



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

**Consolidated Financial Statements  
and Supplemental Material**  
Years Ended June 30, 2018 and 2017

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

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**Contents**

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Description of Organization	3
Independent Auditor's Report	4
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position as of June 30, 2018 and 2017	6
Consolidated Statements of Activities and Changes in Net Assets for the Years Ended June 30, 2018 and 2017	7-8
Consolidated Statements of Functional Expenses for the Years Ended June 30, 2018 and 2017	9-10
Consolidated Statements of Cash Flows for the Years Ended June 30, 2018 and 2017	11
Notes to the Consolidated Financial Statements	12-44
<b>Supplemental Material</b>	
Independent Auditor's Report on Supplemental Material	46
Consolidating Statement of Financial Position	47
Consolidating Statement of Activities and Changes in Net Assets	48

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

## Description of Organization

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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 ("NMTC") transaction in June 2017. Its purpose and responsibilities are limited to owning and developing the Anita May Rosenstein Campus, leasing the Center Component to the Center for its operations, and making debt service payments on its loans.

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

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

Today the Center is a \$172 million organization with over 600 employees and approximately 1,800 devoted volunteers every month. Its wide array of services include: free and low-cost healthcare and medications for those most in need, including people with HIV/AIDS; housing, food, clothing and support for homeless LGBT youth and their allies; low-cost counseling and addiction-recovery services; essential services for LGBT seniors and parents; legal services; health education and HIV prevention programs; cultural arts programs; and more.

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



## Independent Auditor's Report

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

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Los Angeles LGBT Center and its Affiliates as of June 30, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

December 27, 2018

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## Consolidated Financial Statements

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

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2018	2017
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,788,025	\$ 13,650,080
Restricted cash AMR Campus construction	16,056,545	34,896,039
Restricted cash NMTC CDE's fee reserve	2,155,633	2,479,608
Accounts and other receivables	121,700	253,489
Receivable from affiliates	2,142,765	-
Clinic fees receivable, net	5,966,759	5,968,368
Contracts and grants receivable, net	5,213,921	3,096,373
Pledges receivable, net	2,380,912	2,175,956
Short-term investments	14,807,916	14,091,210
Inventories	881,973	611,541
<b>Total current assets</b>	<b>70,516,149</b>	<b>77,222,664</b>
<b>Noncurrent assets</b>		
Contributions receivable - held in trust	3,185,737	3,042,619
Beneficial interests in trusts	2,261,156	2,112,235
Leverage loan receivable	28,910,100	28,910,100
Pledges receivable, net	976,164	1,971,383
Long-term investments	1,677,112	1,625,048
Property and equipment, net	62,368,861	29,820,555
Other assets	2,471,625	2,327,613
<b>Total noncurrent assets</b>	<b>101,850,755</b>	<b>69,809,553</b>
<b>Total assets</b>	<b>\$ 172,366,904</b>	<b>\$ 147,032,217</b>
<b>Current liabilities</b>		
Accounts payable	\$ 10,242,846	\$ 2,799,874
Accrued expenses and other liabilities	7,517,049	6,183,725
Payable to affiliates	-	3,922,271
Retainage	2,779,641	-
Unearned revenue	1,394,143	452,355
Interest payable	-	12,471
Current portion of annuities payable	196,433	188,033
Current portion of long-term debt	144,106	261,102
<b>Total current liabilities</b>	<b>22,274,218</b>	<b>13,819,831</b>
<b>Noncurrent liabilities</b>		
Annuities payable, net of current portion	891,222	903,375
Long-term debt, net of current portion	40,957,558	41,056,305
<b>Total noncurrent liabilities</b>	<b>41,848,780</b>	<b>41,959,680</b>
<b>Total liabilities</b>	<b>64,122,998</b>	<b>55,779,511</b>
<b>Commitments and contingencies (Note 16)</b>		
<b>Net assets</b>		
Unrestricted	97,486,980	79,966,266
Temporarily restricted	5,331,754	6,007,113
Permanently restricted	5,425,172	5,279,327
<b>Total net assets</b>	<b>108,243,906</b>	<b>91,252,706</b>
<b>Total liabilities and net assets</b>	<b>\$ 172,366,904</b>	<b>\$ 147,032,217</b>

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

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

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

<i>Year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and other revenue</b>				
Public support:				
Special events revenue:				
Gross receipts	\$ 7,900,591	\$ 799,690	\$ -	\$ 8,700,281
Less costs of direct benefits to donors	(176,376)	-	-	(176,376)
Net special events revenue	7,724,215	799,690		8,523,905
Program fees	80,082,288	-	-	80,082,288
Grants	17,378,733	-	-	17,378,733
Contributions	5,151,035	357,385	-	5,508,420
Contributions - Capital Campaign	8,515,778	-	-	8,515,778
Contributed goods and services	832,108	-	-	832,108
Other operating revenue	805,636	-	-	805,636
Total public support and other revenue	120,489,793	1,157,075	-	121,646,868
Satisfaction of program restrictions	1,829,447	(1,829,447)	-	-
Total public support and other revenue and net assets released from restrictions	122,319,240	(672,372)	-	121,646,868
<b>Operating expenses</b>				
Program services	97,919,787	-	-	97,919,787
Supporting services:				
General and administrative	848,075	-	-	848,075
Fund-raising	7,290,235	-	-	7,290,235
Total supporting services	8,138,310	-	-	8,138,310
Total operating expenses	106,058,097	-	-	106,058,097
Change in net assets before non-operating income/gains (losses) and other revenue	16,261,143	(672,372)	-	15,588,771
<b>Non-operating income/gains (losses) and other revenue</b>				
Interest and dividend income	610,207	-	-	610,207
Realized and unrealized gains on investments, net	349,306	-	-	349,306
Unrealized gains on trusts held by third parties	-	146,192	145,845	292,037
Change in value of split-interest agreements	-	(149,179)	-	(149,179)
Other nonoperating revenue	300,058	-	-	300,058
Total non-operating income/gains (losses) and other revenue	1,259,571	(2,987)	145,845	1,402,429
Change in net assets	17,520,714	(675,359)	145,845	16,991,200
Net assets, beginning of year	79,966,266	6,007,113	5,279,327	91,252,706
Net assets, end of year	\$ 97,486,980	\$ 5,331,754	\$ 5,425,172	\$ 108,243,906

*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)**

<i>Year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and other revenue</b>				
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
<b>Operating expenses</b>				
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 income/gains (losses) and other revenue	22,287,281	(7,202,742)	-	15,084,539
<b>Non-operating income/gains (losses) and other revenue</b>				
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 income/gains (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**  
(a nonprofit California corporation)

