Los Angeles LGBT Center
(a nonprofit California corporation)

Financial Statements
Years Ended June 30, 2014 and 2013

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Contents

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Description of Organization

For over 40 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.

Today the Center is an $85 million organization with nearly 440 employees and approximately 3,000 active volunteers. Its wide array of services includes: free HIV/AIDS healthcare and medications for those most in need; housing, food, clothing and support for homeless LGBT youth; low-cost counseling and addiction-recovery services; essential services for LGBT seniors and parents; legal services; health education and HIV prevention programs; cultural arts programs; and more.

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

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

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

Independent Auditor's Report

Board of Directors
Los Angeles LGBT Center
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles LGBT Center (the "Center"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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4th Floor
Los Angeles, CA 90067

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles LGBT Center as of June 30, 2014 and 2013, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 30, 2014

Financial Statements

Los Angeles LGBT Center
(a nonprofit California corporation)

Statements of Financial Position

June 30,	**2014**	2013
Current assets		
Cash and cash equivalents	**$ 32,907,882**	$ 24,639,168
Accounts and other receivables	**1,632,798**	5,862
Receivable from affiliate	**7,127,000**	-
Clinic fees receivable, net	**5,442,129**	3,339,154
Contracts and grants receivable, net	**2,684,575**	3,797,712
Pledges receivable, net	**1,665,072**	1,275,295
Short-term investments	**9,570,461**	5,262,739
Inventories	**624,270**	406,818
Total current assets	**61,654,187**	38,726,748
Noncurrent assets		
Contributions receivable – held in trust	**3,023,800**	2,790,109
Beneficial interests in trusts	**2,547,264**	2,574,749
Pledges receivable, net	**1,151,175**	389,096
Long-term investments	**3,804,088**	425,416
Property and equipment, net	**11,289,496**	11,362,448
Other assets	**1,587,412**	1,253,966
Total noncurrent assets	**23,403,235**	18,795,784
Total assets	**$ 85,057,422**	$ 57,522,532
Current liabilities		
Accounts payable	**$ 3,622,189**	$ 2,300,468
Accrued expenses and other liabilities	**11,963,823**	5,670,428
Unearned revenue	**742,398**	1,131,473
Current portion of annuities payable	**150,558**	170,553
Current portion of long-term debt	**7,308,561**	330,769
Total current liabilities	**23,787,529**	9,603,691
Noncurrent liabilities		
Annuities payable, net of current portion	**907,569**	970,542
Long-term debt, net of current portion	**2,318,013**	2,327,008
Total noncurrent liabilities	**3,225,582**	3,297,550
Total liabilities	**27,013,111**	12,901,241
Commitments and Contingencies		
Net assets		
Unrestricted	**46,544,923**	36,541,448
Temporarily restricted	**6,650,268**	3,714,409
Permanently restricted	**4,849,120**	4,365,434
Total net assets	**58,044,311**	44,621,291
Total liabilities and net assets	**$ 85,057,422**	$ 57,522,532

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

Los Angeles LGBT Center
(a nonprofit California corporation)

Statements of Activities and Changes in Net Assets

Year ended June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	$ 7,534,841	$ 431,059	$ -	$ 7,965,900
Less costs of direct benefits to donors	(191,575)	-	-	(191,575)
Net special events revenue	7,343,266	431,059	-	7,774,325
Program fees	49,327,941	-	-	49,327,941
Grants	15,314,619	-	-	15,314,619
Contributions	3,499,389	1,381,840	-	4,881,229
Contributions - Capital Campaign	2,505,368	3,039,656	-	5,545,024
Contributed goods and services	898,569	-	-	898,569
Other operating revenue	158,304	-	-	158,304
Total public support and other revenue	79,047,456	4,852,555	-	83,900,011
Satisfaction of program restrictions	2,016,610	(2,016,610)	-	-
Total public support and other revenue and net assets released from restrictions	81,064,066	2,835,945	-	83,900,011
Operating expenses				
Program services	65,799,067	-	-	65,799,067
Supporting services:				
General and administrative	472,806	-	-	472,806
Fund-raising	5,529,246	-	-	5,529,246
Total supporting services	6,002,052	-	-	6,002,052
Total operating expenses	71,801,119	-	-	71,801,119
Change in net assets before non-operating gains and other revenue	9,262,947	2,835,945	-	12,098,892
Non-operating gains (losses) and other revenue				
Interest and dividend income	349,579	-	-	349,579
Realized and unrealized loss on investments, net	390,949	-	-	390,949
Unrealized gain on perpetual trust held by a third party	-	112,298	483,686	595,984
Change in value of split-interest agreements	-	(12,384)	-	(12,384)
Total non-operating gains and other revenue	740,528	99,914	483,686	1,324,128
Change in net assets	10,003,475	2,935,859	483,686	13,423,020
Net assets, beginning of year	36,541,448	3,714,409	4,365,434	44,621,291
Net assets, end of year	$ 46,544,923	$ 6,650,268	$ 4,849,120	$ 58,044,311

