopment costs	**(16,305,983)**	-
Forgiveness of receivable from affiliate	**9,579,303**	
Forgiveness of loans	**(1,339,744)**	
Changes in operating assets and liabilities:		
Accounts and other receivables	**339,191**	(428,418)
Receivable from affiliate	**-**	(2,039,728)
Clinic fees receivable, net	**(1,193,340)**	(397,636)
Contracts and grants receivable, net	**(613,449)**	326,290
Pledges receivable, net	**(521,185)**	585,950
Inventories	**(114,582)**	(61,843)
Other assets	**(457,058)**	209,321
Accounts payable	**288,854**	(537,960)
Accrued expenses and other liabilities	**1,066,957**	619,505
Payable to affiliates	**3,922,271**	-
Unearned revenue	**(32,181)**	(268,685)
Interest payable	**12,471**	-
Annuities payable	**19,723**	29,749
Net cash used in operating activities	**13,044,759**	6,470,056
Cash flows from investing activities		
Change in leverage loan receivable	**(28,910,100)**	-
Purchase of property and equipment	**(4,626,888)**	(911,424)
Purchase of investments	**(65,956,275)**	(29,908,422)
Proceeds from sale of investments	**78,969,670**	15,907,632
Interest income reinvested	**(195,576)**	(253,546)
Proceeds from beneficial interest in trust	**-**	1,302,361
Net cash used in investing activities	**(20,719,169)**	(13,863,399)
Cash flows from financing activities		
Proceeds from notes payable	**42,260,000**	-
Increase in deferred financing costs	**(1,366,480)**	
Increase in capital lease obligation	**142,764**	
Repayments of notes payable and capital lease obligations	**(7,402,544)**	(360,725)
Net cash used in financing activities	**33,633,740**	(360,725)
Net increase and (decrease) in cash and cash equivalents	**25,959,330**	(7,754,068)
Cash and cash equivalents, beginning of year	**25,066,397**	32,820,465
Cash and cash equivalents, end of year	**$ 51,025,727**	$ 25,066,397
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 30,769**	$ 60,819
Noncash investing and financing activities		
Acquired equipment in a capital lease agreement	**142,764**	70,670
Donation of Investments	**252,285**	-
Donation of Land, Land Development and Predevelopment costs	**16,305,983**	-
Forgiveness of loans	**1,339,744**	-

See accompanying summary of significant accounting policies and 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 20.

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 21.

AMR QALICB maintains separate financial statements apart from the Center and Campus LLC. AMR QALICB's assets and credits 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 ("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

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

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Center.

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Center and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Consolidated Statements of Activities and Changes in Net Assets as satisfaction of program restrictions. The Center classifies donor-restricted contributions whose restrictions are met within the same year as the contributions are received as unrestricted contributions in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

- Permanently restricted net assets – Net assets that are permanently restricted by donors for investment in perpetuity. The net investment income from permanently restricted investments is made available for program operations in accordance with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit with banks and investments with original maturities of three months or less. The Center places its temporary cash investments with high credit quality financial institutions. At times cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance limits. The Center has not experienced any losses related to these balances. All noninterest-bearing and interest-bearing cash balances held in the same ownership category are aggregated and were insured up to at least $250,000 per depositor at each financial institution at June 30, 2017.

AMR QALICB, which is consolidated in with the Center, is required to keep unspent proceeds from a NMTC transaction (See Note 21) in segregated cash accounts to pay for construction costs of the Anita May Rosenstein Campus (See Note 20) and to pay for ongoing costs of the NMTC transaction. These amounts are classified as restricted cash on the accompanying Consolidated Statement of 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, 2017. Payer types include clients, Medi-Cal, Medicare, AIDS Drug Assistant Assistance Program, and commercial insurance. Management provides for probable uncollectible amounts through an allowance based on current status of client accounts.

Contracts and Grants Receivable

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

Pledges Receivable, net

Pledges receivable, net represent individual and foundation pledges that have been made to the Center's Capital Campaign for the Anita May Rosenstein Center (See Note 20), 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 market. Inventory costs are determined on the first-in, first-out ("FIFO") method. Inventories consist of pharmacy drugs.

Split-Interest Agreements

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

The Center is required by the State of California Department of Insurance to maintain minimum reserves related to these annuities. For annuities issued between January 1, 1992 and December 31, 2004, the minimum reserve basis is the a-1983 Table at an interest rate of 6.0%. Effective January 1, 2005, the minimum reserve basis for annuities issued on or after this date is the Annuity 2000 Mortality Table at an interest rate of 4.5%. Annuities payable at June 30, 2017 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2017 and 2016, annuities payable were $1,091,408 and $1,071,685, respectively.

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

The Center uses an interest rate commensurate with the risks involved to discount the charitable remainder trusts. The discount rate for the years ended June 30, 2017 and 2016 ranged from 2.8% to 7.0%.

Investments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-320, *Investments-Debt and Equity Securities*, the Center accounts for its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value on the 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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

Fair Value Measurements

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

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

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities that the Center has the ability to access as of the measurement date.

Level 2 Inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, 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, 3.74%, which is 12-month LIBOR rate plus 2.00%. Amortization of discounts is recorded as additional fundraising revenue annually in accordance with donor-imposed restrictions, if any, on the pledges.