**Consolidated Statement of Functional Expenses**

Year ended June 30, 2018	Program Services								Supporting Services			Total
	Policy & Community Building	Cultural Arts & Education	Senior Services	Health & Mental Health Services	Legal Services	Public Affairs	Children, Youth & Family	Total Program Services	General and Administrative	Fund-raising	Total Supportive Services	
Program Staff Salaries	\$ 869,271	\$ 471,184	596,872	\$ 17,833,986	\$ 588,790	\$ 758,508	\$ 3,719,960	\$ 24,838,571	\$ -	\$ 2,530,149	\$ 2,530,149	\$ 27,368,720
Administration Salaries	163,031	332,600	131,277	924,227	102,766	109,628	882,546	2,646,075	3,955,573	527,166	4,482,739	7,128,814
Employee Benefits	122,232	157,745	143,340	2,966,269	97,504	104,438	1,164,661	4,756,189	542,967	385,011	927,978	5,684,167
Employer Taxes	79,956	72,016	59,984	1,545,614	60,456	69,431	407,456	2,294,913	279,714	231,731	511,445	2,806,358
Medical Supplies	-	-	-	43,418,705	-	-	7,740	43,426,445	-	-	-	43,426,445
Supplies	4,982	24,143	20,888	206,957	7,809	6,892	152,999	424,670	134,542	27,934	162,476	587,146
Facilities, Repairs and Maintenance	88,889	129,211	31,493	790,180	97,890	61,120	889,941	2,088,724	87,191	59,628	146,819	2,235,543
Telephone and Utilities	10,795	39,359	5,221	264,940	12,090	6,019	143,066	481,490	399,151	23,576	422,727	904,217
Advertising, Printing and Postage	17,899	3,404	23,548	179,087	4,308	116,889	11,116	356,251	93,715	282,256	375,971	732,222
Insurance	1,957	6,720	3,086	19,447	6,699	718	14,087	52,714	240,841	2,510	243,351	296,065
Travel	117,845	251	8,093	69,070	15,221	7,570	55,571	273,621	44,240	71,574	115,814	389,435
Professional Fees and Contracted Services	287,396	2,861	53	1,547,236	91,519	369,805	62,785	2,361,655	565,462	400,133	965,595	3,327,250
Event Expenses	50,132	149,863	95,659	670,840	800	97,391	118,327	1,183,012	24,517	1,217,619	1,242,136	2,425,148
Equipment Lease and Repair	12,885	26,644	15,013	799,753	10,919	20,328	167,646	1,053,188	432,261	104,278	536,539	1,589,727
Client Services	11,400	7,128	46,725	712,184	4,546	-	1,068,136	1,850,119	-	1,205	1,205	1,851,324
Lab Testing	-	-	-	1,099,345	-	-	-	1,099,345	-	-	-	1,099,345
Taxes and Licenses	474	5,051	1,227	18,901	52	27	4,404	30,136	32,842	7,255	40,097	70,233
Educational Materials	-	-	-	41,686	-	-	-	41,686	-	-	-	41,686
Staff and Board Development	27,684	2,953	6,654	146,689	5,172	47,730	34,054	270,936	156,053	169,127	325,180	596,116
Interest Expense	11,941	41,006	18,831	118,669	8,462	4,382	85,958	289,249	29,901	15,319	45,220	334,469
Miscellaneous	49,795	6,007	2,759	17,231	1,240	980	81,811	159,823	299,340	2,685	302,025	461,848
Contributed Goods and Services	8,127	-	39,786	363,640	39,729	1,931	58,315	511,528	23,136	297,444	320,580	832,108
Bank, Payroll and Investment Fees	-	-	-	24	-	5,134	-	5,158	535,500	189,234	724,734	729,892
Allocated G&A	237,654	126,051	170,262	4,505,466	148,876	198,716	1,029,845	6,416,870	(7,128,150)	711,280	(6,416,870)	-
<b>Total expenses before depreciation and amortization</b>	<b>2,174,345</b>	<b>1,604,197</b>	<b>1,420,771</b>	<b>78,260,146</b>	<b>1,304,848</b>	<b>1,987,637</b>	<b>10,160,424</b>	<b>96,912,368</b>	<b>748,796</b>	<b>7,257,114</b>	<b>8,005,910</b>	<b>104,918,278</b>
Depreciation and amortization	7,736	88,754	11,357	743,887	3,007	1,557	151,121	1,007,419	99,279	33,121	132,400	1,139,819
<b>Total expenses</b>	<b>\$ 2,182,081</b>	<b>\$ 1,692,951</b>	<b>\$ 1,432,128</b>	<b>\$ 79,004,033</b>	<b>\$ 1,307,855</b>	<b>\$ 1,989,194</b>	<b>\$ 10,311,545</b>	<b>\$ 97,919,787</b>	<b>\$ 848,075</b>	<b>\$ 7,290,235</b>	<b>\$ 8,138,310</b>	<b>\$ 106,058,097</b>

*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, 2017	Program Services								Supporting Services			Total
	Policy & Community Building	Cultural Arts & Education	Senior Services	Health & Mental Health Services	Legal Services	Public Affairs	Children, Youth & Family	Total Program Services	General and Administrative	Fund-raising	Total Supportive Services	
Program Staff Salaries	\$ 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)	-
<b>Total expenses before depreciation and amortization</b>	<b>2,250,755</b>	<b>1,597,851</b>	<b>1,170,490</b>	<b>68,687,890</b>	<b>1,318,728</b>	<b>2,028,729</b>	<b>9,161,777</b>	<b>86,216,220</b>	<b>1,386,179</b>	<b>7,161,528</b>	<b>8,547,707</b>	<b>94,763,927</b>
<b>Depreciation and amortization</b>	<b>7,436</b>	<b>85,402</b>	<b>9,108</b>	<b>626,492</b>	<b>11,777</b>	<b>6,103</b>	<b>199,742</b>	<b>946,060</b>	<b>88,563</b>	<b>31,869</b>	<b>120,432</b>	<b>1,066,492</b>
<b>Total expenses</b>	<b>\$ 2,258,191</b>	<b>\$ 1,683,253</b>	<b>\$ 1,179,598</b>	<b>\$ 69,314,382</b>	<b>\$ 1,330,505</b>	<b>\$ 2,034,832</b>	<b>\$ 9,361,519</b>	<b>\$ 87,162,280</b>	<b>\$ 1,474,742</b>	<b>\$ 7,193,397</b>	<b>\$ 8,668,139</b>	<b>\$ 95,830,419</b>