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

Year ended June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	$ 8,287,568	$ 476,065	$ -	$ 8,763,633
Less costs of direct benefits to donors	(250,939)	-	-	(250,939)
Net special events revenue	8,036,629	476,065	-	8,512,694
Program fees	40,278,389	-	-	40,278,389
Grants	13,893,606	-	-	13,893,606
Contributions	3,939,009	1,445,214	-	5,384,223
Contributed goods and services	890,243	-	-	890,243
Other operating revenue	443,765	-	-	443,765
Total public support and other revenue	67,481,641	1,921,279	-	69,402,920
Satisfaction of program restrictions	1,356,078	(1,356,078)	-	-
Total public support and other revenue and net assets released from restrictions	68,837,719	565,201	-	69,402,920
Operating expenses				
Program services	55,935,537	-	-	55,935,537
Supporting services:				
General and administrative	425,401	-	-	425,401
Fund-raising	5,714,093	-	-	5,714,093
Total supporting services	6,139,494	-	-	6,139,494
Total operating expenses	62,075,031	-	-	62,075,031
Change in net assets before non-operating gains and other revenue	6,762,688	565,201	-	7,327,889
Non-operating gains (losses) and other revenue				
Interest and dividend income	186,136	-	-	186,136
Realized and unrealized loss on investments, net	(21,590)	-	-	(21,590)
Unrealized gain on perpetual trust held by a third party	-	227,486	663,182	890,668
Change in value of split-interest agreements	-	(123,326)	-	(123,326)
Total non-operating gains and other revenue	164,546	104,160	663,182	931,888
Change in net assets	6,927,234	669,361	663,182	8,259,777
Net assets, beginning of year	29,614,214	3,045,048	3,702,252	36,361,514
Net assets, end of year	$ 36,541,448	$ 3,714,409	$ 4,365,434	$ 44,621,291

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

Los Angeles LGBT Center
(a nonprofit California corporation)