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

Rates currently available to the Center for debt with similar terms and remaining maturities are used to estimate the fair value of the existing long-term debt and line of credit. The carrying amount of these long-term debts and lines 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	3-30 years
Furniture, fixtures and equipment	3-5 years
Computers and software	3-5 years

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

Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The Center reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2017 and 2016, 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, 2017 consisted primarily of $109,403 related to grants, $107,000 related to events and $235,952 related to conditional donations. Unearned revenue at June 30, 2016 consisted primarily of $128,948 related to grants, $321,690 related to events and $33,898 related to conditional donations.

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, 3.74% 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 temporarily restricted or permanently restricted support that increases those net asset classes.

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

Special Events

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

Contributed Goods and Services

The value of significant contributed goods is reflected as contributions in the consolidated financial statements at the fair value of such goods at the date of donation. There were contributed goods of $175,618 and $236,131 for the years ended June 30, 2017 and 2016, respectively. Contributed services are recognized by the Center if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of such services, which consisted primarily of legal, mental health and medical services, totaled $553,362 and $592,332 for the years ended June 30, 2017 and 2016, 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 $425,315 and $444,658 for the years ended June 30, 2017 and 2016, respectively.

Program Fees

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

Grant Revenue

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

Functional Allocation of Expenses

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

Income Taxes

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

The Center has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Center's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. For the years ended June 30, 2017 and 2016, there were no interest or penalties recorded or included in the statements of activities related to taxes.

The tax years ended June 30, 2014 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 income, including realized and unrealized gains and losses, in excess of amounts utilized in operations, is accounted for as an increase or decrease in non-operating activities. It is classified as unrestricted unless its use is restricted by explicit donor stipulations or by law.

Allocation of Joint Costs

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the 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.

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, 2017, total contributions received are approximately $2 million and are recorded as permanently restricted net assets.

Return Objectives and Risk Parameters

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

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

3. Clinic Fees Receivable

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

June 30,	**2017**	2016
Clinic fees receivable	**$ 6,030,388**	$ 4,837,265
Less: allowance for uncollectible clinic fees receivable	**(62,020)**	(62,237)
	$ 5,968,368	$ 4,775,028

4. Pledges Receivable

Pledges receivable, are as follows:

June 30,	**2017**	2016
Pledges receivable	**$ 4,388,677**	$ 4,086,387
Less: unamortized discount	**(119,073)**	(80,358)
Less: allowance for uncollectible	**(122,265)**	(172,652)
Net pledges receivable	**$ 4,147,339**	$ 3,833,377

Gross pledges receivable are due as follows:

June 30,	**2017**	2016
Less than one year	**$ 2,298,221**	$ 1,755,931
One to five years	**1,590,456**	2,330,256
More than five years	**500,000**	200
Net contributions receivable pledges	**$ 4,388,677**	$ 4,086,387

In May 2014, the Center publicly announced a $25,000,000 Capital Campaign to acquire, develop and construct Center programming space for seniors and youth, the Center's administrative offices, and retail space on property adjacent to the Los Angeles LGBT Center Village at Ed Gould Plaza ("Anita May Rosenstein Campus"). Early gifts exceeded expectations, causing the board of directors to increase the goal to $40,000,000 in two phases: $25,000,000 in Phase 1 and $15,000,000 in Phase 2. As of June 30, 2017, total cash collected is $20,028,752. For the year ended June 30, 2017, the Center recognized $8,181,173 as revenue, including an unamortized discount of $31,969. At June 30, 2017, the Center has unconditional or irrevocable pledges due in more than one year of $1,700,000 related to the Capital Campaign. At June 30, 2017, the Center has signed Statements of Intent in the amount of $15,366,480 related to the Capital Campaign, which shall not be recognized as revenue until received or conditions are satisfied. As of June 30, 2016, total cash collected is $12,447,979. For the year ended June 30, 2016, the Center recognized $3,037,424 as revenue, including an unamortized discount of $43,026. At June 30, 2016, the Center has unconditional or irrevocable pledges due in more than one year of $2,000,000 related to the Capital Campaign. At June 30, 2016, the Center has signed Statements of Intent in the amount of $13,704,359 related to the Capital Campaign, which shall not be recognized as revenue until received or conditions are satisfied.

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

Contributions receivable held in trust at June 30, 2017 and 2016, were $3,042,619 and $2,741,539, 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, 2017 and 2016. 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 gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is temporarily restricted for youth-oriented programs. Total income distribution for the years ended June 30, 2017 and 2016 was $156,315 and $147,814, 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, 2017 and 2016.

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

On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2017 and 2016. This amount is classified as temporarily restricted net assets. At June 30, 2017 and 2016, the charitable remainder trust was adjusted to its estimated fair value of $1,156,520 and $1,057,988, respectively, and the change in fair value was classified as unrealized gains 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, 2017, an endowment fund has not yet been created and the Center is in the process of creating the endowment fund in accordance with the agreement. Funds received are classified as permanently restricted and total approximately $2 million.

Beneficial interests in trusts at June 30, 2017 and 2016 were $2,112,235 and $1,902,300, respectively.

6. Leverage Loan Receivable

In June 2017, as part of the NMTC transaction executed in June 2017 (see Note 21), the Center committed to lend $28,910,100 to AMR Campus Investment Fund, LLC.