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

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

**Consolidated Statements of Cash Flows**

Increase (Decrease) in Cash

<i>Years ended June 30,</i>	2018	2017
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 16,991,200	\$ 18,697,736
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	1,139,819	1,066,492
Allowance for bad debt	248,239	207,223
Realized investment (gain)	(160,884)	(18,660)
Unrealized investment (gain)	(188,422)	(795,980)
Change in temporarily restricted split-interest agreements	(146,192)	(198,045)
Change in permanently restricted split-interest agreements and trusts	(145,845)	(312,970)
Donation of investments	(82,060)	(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	131,789	339,191
Receivable from affiliate	(2,511,742)	-
Clinic fees receivable, net	1,609	(1,193,340)
Contracts and grants receivable, net	(2,162,548)	(613,449)
Pledges receivable, net	587,024	(521,185)
Inventories	(270,432)	(114,582)
Other assets	(144,012)	(457,058)
Accounts payable	1,116,010	288,854
Accrued expenses and other liabilities	1,333,324	1,066,957
Payable to affiliates	(3,115,200)	3,922,271
Unearned revenue	941,788	(32,181)
Interest payable	(12,471)	12,471
Annuities payable	(3,753)	19,723
<b>Net cash provided by operating activities</b>	<b>13,547,241</b>	<b>13,044,759</b>
<b>Cash flows from investing activities</b>		
Change in leverage loan receivable	-	(28,910,100)
Purchase of property and equipment	(25,019,616)	(4,626,888)
Purchase of investments	(1,980,528)	(65,956,275)
Proceeds from sale of investments	1,947,708	78,969,670
Interest income reinvested	(304,586)	(195,576)
<b>Net cash used in investing activities</b>	<b>(25,357,022)</b>	<b>(20,719,169)</b>
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	-	42,260,000
Increase in deferred financing costs	27,844	(1,366,480)
Increase in capital lease obligation	18,679	142,764
Repayments of notes payable and capital lease obligations	(262,266)	(7,402,544)
<b>Net cash (used in) provided by financing activities</b>	<b>(215,743)</b>	<b>33,633,740</b>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>(12,025,524)</b>	<b>25,959,330</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	<b>51,025,727</b>	<b>25,066,397</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 39,000,203</b>	<b>\$ 51,025,727</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 334,469	\$ 30,769
<b>Noncash investing and financing activities</b>		
Acquired equipment in a capital lease agreement	\$ 18,679	\$ 142,764
Donation of investments	82,058	252,285
Donation of land, land development and predevelopment costs	-	16,305,983
Forgiveness of loans	-	1,339,744
Capitalized development costs remaining in payables	8,668,509	-

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

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

**Notes to the Consolidated Financial Statements**

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**1. Organization**

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

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 (“U.S. GAAP”).

*Consolidation*

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

*Basis of Presentation*

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:

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

**Notes to the Consolidated Financial Statements**

---

- 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, 2018.

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 Statements of Financial Position.

*Clinic Fees Receivable, net*

Clinic fees receivable represent balances due to the Center for services provided to clients prior to and including June 30, 2018. Payer types include clients, Medi-Cal, Medicare, AIDS Drug Assistance Program, and commercial insurance. Management provides for probable uncollectible amounts through an allowance based on current status of client accounts. Receivables are written off if collection efforts prove unsuccessful, or when management becomes aware of other circumstances that indicate uncollectibility.

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

**Notes to the Consolidated Financial Statements**

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*Contracts and Grants Receivable, net*

Contracts and grants receivable represent program expenditures incurred by the Center, which have not yet been reimbursed under the terms of the grant agreements. These receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through provisions for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Receivables are written off if collection efforts prove unsuccessful, or when management becomes aware of other circumstances that indicate uncollectibility.

*Pledges Receivable, net*

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

*Split-Interest Agreements*

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

The Center is required by the State of California Department of Insurance to maintain minimum reserves related to these annuities. For annuities issued between January 1, 1992 and December 31, 2004, the minimum reserve basis is the a-1983 Table at an interest rate of 6.0%. Effective January 1, 2005, the minimum reserve basis for annuities issued on or after this date is the Annuity 2000 Mortality Table at an interest rate of 4.5%. Annuities payable at June 30, 2018 and 2017 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2018 and 2017, annuities payable were \$1,087,655 and \$1,091,408, respectively.

The contributed assets of \$2,666,290 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, 2018 and 2017 ranged from 2.8% to 7.0%.

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

**Notes to the Consolidated Financial Statements**

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*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:

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

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



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

**Notes to the Consolidated Financial Statements**

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*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%, as of both June 30, 2018 and 2017. 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.

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

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

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

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

Repairs and maintenance are charged to expense when incurred.

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

**Notes to the Consolidated Financial Statements**

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*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 2018 and 2017, 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, 2018 consisted primarily of \$362,797 related to grants, \$124,800 related to events and \$906,546 related to conditional donations. 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.

*Contributions*

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 4.76% 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.

Temporarily restricted contributions where the restrictions are satisfied in the same year the contribution is received are reported as increases in unrestricted net assets.

*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.

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

**Notes to the Consolidated Financial Statements**

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*Contributed Goods and Services*

The value of significant contributed goods is reflected as contributed goods and services in the consolidated financial statements at the fair value of such goods at the date of donation. There were contributed goods of \$291,523 and \$175,618 for the years ended June 30, 2018 and 2017, respectively. Contributed services are recognized by the Center if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of such services, which consisted primarily of legal and mental health and medical services, totaled \$540,585 and \$553,362 for the years ended June 30, 2018 and 2017, 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 \$388,923 and \$425,315 for the years ended June 30, 2018 and 2017, respectively.

*Program Fees*

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

*Grants*

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

*Functional Allocation of Expenses*

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

*Income Taxes*

The LGBT 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, 2018 and 2017, there were no interest or penalties recorded or included in the Consolidated Statements of Activities and Changes in Net Assets related to taxes.

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

**Notes to the Consolidated Financial Statements**

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The tax years ended June 30, 2015 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.

Refer to additional tax disclosures in Note 1.

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

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

***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, 2018, total contributions received are approximately \$2 million and are recorded as permanently restricted net assets.

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

**Notes to the Consolidated Financial Statements**

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*Return Objectives and Risk Parameters*

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

**3. Clinic Fees Receivable**

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

<i>June 30,</i>	2018	2017
Clinic fees receivable	\$ 6,018,295	\$ 6,030,388
Less: allowance for uncollectible clinic fees receivable	(51,536)	(62,020)
	<b>\$ 5,966,759</b>	<b>\$ 5,968,368</b>

**4. Pledges Receivable**

Pledges receivable, are as follows:

<i>June 30,</i>	2018	2017
Pledges receivable	\$ 3,766,379	\$ 4,388,677
Less: unamortized discount	(236,623)	(119,073)
Less: allowance for uncollectible pledges	(172,680)	(122,265)
Net pledges receivable	<b>\$ 3,357,076</b>	<b>\$ 4,147,339</b>

Gross pledges receivable are due as follows:

<i>June 30,</i>	2018	2017
Less than one year	\$ 2,553,592	\$ 2,298,221
One to five years	712,787	1,590,456
More than five years	500,000	500,000
Net contributions receivable pledges	<b>\$ 3,766,379</b>	<b>\$ 4,388,677</b>

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

**Notes to the Consolidated Financial Statements**

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In May 2014, the Center publicly announced a \$25,000,000 Capital Campaign (“Campaign”) to acquire, develop and construct a new site for Center services and housing for LGBTQ seniors and youth, the Center’s administrative headquarters and retail space on property adjacent to the Center’s Village at Ed Gould Plaza. This new site was named the Anita May Rosenstein Campus. Early gifts to the Campaign exceeded expectations, and in 2016, the Center’s Board of Directors increased the goal to \$40,000,000 in two phases: \$25,000,000 in Phase 1 and \$15,000,000 in Phase 2. In the subsequent two years, construction costs in Los Angeles dramatically escalated and millions of dollars in unexpected fees were imposed on the project by local and state government for improvements such as upgrading the area’s power grid and a bike-lane on the portion of Santa Monica Boulevard fronting the campus. In response, a new milestone was set for the Campaign to exceed \$50,000,000.