Statement of Functional Expenses
Year Ended June 30, 2014

Year ended June 30, 2014	Program Services: Policy & Community Building Programs	Health & Mental Services	Legal Services	Public Affairs	Children, Youth & Family Svcs	Total Program Services	Supporting Services: General and Administrative	Fundraising	Total Supporting Services	Total
Program Staff Salaries	$ 1,283,319	$ 9,661,453	$ 407,966	$ 527,926	$ 3,248,961	$ 15,129,625	$ -	$ 1,631,650	$ 1,631,650	$ 16,761,275
Administration Salaries	474,565	521,248	82,238	53,308	755,082	1,886,441	2,588,794	290,255	2,879,049	4,765,490
Employee Benefits	277,757	1,642,115	76,623	56,927	980,728	3,034,150	243,940	252,146	496,086	3,530,236
Employer Taxes	150,410	854,379	42,376	47,147	357,828	1,452,140	190,496	152,340	342,836	1,794,976
Medical Supplies	-	27,840,722	-	-	4,533	27,845,255	-	-	-	27,845,255
Supplies	44,531	125,126	9,159	4,598	141,642	325,056	101,021	60,877	161,898	486,954
Facilities, Repairs and Maintenance	93,134	720,247	64,990	11,675	863,408	1,753,454	130,207	42,551	172,758	1,926,212
Telephone and Utilities	46,670	164,676	10,564	5,835	159,956	387,701	226,382	19,649	246,031	633,732
Advertising, Printing and Postage	26,126	106,241	557	412,034	1,604	546,562	92,652	276,007	368,659	915,221
Insurance	7,270	10,639	5,423	892	12,163	36,387	101,361	10,325	111,686	148,073
Travel	73,692	40,584	8,346	2,462	45,969	171,053	34,053	55,016	89,069	260,122
Professional Fees										
and Contracted Services	253,158	1,571,703	781	259,470	532,496	2,617,608	807,549	570,189	1,377,738	3,995,346
Event Expenses	173,469	511,286	8,934	1,985	85,073	780,747	11,371	1,120,013	1,131,384	1,912,131
Equipment Lease and Repair	101,349	360,595	8,448	29,640	275,475	775,507	474,873	51,237	526,110	1,301,617
Client Services	31,231	200,307	-	-	767,861	999,399	-	-	-	999,399
Lab Testing	-	870,548	-	-	-	870,548	-	-	-	870,548
Taxes and Licenses	6,572	7,804	68	364	4,968	19,776	15,507	12,078	27,585	47,361
Educational Materials	6,341	35,938	-	-	-	42,279	-	-	-	42,279
Staff and Board Development	11,998	83,614	7,076	10,782	17,970	131,440	105,895	111,667	217,562	349,002
Interest Expense	-	-	-	-	-	-	78,369	-	78,369	78,369
Miscellaneous	115,068	19,280	164	362	98,203	233,077	331,562	142,581	474,143	707,220
Contributed Professional Services	69,019	571,176	71,161	-	32,907	744,263	37,253	117,054	154,307	898,570
Bank and Payroll Fees	-	-	-	-	25	25	494,767	29	494,796	494,821
Allocated G&A	447,246	3,171,849	137,917	174,483	1,149,850	5,081,345	(5,665,118)	583,773	(5,081,345)	-
Total expenses before										
depreciation and amortization	3,692,925	49,091,530	942,791	1,599,890	9,536,702	64,863,838	400,934	5,499,437	5,900,371	70,764,209
Depreciation and amortization	59,453	297,121	50,181	11,486	516,988	935,229	71,872	29,809	101,681	1,036,910
Total expenses	$ 3,752,378	$ 49,388,651	$ 992,972	$ 1,611,376	$ 10,053,690	$ 65,799,067	$ 472,806	$ 5,529,246	$ 6,002,052	$ 71,801,119

Los Angeles LGBT Center
(a nonprofit California corporation)