The loans 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, 2017 and 2016, are as follows:

June 30,	**2017**	2016
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**	$ -

7. Contracts and Grants Receivable

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

June 30,	**2017**	2016
California Office of Aids	**$ 96,787**	$ 116,608
California Office of Emergency Services	**105,123**	83,002
Children's Hospital Los Angeles	**13,111**	1,498
City of Los Angeles	**35,098**	13,533
City of West Hollywood	**26,443**	8,556
Duke	**1,800**	-
Equal Justice Works Fellowship	**-**	166
Legal Aid Foundation of Los Angeles	**4,321**	14,365
Los Angeles County Department of HIV and STD Programs	**1,233,608**	960,930
Los Angeles County Department of Mental Health	**198,591**	213,776
Los Angeles County Department of Probation	**81,365**	2,500
Los Angeles Homeless Services Authority	**200,198**	32,060
Social & Scientific Systems, Inc.	**39,253**	-
The North-West Network	**-**	1,843
The University of Pittsburgh	**7,557**	-
University of California, Los Angeles	**226,433**	176,780
US Department of Health & Human Services	**415,086**	517,248
US Department of Housing & Urban Development	**170,863**	158,460
US Department of Justice	**62,543**	155,606
US Department of State	**250,992**	84,117
Allowance for Contracts and Grants Receivable	**(72,799)**	(58,124)
	$ 3,096,373	$ 2,482,924

8. Investments

Investments consist of the following:

June 30,	**2017**	2016
Mutual funds	**$ 2,764,130**	$ 979,327
Equity securities and structured equity products	**5,380,914**	5,813,048
Fixed income securities	**5,385,304**	18,338,601
Non-traditional securities	**2,185,910**	2,336,176
	$ 15,716,258	$ 27,467,152

Investment income consists of the following:

Years ended June 30,	**2017**	2016
Dividend income	**$ 392,683**	$ 518,741
Interest income	**689,197**	110,298
Total investment income	**1,081,880**	629,039
Gross realized losses from sale of securities	**(496,980)**	(887,678)
Gross realized gains from sale of securities	**642,867**	80,654
Gross unrealized losses on fixed income securities	**(12,174)**	(153,915)
Gross unrealized gains on fixed income securities	**217,616**	22,467
Gross unrealized losses on equity securities	**(40,001)**	(246,740)
Gross unrealized gains on equity securities	**475,657**	20,013
Gross unrealized losses on non-traditional securities	**(65,849)**	(13,713)
Gross unrealized gains on non-traditional securities	**220,888**	59,968
Gross unrealized losses on mutual funds	**(35,535)**	(26,971)
Gross unrealized gains on mutual funds	**35,378**	8,406
Investments charges	**(127,227)**	(84,500)
Total realized and unrealized gains (losses), net	**814,640**	(1,222,009)
Net investment income (loss)	**$ 1,896,520**	$ (592,970)

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.

9. Fair Value Measurements

The following tables summarize the Center's fair value measurements by level at June 30, 2017 and 2016 for the assets and liabilities measured at fair value on a recurring basis:

June 30, 2017	*Level 1*	*Level 2*	*Level 3*
Mutual funds	**$ 2,764,130**	**$ -**	**$ -**
Equity securities and structured equity products	**4,970,114**	**410,800**	**-**
Fixed income securities	**5,385,304**	**-**	**-**
Non-traditional securities	**2,066,214**	**-**	**119,696**
Contributions receivable, held in trust	**3,042,619**	**-**	**-**
Beneficial interests in trusts	**-**	**-**	**2,112,235**
Total assets at fair value	**$ 18,228,381**	**$ 410,800**	**$ 2,231,931**
Annuities payable	**$ -**	**$ -**	**$ 1,091,408**

June 30, 2016	*Level 1*	*Level 2*	*Level 3*
Mutual funds	$ 979,327	$ -	$ -
Equity securities and structured equity products	4,077,648	1,735,400	-
Fixed income securities	18,338,601	-	-
Non-traditional securities	2,291,176	-	45,000
Contributions receivable, held in trust	2,741,539	-	-
Beneficial interests in trusts	-	-	1,902,300
Total assets at fair value	$ 28,428,291	$ 1,735,400	$ 1,947,300
Annuities payable	$ -	$ -	$ 1,071,685

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, 2017 and 2016:

June 30,	**2017**	2016
Beginning balance	**$ 1,947,300**	$ 3,220,753
Purchase of non-traditional securities	**74,696**	45,000
Proceeds from beneficial interest in trust	**-**	(1,302,361)
Total net gains (losses) included in change in net assets (realized/unrealized)	**209,935**	(16,092)
Ending balance	**$ 2,231,931**	$ 1,947,300

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, 2017 and 2016:

June 30,	**2017**	2016
Beginning balance	**$ 1,071,685**	$ 1,041,936
Change in value of split interest agreements	**130,281**	135,254
Receipts	**70,957**	67,415
Payments	**(181,515)**	(172,920)
Ending balance	**$ 1,091,408**	$ 1,071,685

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

10. Property and Equipment

Property and equipment consists of the following:

June 30,	**2017**	2016
Land	**$ 3,550,247**	$ 3,808,580
Buildings and improvements	**13,339,010**	12,858,383
Leasehold improvements	**2,091,469**	2,067,677
Furniture, fixtures and equipment	**2,235,250**	2,028,586
Computers and software	**881,965**	2,167,701
Construction in progress	**131,314**	169,596
Total Center property and equipment	**22,229,255**	23,100,523
Less: accumulated depreciation and amortization, including $96,417 and $126,782 accumulated depreciation for equipment acquired under capital leases at June 30, 2017 and 2016, respectively.	**12,632,830**	13,146,347
Total Center property and equipment, net of depreciation	**9,596,425**	9,954,176
AMR Campus - Land	**15,434,557**	-
AMR Campus – Construction in progress	**4,789,573**	-
Total AMR Campus property and equipment	**20,224,130**	-
Total consolidated property and equipment, net of depreciation	**$ 29,820,555**	$ 9,954,176

Depreciation and amortization expense was $1,066,492 and $1,279,776 for the years ended June 30, 2017 and 2016, respectively. The Center did not dispose any fully depreciated assets for the years ended June 30, 2017 and 2016.

11. Line of Credit

On July 30, 2014, the Center executed a $4,500,000 revolving line of credit ("LOC") with Wells Fargo Bank ("WFB") with a maturity date of July 30, 2016. On July 29, 2016, the Center extended the $4,500,000 LOC with WFB with a maturity date of July 30, 2018. On June 20, 2017, the Center executed a new $5,500,000 LOC with WFB with a maturity date of June 20, 2019. 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, 2017 and 2016, the Center was in compliance with all covenants. There were no outstanding balances under the LOCs as of June 30, 2017 and 2016. During the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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. There was no outstanding balance under the Bond as of June 30, 2017. 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, 2017, the Center was in compliance with all covenants. During the year ending June 30, 2017, the Center did not draw on the Bonds 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, 2017.

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. There was no outstanding balance under the Bridge Note as of June 30, 2017. 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 year ending June 30, 2017, the Center did not draw on the Bridge Note and therefore, did not incur any interest expense related to the Bridge Note.

14. Debt

Notes payable and capital lease obligations are summarized as follows:

June 30,	**2017**	2016
Mortgage note payable to the Community Redevelopment Agency, collateralized by land and building, due October 2016, non-interest bearing, subordinated to bank line of credit; annual principal payments to be repaid from residual receipts of operations (as defined).	**$ -**	$ 1,339,744
Note payable to Wells Fargo Bank, collateralized by building, due October 1, 2017; interest is payable monthly at 6.43%. Payable in variable monthly principal and interest payments ranging from $25,674 to $28,576. Unpaid interest and principal are due upon maturity.	**107,208**	421,544
Note payable to Wells Fargo Bank, collateralized by investments, due July 30, 2017; interest is payable monthly at Daily One Month LIBOR plus 1.25%. See Note 20.	**-**	7,000,000
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**10,210,500**	-
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**4,489,500**	-
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**6,807,000**	-
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**2,993,000**	-

June 30,	**2017**	2016
(continued)		
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**6,607,000**	-
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 coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**3,393,000**	-
Note payable A-4 to LIFF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**5,285,600**	-
Note payable B-4 to LIFF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then coverts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	**2,474,400**	-
Capital lease obligation, expiring October 8, 2019. Payable in variable monthly principal and interest payments of $13,699.	**316,679**	262,123
Total debt	**42,683,887**	9,023,411
Less: cost of issuance	**(1,366,480)**	-
Less: current portion of long-term debt	**(261,102)**	(1,730,197)
Long-term debt, net of current portion	**$ 41,056,305**	$ 7,293,214

On July 30, 2014, the Center executed a $7,000,000 Promissory Note with Wells Fargo Bank ("Promissory Note"). The proceeds were loaned to an affiliate to repay a Bridge Loan, which was used to partially pay for land and preconstruction costs related to the Anita May Rosenstein Campus (see Note 20). The Promissory Note is fully collateralized with Center investments and is due on July 30, 2017. Interest was payable at Daily One Month LIBOR plus 1.25%, which was 2.47% at June 23, 2017. The Promissory Note was paid in full by the Center on June 23, 2017.

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

Years ending June 30,	Notes Payable	Capital Leases	NMTC Notes Payable	Total
2018	$ 107,208	$ 153,894	$ -	$ 261,102
2019	-	141,058	-	141,058
2020	-	21,727	-	21,727
2021	-	-	-	-
2022	-	-	-	-
Thereafter	-	-	42,260,000	42,260,000
	$ 107,208	$ 316,679	$ 42,260,000	$ 42,683,887

Interest expense related to long-term debt was $30,679 and $60,819 for the years ended June 30, 2017 and 2016, respectively.

15. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

June 30,	**2017**	2016
Accrued payroll and other employee expenses	**$ 4,683,341**	$ 3,404,294
340B pharmaceutical reserve	**538,521**	574,194
Pharmacy Medi-Cal refund reserve	**350,435**	-
Medical insurance payable	**-**	171,509
Accrued expenses	**284,392**	693,730
Due to grantors	**220,122**	141,913
Other liabilities	**106,914**	131,128
Total accrued expenses and other liabilities	**$ 6,183,725**	$ 5,116,768

Medi-Cal Reconciliation Payable

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, 2017, $167,252 was established for payable amounts from reconciliation reports for fiscal years 2014 through 2016, and an additional amount of $183,183 was established for the reconciliation report for fiscal year 2017. The total reserve amount is $350,435.