During the year ended June 30, 2018, total cash collected related to the Capital Campaign was \$29,267,312. For the year ended June 30, 2018, the Center recognized \$8,515,778 as revenue, including an unamortized discount of \$122,383. At June 30, 2018, the Center had unconditional or irrevocable pledges due in more than one year of \$1,000,000 related to the Campaign, included in the revenue recognized. At June 30, 2018, the Center had signed Statements of Intent in the amount of \$14,478,297 related to the Campaign, which shall not be recognized as revenue until received or conditions are satisfied. During the year ended June 30, 2017, total cash collected related to the Capital Campaign was \$20,029,152. For the year ended June 30, 2017, the Center recognized \$8,149,204 as revenue, including an unamortized discount of \$31,969. At June 30, 2017, the Center had unconditional or irrevocable pledges due in more than one year of \$1,700,000 related to the Campaign, included in the revenue recognized. At June 30, 2017, the Center had signed Statements of Intent in the amount of \$15,366,480 related to the 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, 2018 and 2017, were \$3,185,737 and \$3,042,619, 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, 2018 and 2017. Subsequent changes in the value of the underlying assets are recorded in the accompanying Consolidated Statements of Activities and Changes in Net Assets as a component of non-operating income/gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is temporarily restricted for youth-oriented programs. Total income distribution for the years ended June 30, 2018 and 2017 was \$152,484 and \$156,315, 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, 2018 and 2017.

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

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

**Notes to the Consolidated Financial Statements**

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On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2018 and 2017. This amount is classified as temporarily restricted net assets. At June 30, 2018 and 2017, the charitable remainder trust was adjusted to its estimated fair value of \$1,275,761 and \$1,156,520, 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, 2018, 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, 2018 and 2017 were \$2,261,156 and \$2,112,235, 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, which is an unconsolidated related party.

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

Notes receivable at June 30, 2018 and 2017, are as follows:

<i>June 30,</i>	2018	2017
AMR Campus Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through June 15, 2024, and then principal and interest payments of \$462,839 are due quarterly through maturity in June 23, 2041.	\$ 28,910,100	\$ 28,910,100

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

**Notes to the Consolidated Financial Statements**

**7. Contracts and Grants Receivable**

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

<i>June 30,</i>	2018	2017
Alliance for Housing and Healing	\$ 54,967	\$ -
California Office of Aids	398,665	96,787
California Office of Emergency Services	129,252	105,123
Children's Hospital Los Angeles	8,820	13,111
City of Los Angeles	34,205	35,098
City of West Hollywood	8,264	26,443
Duke	-	1,800
Legal Aid Foundation of Los Angeles	3,000	4,321
Los Angeles County Department of HIV and STD Programs	1,801,419	1,233,608
Los Angeles County Department of Mental Health	579,123	198,591
Los Angeles County Department of Probation	5,000	81,365
Los Angeles Homeless Services Authority	1,087,940	200,198
Mid-Atlantic Network of Youth & Family Services	7,154	-
Social & Scientific Systems, Inc.	12,660	39,253
The People Concern OPCC & LAMP Community United	94,546	-
The University of Pittsburgh	6,400	7,557
United Way of Greater Los Angeles	21,351	-
University of California, Los Angeles	338,797	226,433
US Department of Health & Human Services	442,246	415,086
US Department of Housing & Urban Development	-	170,863
US Department of Justice	44,795	62,543
US Department of State	211,444	250,992
Allowance for Contracts and Grants Receivable	(76,127)	(72,799)
<b>Net Contract and Grant Receivables</b>	<b>\$ 5,213,921</b>	<b>\$ 3,096,373</b>



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

**Notes to the Consolidated Financial Statements**

**8. Investments**

Investments consist of the following:

<i>June 30,</i>	2018	2017
Mutual funds	\$ 3,185,611	\$ 2,764,130
Equity securities and structured equity products	5,918,146	5,380,914
Fixed income securities	5,069,275	5,385,304
Non-traditional securities	2,311,996	2,185,910
	<b>\$ 16,485,028</b>	<b>\$ 15,716,258</b>

Investment income consists of the following:

<i>Years ended June 30,</i>	2018	2017
Dividend income	\$ 564,387	\$ 392,683
Interest income	45,820	689,197
<b>Total investment income</b>	<b>610,207</b>	<b>1,081,880</b>
Gross realized losses from sale of securities	(51,087)	(496,980)
Gross realized gains from sale of securities	309,972	642,867
Gross unrealized losses on fixed income securities	(266,424)	(12,174)
Gross unrealized gains on fixed income securities	160,804	217,616
Gross unrealized losses on equity securities	(540,313)	(40,001)
Gross unrealized gains on equity securities	971,918	475,657
Gross unrealized losses on non-traditional securities	(210,494)	(65,849)
Gross unrealized gains on non-traditional securities	72,887	220,888
Gross unrealized losses on mutual funds	(112)	(35,535)
Gross unrealized gains on mutual funds	158	35,378
Investments charges	(98,003)	(127,227)
<b>Total realized and unrealized gains, net</b>	<b>349,306</b>	<b>814,640</b>
<b>Net investment income</b>	<b>\$ 959,513</b>	<b>\$ 1,896,520</b>

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

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

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

**Notes to the Consolidated Financial Statements**

**9. Fair Value Measurements**

The following tables summarize the Center's fair value measurements by level at June 30, 2018 and 2017 for the assets and liabilities measured at fair value on a recurring basis:

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

<i>June 30, 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 2,764,130	\$ -	\$ -	\$ 2,764,130
Equity securities and structured equity products	4,970,114	410,800	-	5,380,914
Fixed income securities	5,385,304	-	-	5,385,304
Non-traditional securities	2,066,214	-	119,696	2,185,910
Contributions receivable, held in trust	3,042,619	-	-	3,042,619
Beneficial interests in trusts	-	-	2,112,235	2,112,235
<b>Total assets at fair value</b>	<b>\$ 18,228,381</b>	<b>\$ 410,800</b>	<b>\$ 2,231,931</b>	<b>\$ 20,871,112</b>
<b>Annuities payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,091,408</b>	<b>\$ 1,091,408</b>

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

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

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

**Notes to the Consolidated Financial Statements**

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

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

The following table summarizes the Center's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017:

<i>June 30,</i>	2018	2017
<b>Beginning balance</b>	<b>\$ 2,231,931</b>	<b>\$ 1,947,300</b>
Purchase of non-traditional securities	123,204	74,696
Total net gains included in change in net assets (realized/unrealized)	148,920	209,935
<b>Ending balance</b>	<b>\$ 2,504,055</b>	<b>\$ 2,231,931</b>

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, 2018 and 2017:

<i>June 30,</i>	2018	2017
<b>Beginning balance</b>	<b>\$ 1,091,408</b>	<b>\$ 1,071,685</b>
Change in value of split interest agreements	149,179	130,281
Receipts	37,037	70,957
Payments	(189,969)	(181,515)
<b>Ending balance</b>	<b>\$ 1,087,655</b>	<b>\$ 1,091,408</b>

There were no changes in the valuation methodologies.