Statement of Functional Expenses (Continued)
Year Ended June 30, 2013

	Program Services						Supporting Services			
Year ended June 30, 2013	Policy & Community Building Programs	Health & Mental Services	Legal Services	Public Affairs	Children, Youth & Family Svcs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Program Staff Salaries	$ 1,176,252	$ 8,024,597	$ 393,611	$ 445,134	$ 2,810,422	$ 12,850,016	$ -	$ 1,479,520	$ 1,479,520	$ 14,329,536
Administration Salaries	353,509	517,735	59,242	17,600	561,517	1,509,603	2,457,805	240,817	2,698,622	4,208,225
Employee Benefits	249,752	1,270,480	62,436	50,253	720,812	2,353,733	303,313	201,450	504,763	2,858,496
Employer Taxes	127,288	728,135	36,975	37,267	300,103	1,229,768	174,575	137,314	311,889	1,541,657
Medical Supplies	-	24,238,070	-	-	3,660	24,241,730	-	-	-	24,241,730
Supplies	40,721	121,357	7,422	3,042	112,954	285,496	81,905	64,309	146,214	431,710
Facilities, Repairs and Maintenance	57,061	505,324	45,996	12,384	932,310	1,553,075	74,485	31,248	105,733	1,658,808
Telephone and Utilities	42,704	159,911	8,799	5,506	139,350	356,270	191,665	19,205	210,870	567,140
Advertising, Printing and Postage	18,826	92,994	489	270,043	4,309	386,661	119,824	398,763	518,587	905,248
Insurance	10,884	25,142	7,453	855	33,018	77,352	194,531	2,904	197,435	274,787
Travel	237,196	22,097	13,658	4,261	32,464	309,676	32,074	50,959	83,033	392,709
Professional Fees										
and Contracted Services	226,111	523,812	24,000	146,369	649,713	1,570,005	347,957	362,087	710,044	2,280,049
Event Expenses	139,933	329,968	4,253	2,452	34,031	510,637	28,607	1,477,386	1,505,993	2,016,630
Equipment Lease and Repair	47,536	298,747	11,650	20,269	281,760	659,962	339,233	11,422	350,655	1,010,617
Client Services	19,632	147,446	-	-	631,179	798,257	-	-	-	798,257
Lab Testing	-	849,910	-	-	-	849,910	-	-	-	849,910
Taxes and Licenses	129	26,419	60	686	9,118	36,412	13,877	1,300	15,177	51,589
Educational Materials	-	39,696	-	-	18	39,714	-	-	-	39,714
Staff and Board Development	22,756	78,103	6,835	3,805	51,185	162,684	71,654	152,962	224,616	387,300
Interest Expense	-	-	-	-	-	-	74,661	-	74,661	74,661
Miscellaneous	76,925	19,453	1,017	6,535	115,579	219,509	149,322	444,661	593,983	813,492
Contributed Professional Services	35,891	685,630	38,586	-	14,584	774,691	12,196	103,356	115,552	890,243
Bank and Payroll Fees	-	-	-	-	-	-	446,461	-	446,461	446,461
Allocated G&A	394,143	2,662,762	135,757	133,070	930,938	4,256,670	(4,758,451)	501,781	(4,256,670)	-
Total expenses before depreciation and amortization	3,277,249	41,367,788	858,239	1,159,531	8,369,024	55,031,831	355,694	5,681,444	6,037,138	61,068,969
Depreciation and amortization	93,744	293,469	42,915	11,182	462,396	903,706	69,707	32,649	102,356	1,006,062
Total expenses	$ 3,370,993	$ 41,661,257	$ 901,154	$ 1,170,713	$ 8,831,420	$ 55,935,537	$ 425,401	$ 5,714,093	$ 6,139,494	$ 62,075,031

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

Los Angeles LGBT Center
(a nonprofit California corporation)

Statements of Cash Flows

Increase (Decrease) in Cash

Years ended June 30,	**2014**	2013
Cash flows from operating activities		
Increase in net assets	**$ 13,423,020**	$ 8,259,777
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,036,910**	1,006,062
Realized investment loss (gain)	**13,460**	(2,400)
Unrealized investment (gain) loss	**(377,489)**	19,190
Change in temporarily restricted split-interest agreements	**(112,298)**	(227,486)
Change in permanently restricted split-interest agreements and trust	**(483,686)**	(663,180)
Changes in operating assets and liabilities:		
Accounts receivable	**(1,626,936)**	500,862
Receivable from affiliate	**(7,127,000)**	-
Clinic fees receivable, net	**(2,102,975)**	(317,776)
Contracts and grants receivable, net	**1,113,137**	(1,433,164)
Contributions receivable - pledges, net	**(1,151,856)**	(635,918)
Inventories	**(217,452)**	(57,193)
Other assets	**(333,446)**	(178,441)
Accounts payable	**1,321,721**	(192,653)
Accrued expenses and other liabilities	**6,293,395**	2,684,069
Unearned revenue	**(389,075)**	694,273
Annuities payable	**(82,968)**	(46,214)
Net cash provided by operating activities	**9,196,462**	9,409,808
Cash flows from investing activities		
Purchase of property and equipment	**(664,392)**	(1,900,504)
Purchase of investments	**(14,555,570)**	(109,825)
Proceeds from sale of investments	**7,261,754**	499,043
Interest income reinvested	**(28,548)**	-
Proceeds from beneficial interest in trust	**389,777**	-
Net cash used in investing activities	**(7,596,979)**	(1,511,286)
Cash flows from financing activities		
Proceeds from notes payable	**7,000,000**	-
Repayments of notes payable and capital lease obligations	**(330,769)**	(317,470)
Net cash provided by (used in) in financing activities	**6,669,231**	(317,470)
Net increase in cash and cash equivalents	**8,268,714**	7,581,052
Cash and cash equivalents and restricted cash, beginning of year	**24,639,168**	17,058,116
Cash and cash equivalents and restricted cash, end of year	**$ 32,907,882**	$ 24,639,168
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 78,369**	$ 90,039
Noncash investing and financing activities		
Acquired equipment with a 5 years 5.065% capital lease agreement	**$ 299,566**	$ -

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

1. Organization

The Los Angeles LGBT Center (the "Center") is a nonprofit California corporation formed for the purpose of serving the lesbian, gay, bisexual and transgender communities.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit with banks and investments with original maturities of three months or less. The Center places its temporary cash investments with high credit quality financial institutions. At times cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance limits. The Center has not experienced any losses related to these balances. All noninterest-bearing and interest-bearing cash balances held in the same ownership category are aggregated and were insured up to at least $250,000 per depositor at each financial institution at June 30, 2014.