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 $574,194. As of June 30, 2017, the Center has reimbursed six pharmaceutical manufacturers in the amount of $35,673. The remaining balance of $538,521 is in the reserve account for future reimbursement requests.

Medical Insurance Payable

The Center identified overpayments from Medi-Cal in the amount of $133,604 based on a review of payments and electronic remittance reports. As of June 30, 2016, a reserve was established in this amount and in April 2017, the Center paid out the entire reserve amount.

16. 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, 2017, are presented in Note 14.

Aggregate maturities required on capital lease obligations are as follows:

Years ended June 30,	Amount
2018	$ 164,385
2019	145,200
2020	21,911
Less: portion representing interest	(14,817)
Total	$ 316,679

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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 is five years and six months and commenced on April 1, 2011 and was to end on September 30, 2016. The base rent was $56,000 per month plus taxes and insurance of $8,000 per month. The first six months of the lease included free base rent. The fixed rental adjustment of the base rent was set to increase 3% annually, effective April 1, 2012. The Center estimated that taxes and insurance would also increase at a rate of 3% annually. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accrued expenses and other current liabilities in the accompanying Consolidated Statements of Financial Position. In 2012, the Center received approximately $216,000 for a tenant improvement allowance, which was recorded in deferred rent and is being recognized over the term of the lease. Deferred rent included in accrued expenses and other liabilities was $0 and $41,655 for the years ended June 30, 2017 and 2016, respectively. The Center renegotiated and extended the lease agreement effective on March 23, 2016. The term is two years and seven months and commenced on October 1, 2016 and will end on April 30, 2019. The base rent on October 1, 2016 at commencement of the extended lease was $64,919 per month. The fixed rental adjustment of the base rent will increase 3% annually on April 1st until the end of the lease agreement.

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

The Center executed a lease agreement effective on April 11, 2017 to lease approximately 4,000 square-foot space in Los Angeles, California. The term is two years and commenced on the effective date. The base rent is $6,250 per month, including parking. The base rent is 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 is charged to rent expense on the straight-line method over the term of the lease.

At June 30, 2017, the estimated future minimum rental payments under these leases are as follows:

Years ending June 30,	Amount
2018	$ 1,142,405
2019	995,495
2020	209,938
2021	34,891
	$ 2,382,729

Rent expense is as follows:

Years ending June 30,	**2017**	2016
Rent expense	**$ 1,105,078**	$ 946,580
Sublease rental income	**(79,113)**	(87,767)
Rent expense, net	**$ 1,025,965**	$ 858,813

Employment Agreements

The Center entered into an employment agreement with the Chief Executive Officer ("CEO") effective June 16, 2012 for a term of ten years. The agreement provides for an annual base salary, various benefits and a possible annual performance bonus. This followed three successive agreements, two two-year and one five-year agreements, under which the CEO accrued an entitlement to severance. The current agreement also includes a severance provision in the event that the CEO is terminated with or without cause. If the CEO is terminated with cause on or after June 16, 2015, she accrues an additional severance entitlement. If the CEO is terminated without cause, the Center is required to pay all salary and benefits due under the terms of the agreement, including severance. The current agreement also has a provision which the CEO may resign and will receive the severance entitlement through the date of resignation. As of June 30, 2017, the Center has accrued approximately $500,000 associated with the severance entitlement. 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. The Center has not accrued any severance obligation at June 30, 2017.

Litigation

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

Government Regulations

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

17. 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, 2017 and 2016.

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, 2017 and 2016, the Center holds assets totaling $1,029,883 and $890,453, 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.

18. Net Assets

Unrestricted Net Assets

	2017	2016
Undesignated	**$ 79,966,266**	$ 50,941,155
Board-designated – Capital Campaign	**-**	3,505,368
Unrestricted net assets	**$ 79,966,266**	$ 54,446,523

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions at June 30, 2017 and 2016:

	2017	2016
Purpose restrictions		
Development of Anita May Rosenstein Campus	**$ 2,800,000**	$ 9,790,838
Health and HIV Prevention Services	**524,374**	450,864
Policy	**71,000**	458,250
Youth, Seniors and Women's Services	**86,793**	141,650
Time restrictions		
Charitable remainder trusts	**1,977,666**	1,779,620
For periods after June 30, 2017 and 2016 - general operations	**547,280**	520,868
Temporarily restricted net assets	**$ 6,007,113**	$ 13,142,090

Net assets of $9,562,470 and $1,678,921 were released from donor restrictions in 2017 and 2016, respectively, by incurring expenses related to specific programs that satisfied the restricted purposes.

Permanently Restricted Net Assets

At June 30, 2017 and 2016, permanently restricted net assets of $5,279,327 and $4,966,357, respectively, are contributions restricted by donors whereby the interest and dividends are used to support operations of the Center and the original investments are held in perpetuity. These permanently restricted net assets are primarily managed by third-party trustees, and the Center does not have control over investment decisions.