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

**Notes to the Consolidated Financial Statements**

**10. Property and Equipment**

Property and equipment consists of the following:

<i>June 30,</i>	2018	2017
Land	\$ 3,550,247	\$ 3,550,247
Buildings and improvements	13,356,600	13,339,010
Leasehold improvements	2,114,109	2,091,469
Furniture, fixtures and equipment	2,268,288	2,235,250
Computers and software	1,138,047	881,965
Construction in progress	33,641	131,314
<b>Total Center property and equipment</b>	<b>22,460,932</b>	<b>22,229,255</b>
Less: accumulated depreciation and amortization, including \$87,762 and \$96,417 accumulated depreciation for equipment acquired under capital leases at June 30, 2018 and 2017, respectively.	13,772,648	12,632,830
<b>Total Center property and equipment, net of depreciation and amortization</b>	<b>8,688,284</b>	<b>9,596,425</b>
AMR Campus - Land	15,478,253	15,434,557
AMR Campus - Construction in progress	38,202,324	4,789,573
<b>Total AMR Campus property and equipment</b>	<b>53,680,577</b>	<b>20,224,130</b>
<b>Total consolidated property and equipment, net of depreciation and amortization</b>	<b>\$ 62,368,861</b>	<b>\$ 29,820,555</b>

For the years ended June 30, 2018 and 2017, the value of the assets under capital lease obligations were \$395,299 and \$376,621, respectively.

Depreciation and amortization expense was \$1,139,819 and \$1,066,492 for the years ended June 30, 2018 and 2017, respectively. The Center did not dispose of any assets for the years ended June 30, 2018 and 2017.

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

**Notes to the Consolidated Financial Statements**

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**11. Lines 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, 2018 and 2017, the Center was in compliance with all covenants. There were no outstanding balances under the LOCs as of June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, 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, 2018 and 2017. There were no outstanding balances under the LOCs as of December 27, 2018.

**12. Term Loan/Revenue Bond**

On June 20, 2017, the Center executed a new Term Loan/Revenue Bond ("Bond") for \$19,100,000 with Wells Fargo Bank issued by California Enterprise Development Authority ("CDE") with a maturity date of June 20, 2047. The Bond is collateralized by a 1st Deed of Trust/Mortgage on the properties located at 1119-1125 N McCadden Place, Los Angeles, CA 90038 and 1625 N Schrader Boulevard, Los Angeles, CA 90028 at an Index Floating Rate Mode whereby the interest rate on the Bond will be reset monthly at 67% of One Month LIBOR plus an applicable spread of 1.51%. There is an unused drawdown fee of 0.10% that is assessed on a quarterly basis. The Bond requires the Center to meet certain covenants. As of June 30, 2018 and 2017, the Center was in compliance with all covenants. During the years ending June 30, 2018 and 2017, the Center did not draw on the Bond and therefore, did not incur any interest expense related to the Bond, other than the unused drawdown fee, which was immaterial as of June 30, 2018 and 2017. There was no outstanding balance under the Bond as of June 30, 2018 and 2017. There was no outstanding balance under the Bond as of December 27, 2018.

**13. Bridge Loan Note**

On June 20, 2017, the Center executed a new Bridge Loan Note ("Bridge Note") for \$10,000,000 with Wells Fargo Bank with a maturity date of June 20, 2019. The Bridge Note is collateralized by any eligible investments and marketable securities held with Morgan Stanley at a fluctuating rate of (i) Prime plus 0% or (ii) One Month LIBOR plus .80% subject to a floor of 0%. During the years ending June 30, 2018 and 2017, the Center did not draw on the Bridge Note and therefore, did not incur any interest expense related to the Bridge Note. There was no outstanding balance under the Bridge Note as of June 30, 2018 and 2017. There was no outstanding balance under the Bridge Note as of December 27, 2018.

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

**Notes to the Consolidated Financial Statements**

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**14. Debt**

Notes payable and capital lease obligations are summarized as follows:

<u>June 30,</u>	<u>2018</u>	<u>2017</u>
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
Note payable A-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	10,210,500	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 converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	4,489,500	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 converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	6,807,000	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 converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	2,993,000	2,993,000

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

**Notes to the Consolidated Financial Statements**

<i>June 30,</i>	2018	2017
<i>(continued)</i>		
Note payable A-3 to LADF XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	6,607,000	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 converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	3,393,000	3,393,000
Note payable A-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	5,285,600	5,285,600
Note payable B-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21.	2,474,400	2,474,400
Capital lease obligation, expiring February 8, 2023. Payable in variable monthly principal and interest payments of \$13,699.	180,300	316,679
Total debt	42,440,300	42,683,887
Less: cost of issuance	(1,338,636)	(1,366,480)
Less: current portion of long-term debt	(144,106)	(261,102)
Long-term debt, net of current portion	\$ 40,957,558	\$ 41,056,305

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

**Notes to the Consolidated Financial Statements**

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

<i>Years ending June 30,</i>	Capital Leases	NMTC Notes Payable	Total
2019	\$ 144,106	\$ -	\$ 144,106
2020	25,163	-	25,163
2021	3,870	-	3,870
2022	4,361	-	4,361
2023	2,800	-	2,800
Thereafter	-	42,260,000	42,260,000
	<b>\$ 180,300</b>	<b>\$ 42,260,000</b>	<b>\$ 42,440,300</b>

Interest expense related to long-term debt was \$334,469 and \$30,679 for the years ended June 30, 2018 and 2017, respectively.