Contracts and Grants Receivable

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

Inventories

Inventories are stated at the lower of cost or market. Inventory costs are determined on the first-in, first-out ("FIFO") method. Inventories consist primarily 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%. 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 4½%. Annuities payable at June 30, 2014 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2014 and 2013, annuities payable were $1,058,127 and $1,141,095, respectively.

The contributed assets are recorded at fair value and a corresponding liability has been recorded to reflect the present value of required lifetime payments. The portion of the contributed assets, which represent future annuity payments, is classified in 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, 2014 and 2013 ranged from 2.8% to 7%.

Investments

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

Fair Value Measurements

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

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

Pledges are carried at fair value. The fair value of pledges which 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.

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

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

Property and Equipment

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

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

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

Repairs and maintenance are charged to expense when incurred.

Impairment of Long Lived Assets

The Center reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2014 and 2013, 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, 2014 consisted primarily of $602,229 related to grants, $103,842 related to events, and $36,327 related to conditional donations. Unearned revenue at June 30, 2013 consisted primarily of $613,713 related to grants, $168,982 related to events, $327,489 related to conditional donations, and $21,289 related to capital lease incentives.

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, of 2.155% or 30 day LIBOR rate + 2.0%. Amortization of discounts is recorded as additional contributions annually in accordance with donor-imposed restrictions, if any. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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

Special Events

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

Contributed Goods and Services

The value of significant contributed goods is reflected as contributions in the financial statements at the fair value of such goods at the date of donation. There were contributed goods of $99,229 and $80,831 for the years ended June 30, 2014 and 2013, respectively. Contributed services are recognized by the Center if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of such services, which consisted primarily of legal, mental health and medical services, totaled $799,340 and $809,412 for the years ended June 30, 2014 and 2013, respectively, and is included in contributed goods and services in the accompanying financial statements.

A significant number of volunteers contribute services to the Center that do not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. The value of such volunteer services received is estimated to be $341,499 and $310,200 for the years ended June 30, 2014 and 2013, respectively.

Program Fees

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

Grant Revenue

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

Functional Allocation of Expenses

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

Income Taxes

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

The Center adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on July 1, 2009 and the implementation of ASC 740-10 had no impact on the Center's financial statements. ASC 740-10 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2014 and 2013. The Center recognizes interest and penalties related to unrecognized tax positions as tax expense. As of June 30, 2014 and 2013, the Center did not incur any related interest and penalties.

The tax years ended June 30, 2011 through 2013 remain open to examination by the taxing jurisdictions to which the Center is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

Non-Operating Income Allocated to Operations

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

Allocation of Joint Costs

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

Use of Estimates

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

Certain judgments and estimates are considered in determining pledge, clinic, pharmacy and grant allowances, including prior collection history, types of contributions, nature of contribution, 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.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.

3. Clinic Fees Receivable

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

June 30,	**2014**	2013
Clinic fees receivable	**$ 5,559,981**	$ 3,407,507
Less: allowance for uncollectible clinic fees receivable	**(117,852)**	(68,353)
	$ 5,442,129	$ 3,339,154

4. Pledges Receivable

Pledges receivable, are as follows:

June 30,	**2014**	2013
Pledges receivable	**$ 3,177,167**	$ 1,921,279
Less: unamortized discount	**(54,537)**	-
Less: allowance for uncollectible	**(306,383)**	(256,888)
Net pledges receivable	**$ 2,816,247**	$ 1,664,391

Gross pledges receivable are due as follows:

June 30,	**2014**	2013
Less than one year	**$ 1,971,455**	$ 1,532,183
One to five years	**1,205,412**	389,096
More than five years	**300**	-
Net contributions receivable pledges	**$ 3,177,167**	$ 1,921,279