19. 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 $3,179,927 and $3,554,176 of joint costs for the years ended June 30, 2017 and 2016, respectively, which are not specifically attributable to components of the activities (joint costs).

These joint costs were allocated as follows:

Years ended June 30,	**2017**	2016
Fundraising	**$ 2,504,451**	$ 2,960,125
Health/Education/Prevention Program	**675,476**	594,051
Total	**$ 3,179,927**	$ 3,554,176

20. Anita May Rosenstein Campus

McCadden Campus, LLC (“Campus LLC”) and McCadden Plaza Affordable Housing, LLC (“TSA LLC”) are the General Partners (“Partners”) of McCadden Plaza, LP (“Partnership”), 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 will 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 (“Senior Component”), as well as Center programming space for seniors and youth, housing for homeless youth, the Center’s administrative offices, and retail space (“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”). Under the terms of the Guaranty Agreement contained in the Amendment, the Center guaranties certain obligations of Campus LLC under the LPA and Amendment, including the Call and Put sections of the agreements as described below as well as re-payment of the New Generation Fund Loan, explained in more detail below. The Guaranty has no definitive term as it will remain in effect so long as Campus LLC remains the Managing General Partner of the Partnership.

The Call sections of the LPA and Amendment provide Campus LLC with the right to purchase the TSA LLC partnership interests in the Partnership in the event of an Impasse Trigger Event or Determination of Infeasibility for a purchase price on terms outlined in the LPA. An Impasse Trigger Event occurs if Campus LLC and TSA LLC cannot reach agreement on significant terms as outlined in the LPA and Amendment. A Determination of Infeasibility occurs if it becomes financially infeasible to develop the Senior Component of the East Property as a low-income housing tax credit project any time prior to December 31, 2018. The Put sections of the LPA and Amendment allow TSA LLC to require Campus LLC to purchase TSA LLC's interest in the Partnership in the event of an Impasse Event or Determination of Infeasibility for a purchase price on terms outlined in the LPA.

In addition, April 15, 2017, an Agreement of Limited Partnership of McCadden Plaza TAY Housing 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 is currently owned by the Center, and develop up to 26 of units of affordable housing for youth ("Youth Component") as well as parking. The Amended TAY LPA has Call and Put sections that are similar in nature to those described for the LPA and Amendment.

The Partners intend for the East Property to be subdivided into legal parcels pursuant to an air-rights subdivision ("Subdivision").

To finance the East Property acquisition, the Partnership executed a Secured Promissory Note ("NFG Note") on February 20, 2014 with the New Generation Fund ("Lender") in the amount of $8,191,500 with a three-year term ("Maturity Date") and 5% interest rate. Of the total NFG Note, $1,298,493 was withheld as an interest reserve and $290,729 was restricted with the Lender and available for drawdown under certain conditions. Monthly interest payments are automatically capitalized into the loan principal on the first business day of the following month. The Partnership had the right to request one extension of the maturity date to not exceed one year, and it exercised that right on February 20, 2017 and executed an Extension and Modification Agreement to extend the Maturity Date to February 20, 2018. In exchange, the Partners, under the terms of the Amendment, agreed to make a $2,700,000 payment on June 21, 2017, $2,700,000 on October 1, 2017, and the remaining balance on February 20, 2018, which the Center agreed to guarantee in exchange for the transfer of the land to AMR QALICB, described more fully below.

The principal outstanding as of June 30, 2017 and 2016, was $5,118,760 and $7,442,125, respectively, net of the interest reserve. The Center and Thomas L. Safran, an individual, (together "Guarantors") executed a Repayment Guaranty in favor of the Lender. The Guarantors, on a joint and several basis, guarantee and promise to pay to Lender or order, on demand, in lawful money of the United States, in immediately available funds the smaller of: (i) $2,047,875 together with interest and any other sums payable under the loan or any of the other loan documents or (ii) the outstanding amount of the obligations of the Partnership to the Lender.

The initial payment was made by the Center on June 21, 2017, and the NFG Note was fully repaid by the Center on August 30, 2017.

As part of additional financing to purchase the East Property and for certain pre-development costs, on February 10, 2014, the Center also executed a fully secured $7,000,000 Loan Commitment Note ("Bridge Loan") with a three-month term and Daily One Month LIBOR plus 1.25% interest rate. The Bridge Loan was repaid by a fully secured $7,000,000 Promissory Note ("WF Note") to the Center on July 30, 2014 with a three-year term and 30-day LIBOR plus 1.25% interest rate. The funds were subsequently loaned to the Partnership. At June 30, 2016, the Center had a Note Payable to Wells Fargo Bank as well as a Receivable from Affiliate recorded in the amount of the Bridge Loan in the accompanying Consolidated Statements of Financial Position. The Center fully paid down the WF Note on June 23, 2017. As a result, the Receivable from Affiliate was reduced by $7,000,000, and $7,000,000 related to the Center's Component of land and land development was transferred to AMR QALICB.

The Center will own and be primarily responsible for the management and supervision of the construction of the Center Component. The Center is solely responsible for obtaining financing for the acquisition, construction and development of the Center Component and associated parking.

As discussed in Note 4 Pledges Receivable, the Center publicly announced a Capital Campaign in May 2014.