### 15. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

<i>June 30,</i>	2018	2017
Accrued payroll and other employee expenses	\$ 5,280,153	\$ 4,683,341
Medi-Cal refund reserve	579,550	350,435
340B pharmaceutical reserve	460,979	538,521
Retreatment vaccine reserve	360,391	-
Accrued expenses	319,913	284,392
Due to grantors	260,025	220,122
Pharmacy Medi-Cal insurance payable	137,341	-
Other liabilities	118,697	106,914
Total accrued expenses and other liabilities	<b>\$ 7,517,049</b>	<b>\$ 6,183,725</b>

#### *Medi-Cal Refund Reserve*

As a Federally Qualified Health Center (FQHC), the Center files an annual reconciliation report with the State of California Medi-Cal program. The Center determined that a reserve should be established for payback requests once the reconciliation reports have been audited by the State. As of June 30, 2018, \$204,714 was established for payable amounts from reconciliation reports for fiscal years 2015 through 2017, and an additional amount of \$374,836 was established for the reconciliation report for fiscal year 2018. The total reserve amount is \$579,550.



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

**Notes to the Consolidated Financial Statements**

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***340B Pharmaceutical Reserve***

The Center determined that from October 2014 through September 2015 some pharmaceutical drugs were incorrectly replenished using the 340B Drug Pricing Program. The Center estimated the refund to drug manufacturers to be \$404,101 through June 30, 2015 and established a reserve in that amount. An additional reserve amount of \$170,092 was estimated for replenishment activity from July 2015 through September 2015. The total reserve amount was \$574,193. As of June 30, 2018, the Center has reimbursed 13 pharmaceutical manufacturers in the amount of \$113,214. The remaining balance of \$460,979 is in the reserve account for future reimbursement requests.

***Retreatment Vaccine Reserve***

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

***Pharmacy Medi-Cal Insurance Payable***

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

**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, 2018, are presented in Note 14.

Aggregate maturities required on capital lease obligations are as follows:

<i>Years ended June 30,</i>	<i>Amount</i>
2019	\$ 150,185
2020	26,897
2021	4,985
2022	4,985
2023	2,913
Less: portion representing interest	(9,665)
<b>Total</b>	<b>\$ 180,300</b>

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

**Notes to the Consolidated Financial Statements**

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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. 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 1<sup>st</sup> 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 an 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, 2018, the estimated future minimum rental payments under these leases are as follows:

<i>Years ending June 30,</i>	<i>Amount</i>
2019	\$ 1,234,377
2020	400,342
2021	116,086
2022	62,256
<b>Total</b>	<b>\$ 1,813,061</b>

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

**Notes to the Consolidated Financial Statements**

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Rent expense is as follows:

<i>Years ending June 30,</i>	2018	2017
Rent expense	\$ 1,238,340	\$ 1,105,078
Sublease rental income	(52,116)	(79,113)
Rent expense, net	<b>\$ 1,186,224</b>	<b>\$ 1,025,965</b>

***Employment Agreements***

The Center entered into an employment agreement with the Chief Executive Officer (“CEO”) effective June 16, 2012 for a term of ten years. The agreement provides for an annual base salary, various benefits and a possible annual performance bonus. This followed three successive agreements, two two-year and one five-year, under which the CEO accrued an entitlement to severance. The current agreement also includes a severance provision in the event that the CEO is terminated with or without cause. If the CEO is terminated with cause on or after June 16, 2015, she accrues an additional severance entitlement. If the CEO is terminated without cause, the Center is required to pay all salary and benefits due under the terms of the agreement, including severance. The current agreement also has a provision which the CEO may resign and will receive the severance entitlement through the date of resignation. However, the CEO must mitigate these liabilities by promptly seeking new employment. In the event that the salary of said new employment is less than the salary under the terms of the current agreement, the Center must pay the CEO the difference. The Center also entered into a severance agreement with an employee which provides for certain severance payments upon resignation or termination without cause any time after July 1, 2017. The payments range between four months to one year at the current salary depending on the date of resignation or termination. As of June 30, 2018 and 2017, the Center has accrued \$589,928 and \$495,921 related to these agreements.

***Litigation***

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

***Government Regulations***

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

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

**Notes to the Consolidated Financial Statements**

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**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, 2018 and 2017.

*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, 2018 and 2017, the Center holds assets totaling \$1,164,925 and \$1,029,883, 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*

	2018	2017
Undesignated	\$ 97,486,980	\$ 79,966,266
Unrestricted net assets	\$ 97,486,980	\$ 79,966,266

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are subject to the following restrictions at June 30, 2018 and 2017:

	2018	2017
<b>Purpose restrictions</b>		
Development of Anita May Rosenstein Campus	\$ 2,200,000	\$ 2,800,000
Health and HIV Prevention Services	457,385	524,374
Policy	31,100	71,000
Youth, Seniors and Women's Services	167,275	86,793
<b>Time restrictions</b>		
Charitable remainder trusts	2,123,859	1,977,666
For periods after June 30, 2018 and 2017 - general operations	352,135	547,280
Temporarily restricted net assets	\$ 5,331,754	\$ 6,007,113

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

**Notes to the Consolidated Financial Statements**

---

Net assets of \$1,829,447 and \$9,562,470 were released from donor and time restrictions in 2018 and 2017, respectively, by incurring expenses related to specific programs that satisfied the restricted purposes.

*Permanently Restricted Net Assets*

At June 30, 2018 and 2017, permanently restricted net assets of \$5,425,172 and \$5,279,327, 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 \$3,469,409 and \$3,179,927 of joint costs for the years ended June 30, 2018 and 2017, respectively, which are not specifically attributable to components of the activities (joint costs).

These joint costs were allocated as follows:

<i>Years ended June 30,</i>	<b>2018</b>	<b>2017</b>
Fundraising	\$ 2,862,399	\$ 2,504,451
Health/Education/Prevention Program	607,010	675,476
<b>Total</b>	<b>\$ 3,469,409</b>	<b>\$ 3,179,927</b>

**20. Anita May Rosenstein Campus**

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

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

**Notes to the Consolidated Financial Statements**

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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 guarantees 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, on April 15, 2017, an Agreement of Limited Partnership of McCadden Plaza TAY Housing LP (“TAY LP”), a California limited partnership, was executed by an affiliate of TSA LLC. Neither the Center nor any of its affiliates were party to that agreement. On November 14, 2017, the Partners executed an Amended and Restated Agreement of Limited Partnership of McCadden Plaza TAY Housing LP (“Amended TAY LPA”) to acquire real property located at 1119 North McCadden Place (“West Property”), which is currently owned by the Center, and develop up to 26 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 intended for the East Property to be subdivided into legal parcels pursuant to an air-rights subdivision (“Subdivision”), which subsequently occurred on February 21, 2018.

To finance the East Property acquisition, the Partnership executed a Secured Promissory Note (“NGF 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 NGF 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, an additional principal payment of \$2,700,000 on October 1, 2017 with the remaining balance due no later than February 20, 2018, which the Center agreed to guarantee in exchange for the transfer of the land to a Center affiliate AMR Campus QALICB, Inc. (“AMR QALICB”), described more fully below.

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

**Notes to the Consolidated Financial Statements**

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The principal and interest outstanding as of June 30, 2018 and 2017, was \$0 and \$5,118,760, 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 on 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 NGF 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. 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 owns and is primarily responsible for the management and supervision of the construction of the Center Component through an affiliate AMR QALICB. 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 and parking, 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, 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.