As part of financing the development of the Center Component, the Center secured three credit facilities with Wells Fargo Bank in June 2017: 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.

The Center also entered into a NMTC transaction on June 23, 2017, which is fully described in Note 21. 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, an affiliate of the Center, 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 are subject to negotiation.

As of June 30, 2017, AMR QALICB had $15,434,557 recorded as land and land development. See Note 10. 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.

As of June 30, 2017, AMR QALICB had $4,789,573 recorded as construction in progress related to the project. See Note 10. AMR QALICB incurred $4,075,056 and the Center donated $714,517 of pre-development costs. The Center and AMR QALICB executed a Donation Agreement on June 23, 2017 in which the Center agreed to donate future cash donations in the aggregate amount of not less than $25,232,973 for construction costs related to the Center's Component. In addition, the Center agreed to make future cash donations in the aggregate amount of not less than $7,404,424 to AMR QALICB on behalf of the Partnership for costs related to demolition, parking and site work until the financing of the Senior and Youth Components are in place at which time the Center will be reimbursed.

AMR QALICB has a payable to the Center for $781,612 and the Center has an offsetting receivable from AMR QALICB. In addition the Center has a payable to AMR QALICB for $1,518 and AMR has an offsetting receivable from the Center. These two amounts, which total $783,130 are eliminated in the Consolidating Statement of Financial Position.

TSA LLC will be primarily responsible for identifying and negotiating the terms of all debt and equity financing for the development and construction of the Senior and Youth Components as well as related parking. In addition, TSA LLC will be primarily responsible for the management and supervision of the construction of the Senior and Youth Components.

The Partners intend to apply for local, state, and Federal funding and tax credit sources to develop the Senior and Youth Components and related parking. The Partners intend to syndicate the limited partnership interests in the Partnership to one or more qualified investors in low-income housing projects.

Prior to construction, to the extent the Partnership required funds for the development of the Project, Center LLC and TSA LLC were responsible for advancing funds. After transferring the land and Center Component of pre-developments costs to AMR QALICB, the Partnership has a payable due to Center LLC in the amount of $1,980,956 (unaudited) and a payable due to TSA LLC in the amount of $813,986 (unaudited) as of June 30, 2017.

The Partners will reconcile existing advances and contributions by the Partners to reflect any updated cost allocation plans and conclude on the final amounts.

On June 14, 2017, the Partnership executed a Guaranteed Maximum Price Contract ("Contract") with Swinerton Builders ("Contractor"). The contract sum is 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.

Construction on the Project began on June 23, 2017, and the Center's Component and underground parking is expected to be completed by March 31, 2019.

The Center is using the equity method of accounting for the Partnership at this time since the Partnership agreement does not give the Center a controlling interest of the Partnership. Through June 30, 2017, no income or expense has been recognized by the Center as all costs incurred by the Partnership are related to development of the project and have been capitalized. At June 30, 2017, the Partnership had approximately $7,900,000 (unaudited) in assets consisting of $5,900,000 (unaudited) related to a receivable from the Center for the transfer of the East Property and related costs to AMR QALICB with the remaining amount capitalized development costs and approximately $7,900,000 (unaudited) in liabilities. The Center has a payable due to the Partnership of approximately $5,900,000.

The Center netted the receivable from the Partnership of $1,980,956 discussed above, with the approximately $5,900,000 payable to the Partnership, discussed above. The net payable to affiliate of $3,922,271 is reflected on the Consolidated Statements of Financial Position as of June 30, 2017.

At June 30, 2016, the Partnership had approximately $18,000,000 (unaudited) in assets consisting primarily of $12,700,000 (unaudited) related to land with the remaining amount capitalized development costs and approximately $18,000,000 (unaudited) in liabilities.

21. 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.

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:

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

The QLICI Loans bear interest at a fixed rate equal to 1.3279% 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 East Property. As discussed in Note 20, after Subdivision, the Partners intend to purchase back the air rights parcel from AMR QALICB for the Senior Component, at which point the QLICI Loans will be secured by the Center Component of the Project.

As part of the NMTC transaction, the Center executed a Master Lease Agreement with AMR Campus QALICB, Inc. 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 is to commence upon completion of the premises for occupancy, which is projected to be in the first quarter of 2019. Assuming a March 2019 occupancy rate, the first quarter's rent is to start at $26,426 and increase to $88,784 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, stock, 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.

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.

22. Gay & Lesbian Elder Housing Corporation

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

GLEH merged with and into GLEH-LA on November 12, 2014, and the Center executed a Master Services Agreement ("MSA") through December 31, 2016 with GLEH-LA to replace the Services Agreement on that same date. Under the MSA, the Center agreed to continue to provide social services to the residents and other management, administrative and back-office services for fees commensurate with fair market value. If the cash flow is not adequate to cover the fees charged, the fees will accrue interest free and will carryover and be paid in the next successive year or until such time that monies are available. Under the MSA, the Center is entitled to $441,925 and $370,035 for the years ended June 30, 2017 and 2016, 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.

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 until 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, 2017 and 2016.

23. 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.

24. Subsequent Events

The Center evaluated subsequent events through December 27, 2017, which is when these consolidated financial statements were available to be issued. The Center is not aware of any additional significant subsequent events that would have a material impact on its consolidated financial statements.