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

**Notes to the Consolidated Financial Statements**

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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.

To the extent the Partnership or TAY LP 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 Center LLC had a receivable due from the Partnership and TAY LP in the amount of \$1,980,956 as of June 30, 2017. Additionally, the Center recorded a payable due to the Partnership of \$5,903,227 for the transfer of the land and associated costs to AMR QALICB, and the Partnership recorded a receivable in the same amount. For reporting purposes, the Center netted the \$5,903,227 payable to the Partnership against the \$1,980,956 receivable from the Partnership and TAY LP. The net payable to affiliates at June 30, 2017 of \$3,922,271 is reflected on the Consolidated Statements of Financial Position.

As of June 30, 2018, the Center has a receivable of \$8,045,992 due from the Partnership and TAY LP, primarily due to the advancement of funds to cover soft costs incurred during construction, as well as paying off the NGF loan early in August 2017. The Center also still has a payable due to the Partnership in the amount of \$5,903,227. For reporting purposes, the receivable from and payable to the Partnership and TAY LP were netted against each other in the Center's financials and resulted in an aggregate receivable in the amount of \$2,142,765 at June 30, 2018.

AMR QALICB had \$15,478,253 and \$15,434,557 recorded as land and land development as of June 30, 2018 and 2017, respectively. 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 during 2017. In 2018, capitalized interest of \$43,696 related to the land acquisition was donated as well.

As of June 30, 2018, AMR QALICB had \$38,202,324 recorded as construction in progress related to the Project. AMR QALICB incurred \$28,850,657, and the Center donated \$4,581,922 on behalf of the Senior and Youth Components during fiscal year 2018. As of June 30, 2017, AMR QALICB had \$4,789,573 recorded as construction in progress related to the Project. AMR QALICB incurred \$4,075,056 and the Center donated \$714,517 of pre-development costs on behalf of AMR QALICB. See Note 10.

As of June 30, 2017, AMR QALICB has a payable to the Center for \$781,612 related to Soft Costs and transaction costs 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 are eliminated in the Consolidating Statement of Financial Position.

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



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

**Notes to the Consolidated Financial Statements**

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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. As of June 30, 2018, the Contract was increased to \$60,078,816 through a series of change orders. As of November 30, 2018, the Contract was increased to \$62,346,950 through a series of change orders and, in addition, approximately \$2,000,000 in unapproved change orders were under review related to upgrading the area's power grid, installing a bike lane on Santa Monica Boulevard, design changes and de-watering costs.

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.

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

AMR QALICB executed Amended and Restated Agreement of Purchase and Sale and Joint Escrow Instructions with TAY LP to sell 12 parking stalls for the Youth Component in an amount equal to \$850,594 on August 30, 2018 and \$160,263 for shared improvements (the prices may be adjusted for reasonably unforeseen cost increases actually incurred, up to ten percent of the original price).

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

On December 19, 2018, the Partners executed agreements, including an Amended and Restated Agreement of Limited Partnership, to build 98 units for the Senior Component of the project on the East Property. As part of the transaction, the LP bought the air space parcel for \$4,930,158, plus associated land acquisition costs for a total of \$5,903,227. In addition, an Amended and Restated Agreement of Purchase and Sale and Joint Escrow Instructions with the LP to sell 84 parking stalls for the Senior Component in an amount equal to \$4,663,982 and \$1,835,742 for shared site improvements was negotiated (the prices may be adjusted for reasonably unforeseen cost increases actually incurred, up to ten percent of the original price).

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

**Notes to the Consolidated Financial Statements**

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The Center is using the equity method of accounting for the Partnership and TAY LP at this time since the partnership agreements do not give the Center a controlling interest of the partnerships. Through June 30, 2018 and 2017, no income or expense has been recognized by the Center as all costs incurred by the Partnership and TAY LP are related to development of the project and have been capitalized. At June 30, 2018, the Partnership and TAY LP had approximately \$9,915,000 (unaudited) in assets consisting of the \$5,903,000 receivable from the Center for the transfer of the East Property and related costs to AMR QALICB with the remaining amount of capitalized development costs and approximately \$9,915,000 (unaudited) in liabilities. At June 30, 2017, the Partnership and TAY LP had approximately \$7,900,000 (unaudited) in assets consisting of \$5,903,000 (unaudited) related to a receivable from the Center for the transfer of the East Property and related transaction costs to AMR QALICB with the remaining amount of capitalized development costs and approximately \$7,900,000 (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.

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

**Notes to the Consolidated Financial Statements**

*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:

	2018	2017
1. QLICI Loan A1 (NMCC)	\$ 10,210,500	\$ 10,210,500
2. QLICI Loan B1 (NMCC)	4,489,500	4,489,500
3. QLICI Loan A2 (GLA)	6,807,000	6,807,000
4. QLICI Loan B2 (GLA)	2,993,000	2,993,000
5. QLICI Loan A3 (LADF)	6,607,000	6,607,000
6. QLICI Loan B3 (LADF)	3,393,000	3,393,000
7. QLICI Loan A4 (LIIF)	5,285,600	5,285,600
8. QLICI Loan B4 (LIIF)	2,474,400	2,474,400
<b>Total</b>	<b>\$ 42,260,000</b>	<b>\$ 42,260,000</b>

The QLICI Loans bear interest at a fixed rate equal to 1.33% and mature on June 23, 2047. The QLICI Loans are recorded in the Center’s Consolidated Statements of Financial Position. The QLICI Loans are secured by a mortgage on 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 QALICB. The term of the lease is for 30 years from the date of the NMTC transaction with provisions to cancel it when the put/call agreements are exercised on the seventh-year anniversary as discussed below. Rent 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.

In addition, the Center entered into a Completion Guaranty to and for the benefit of NMCC, GLA, LIIF and LADF with respect to the acquisition, construction, and development and completion of the Center Component and parking of the Anita May Rosenstein Campus.

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.

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

**Notes to the Consolidated Financial Statements**

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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 and administrative and back-office services for GLEH-LA.

GLEH merged with and into GLEH-LA on November 12, 2014, and the Center executed a Master Services Agreement (“MSA”) through December 31, 2016 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 \$642,053 and \$441,925 for the years ended June 30, 2018 and 2017, 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.

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

**Notes to the Consolidated Financial Statements**

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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 unit gross rent, among other requirements. The GLEH Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

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

Due to the lack of marketability of the Note, the 2051 maturity date and the regulated use of the GLEH Project, management has determined the Center does not have sufficient evidential matter to determine the fair market value of the Note and has assigned no value to the Note as of June 30, 2018 and 2017.

### **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, 2018, which is the date the consolidated financial statements were available to be issued. There were no events that require adjustments to or disclosures in the Center's consolidated financial statements for the year ended June 30, 2018, except as described below.