Supplemental Material

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Independent Auditor's Report on Supplementary Material

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 those 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 27, 2017

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

Consolidating Statement of Financial Position

June 30, 2017	Los Angeles LGBT Center	AMR Campus QALICB, Inc.	Elimination Entries	Consolidated Financials
Current assets				
Cash and cash equivalents	$ 13,650,080	$ -	$ -	$ 13,650,080
Restricted cash AMR Campus construction	-	34,896,039	-	34,896,039
Restricted cash NMTC CDE's fee reserve	-	2,479,608	-	2,479,608
Accounts and other receivables	253,489	-	-	253,489
Receivable from affiliate - current	781,612	1,518	(783,130)	-
Clinic fees receivable, net	5,968,368	-	-	5,968,368
Contracts and grants receivable, net	3,096,373	-	-	3,096,373
Pledges receivable, net	2,175,956	-	-	2,175,956
Short-term investments	14,091,210	-	-	14,091,210
Inventories	611,541	-	-	611,541
Total current assets	40,628,629	37,377,165	(783,130)	77,222,664
Noncurrent assets				
Contributions receivable – held in trust	3,042,619	-	-	3,042,619
Beneficial interests in trusts	2,112,235	-	-	2,112,235
Leverage loan receivable	28,910,100	-	-	28,910,100
Pledges receivable, net	1,971,383	-	-	1,971,383
Long-term investments	1,625,048	-	-	1,625,048
Property and equipment, net	9,596,425	20,224,130	-	29,820,555
Other assets	2,327,613	-	-	2,327,613
Total noncurrent assets	49,585,423	20,224,130	-	69,809,553
Total assets	$ 90,214,052	$ 57,601,295	$ (783,130)	$ 147,032,217
Current liabilities				
Accounts payable	$ 2,799,874	$ -	$ -	$ 2,799,874
Accrued expenses and other liabilities	6,183,725	-	-	6,183,725
Payable to affiliate	3,923,789	781,612	(783,130)	3,922,271
Unearned revenue	452,355	-	-	452,355
Interest payable	-	12,471	-	12,471
Current portion of annuities payable	188,033	-	-	188,033
Current portion of long-term debt	261,102	-	-	261,102
Total current liabilities	13,808,878	794,083	(783,130)	13,819,831
Noncurrent liabilities				
Annuities payable, net of current portion	903,375	-	-	903,375
Long-term debt, net of current portion	162,785	40,893,520	-	41,056,305
Total noncurrent liabilities	1,066,160	40,893,520	-	41,959,680
Total liabilities	14,875,038	41,687,603	(783,130)	55,779,511
Commitments and Contingencies (Note 16)				
Net assets				
Unrestricted	64,052,574	15,913,692	-	79,966,266
Temporarily restricted	6,007,113	-	-	6,007,113
Permanently restricted	5,279,327	-	-	5,279,327
Total net assets	75,339,014	15,913,692	-	91,252,706
Total liabilities and net assets	$ 90,214,052	$ 57,601,295	$ (783,130)	$ 147,032,217

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

Consolidating Statement of Activities and Changes in Net Assets

Year ended June 30, 2017	**Los Angeles LGBT Center**	**AMR Campus QALICB, Inc.**	**Elimination Entries**	**Consolidated Financials**
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	$ 7,317,208	$ -	$ -	$ 7,317,208
Less costs of direct benefits to donors	(261,928)	-	-	(261,928)
Net special events revenue	7,055,280	-	-	7,055,280
Program fees	72,805,008	-	-	72,805,008
Grants	15,904,305	-	-	15,904,305
Contributions	5,476,871	-	-	5,476,871
Contributions - Capital Campaign	8,149,204	-	-	8,149,204
Contributed goods and services	728,980	-	-	728,980
Other operating revenue	795,310	-	-	795,310
Total public support and other revenue	110,914,958	-	-	110,914,958
Satisfaction of program restrictions	-	-	-	-
Total public support and other revenue and net assets released from restrictions	110,914,958	-	-	110,914,958
Operating expenses				
Program services	87,162,280	-	-	87,162,280
Supporting services:				
General and administrative	1,474,742	-	-	1,474,742
Fund-raising	7,193,397	-	-	7,193,397
Total supporting services	8,668,139	-	-	8,668,139
Total operating expenses	95,830,419	-	-	95,830,419
Change in net assets before non-operating gains and other revenue	15,084,539	-	-	15,084,539
Non-operating gains (losses) and other revenue				
Interest and dividend income	1,081,880	-	-	1,081,880
Realized and unrealized gains on investments, net	814,640	-	-	814,640
Unrealized gains on trusts held by third parties	511,016	-	-	511,016
Change in value of split-interest agreements	(130,281)	-	-	(130,281)
Other nonoperating revenue	1,335,942	-		1,335,942
Donation of Land, Land Development and Pre-development costs	(15,913,692)	15,913,692	-	-
Total non-operating losses and other revenue	(12,300,495)	15,913,692	-	3,613,197
Change in net assets	2,784,044	15,913,692	-	18,697,736
Net assets, beginning of year	72,554,970	-	-	72,554,970
Net assets, end of year	$ 75,339,014	$ 15,913,692	$ -	$ 91,252,706