Other than the agreements executed to build 26 units for the Youth Component of the Project on September 21, 2018 and to build 98 units for the Senior Component of the Project on December 19, 2018, which are discussed in Footnote 20, 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 Supplemental Material

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

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

*BDO USA, LLP*

December 27, 2018

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

**Consolidating Statement of Financial Position**

<i>June 30, 2018</i>	Los Angeles LGBT Center	AMR Campus QALICB, Inc.	Elimination Entries	Consolidated Financials
<b>Current assets</b>				
Cash and cash equivalents	\$ 20,788,025	\$ -	\$ -	\$ 20,788,025
Restricted cash AMR Campus construction	-	16,056,545	-	16,056,545
Restricted cash NMTC CDE's fee reserve	-	2,155,633	-	2,155,633
Accounts and other receivables	121,700	-	-	121,700
Receivable from affiliates	2,486,283	808,589	(1,152,107)	2,142,765
Clinic fees receivable, net	5,966,759	-	-	5,966,759
Contracts and grants receivable, net	5,213,921	-	-	5,213,921
Pledges receivable, net	2,380,912	-	-	2,380,912
Short-term investments	14,807,916	-	-	14,807,916
Inventories	881,973	-	-	881,973
<b>Total current assets</b>	<b>52,647,489</b>	<b>19,020,767</b>	<b>(1,152,107)</b>	<b>70,516,149</b>
<b>Noncurrent assets</b>				
Contributions receivable - held in trust	3,185,737	-	-	3,185,737
Beneficial interests in trusts	2,261,156	-	-	2,261,156
Leverage loan receivables	28,910,100	-	-	28,910,100
Pledges receivable, net	976,164	-	-	976,164
Long-term investments	1,677,112	-	-	1,677,112
Property and equipment, net	8,688,284	53,680,577	-	62,368,861
Other assets	2,471,625	-	-	2,471,625
<b>Total noncurrent assets</b>	<b>48,170,178</b>	<b>53,680,577</b>	<b>-</b>	<b>101,850,755</b>
<b>Total assets</b>	<b>\$ 100,817,667</b>	<b>\$ 72,701,344</b>	<b>\$ (1,152,107)</b>	<b>\$ 172,366,904</b>
<b>Current liabilities</b>				
Accounts payable	\$ 3,915,884	\$ 6,326,962	\$ -	\$ 10,242,846
Accrued expenses and other liabilities	7,517,049	-	-	7,517,049
Payable to affiliates	808,589	343,518	(1,152,107)	-
Retainage	-	2,779,641	-	2,779,641
Unearned revenue	1,394,143	-	-	1,394,143
Interest payable	-	-	-	-
Current portion of annuities payable	196,433	-	-	196,433
Current portion of long-term debt	144,106	-	-	144,106
<b>Total current liabilities</b>	<b>13,976,204</b>	<b>9,450,121</b>	<b>(1,152,107)</b>	<b>22,274,218</b>
<b>Noncurrent liabilities</b>				
Annuities payable, net of current portion	891,222	-	-	891,222
Long-term debt, net of current portion	36,194	40,921,364	-	40,957,558
<b>Total noncurrent liabilities</b>	<b>927,416</b>	<b>40,921,364</b>	<b>-</b>	<b>41,848,780</b>
<b>Total liabilities</b>	<b>14,903,620</b>	<b>50,371,485</b>	<b>(1,152,107)</b>	<b>64,122,998</b>
<b>Commitments and contingencies (Note 16)</b>				
<b>Net assets</b>				
Unrestricted	75,157,121	22,329,859	-	97,486,980
Temporarily restricted	5,331,754	-	-	5,331,754
Permanently restricted	5,425,172	-	-	5,425,172
<b>Total net assets</b>	<b>85,914,047</b>	<b>22,329,859</b>	<b>-</b>	<b>108,243,906</b>
<b>Total liabilities and net assets</b>	<b>\$ 100,817,667</b>	<b>\$ 72,701,344</b>	<b>\$ (1,152,107)</b>	<b>\$ 172,366,904</b>



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

**Consolidating Statement of Activities and Changes in Net Assets**

<i>Year ended June 30, 2018</i>	Los Angeles LGBT Center	AMR Campus QALICB, Inc.	Elimination Entries	Consolidated Financials
<b>Public support and other revenue</b>				
Public support:				
Special events revenue:				
Gross receipts	\$ 8,700,281	\$ -	\$ -	\$ 8,700,281
Less costs of direct benefits to donors	(176,376)	-	-	(176,376)
Net special events revenue	8,523,905			8,523,905
Program fees	80,082,288	-	-	80,082,288
Grants	17,378,733	-	-	17,378,733
Contributions	5,508,420	-	-	5,508,420
Contributions - Capital Campaign	8,515,778	-	-	8,515,778
Contributed goods and services	832,108	-	-	832,108
Other operating revenue	805,636	-	-	805,636
<b>Total public support and other revenue</b>	<b>121,646,868</b>	<b>-</b>	<b>-</b>	<b>121,646,868</b>
Satisfaction of program restrictions	-	-	-	-
<b>Total public support and other revenue and net assets released from restrictions</b>	<b>121,646,868</b>	<b>-</b>	<b>-</b>	<b>121,646,868</b>
<b>Operating expenses</b>				
Program services	97,919,787	-	-	97,919,787
Supporting services:				
General and administrative	848,075	-	-	848,075
Fund-raising	7,290,235	-	-	7,290,235
<b>Total supporting services</b>	<b>8,138,310</b>	<b>-</b>	<b>-</b>	<b>8,138,310</b>
<b>Total operating expenses</b>	<b>106,058,097</b>	<b>-</b>	<b>-</b>	<b>106,058,097</b>
Change in net assets before non-operating income/gains (losses) and other revenue	15,588,771	-	-	15,588,771
<b>Non-operating income/gains (losses) and other revenue</b>				
Interest and dividend income	610,207	-	-	610,207
Realized and unrealized gains on investments, net	349,306	-	-	349,306
Unrealized gains on trusts held by third parties	292,037	-	-	292,037
Change in value of split-interest agreements	(149,179)	-	-	(149,179)
Other nonoperating revenue	300,058	-	-	300,058
Donation of construction in progress	(6,416,167)	6,416,167	-	-
<b>Total non-operating income/gains (losses) and other revenue</b>	<b>(5,013,738)</b>	<b>6,416,167</b>	<b>-</b>	<b>1,402,429</b>
<b>Change in net assets</b>	<b>10,575,033</b>	<b>6,416,167</b>	<b>-</b>	<b>16,991,200</b>
<b>Net assets, beginning of year</b>	<b>75,339,014</b>	<b>15,913,692</b>	<b>-</b>	<b>91,252,706</b>
<b>Net assets, end of year</b>	<b>\$ 85,914,047</b>	<b>\$ 22,329,859</b>	<b>\$ -</b>	<b>\$ 108,243,906</b>