In May 2014, the Center publicly announced a $25,000,000 Capital Campaign to acquire, develop and construct Center programming space for seniors and youth, the Center's administrative offices, and retail space on property adjacent to the Los Angeles LGBT Center Village at Ed Gould Plaza ("McCadden Campus"). The Center recognized $5,545,024 as revenue, including an unamortized discount of $41,314, for the year ended June 30, 2014. At June 30, 2014, the Center has pledges due in more than one year of $800,000 related to the Capital Campaign. At June 30, 2014, the Center also received Statements of Intent to give $9,339,280 related to the Capital Campaign, which shall not be recognized as revenue until received.

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

Contributions receivable held in trust at June 30, 2014 and 2013 were $3,023,800 and $2,790,109, respectively. The contributions received during the year are measured at the fair value of the underlying assets in the accompanying financial statements at the time of gift. There were no contributions held in trust received during the years ended June 30, 2014 and 2013. Subsequent changes in the value of the underlying assets are recorded in the accompanying Statements of Activities and Changes in Net Assets as a component of non-operating gains (losses) and other revenue. Under one of the trusts, 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, 2014 and 2013 was $143,608 and $127,980, respectively. Principal of the trusts are to be 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, 2014 and 2013.

The Center is a beneficiary of irrevocable charitable remainder trusts held and administered by third-party trustees, of which the significant ones are noted below. On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a new 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 2014 and 2013. This amount was recognized as a temporarily restricted contribution on the Statements of Activities and Changes in Net Assets. At June 30, 2014 and 2013, the charitable remainder trust was adjusted to its estimated fair value of $828,821 and $800,087, respectively.

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 owns a one-third interest in a shopping center and restaurant site in Montclair, California. On November 14, 2003, the benefactor amended the charitable remainder trust to name the Center as irrevocable beneficiary in exchange for the establishment of a permanent endowment fund in his honor upon death. During the year ended June 30, 2011, the benefactor passed away. At June 30, 2013, 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. At June 30, 2014, the funds are classified as permanently restricted.

In September 2013, the LLC's portion in the shopping center was sold and the Center received proceeds of $389,777 for their interest. The Center did not recognize a gain on sale, as the cash proceeds approximate fair value at June 30, 2014.

Beneficial interests in trusts at June 30, 2014 and 2013 were $2,547,264 and $2,574,749, respectively.

6. Contracts and Grants Receivable

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

June 30,	2014	2013
Aids Project Los Angeles	$ 6,010	$ -
California Emergency Management Agency	56,546	69,908
California Health Benefit Exchange	225,115	-
Children's Hospital Los Angeles	1,291	5,484
City of Los Angeles	12,006	13,522
City of West Hollywood	11,671	14,343
LA CARE	-	75,000
Legal Aid Foundation of Los Angeles	2,822	4,254
LMU – Legal Fellow	420	-
Los Angeles County Department of HIV and STD Programs	1,158,868	2,124,476
Los Angeles County Department of Mental Health	247,675	251,878
Los Angeles County Department of Probation	2,508	2,508
Los Angeles County Office of Education	104,984	38,520
Los Angeles County Prop 10 Commission a.k.a. First 5 LA	-	13,572
Los Angeles Homeless Services Authority	50,093	7,902
National Institute of Health	89,893	-
North West Network	467	-
US Department of Health & Human Services:		
Administration for Children and Families	24,914	46,848
Children and Families Financial Assistance Award	301,919	602,672
Center for Disease Control	56,410	110,264
Health Resource and Services Administration	127,331	90,934
US Department of Housing & Urban Development	167,728	163,956
US Department of Justice	33,730	36,780
US Department of State	18,722	-
University of California, Los Angeles	8,452	149,947
Allowance for losses	(25,000)	(25,056)
	$ 2,684,575	$ 3,797,712

7. Investments

Investments consist of the following:

June 30,	**2014**	2013
Money market	**$ -**	$ 516,113
Mutual funds	**536,977**	-
Equity securities and structured equity products	**6,753,981**	169,382
Fixed income securities	**5,596,061**	5,002,660
Non-traditional securities	**487,530**	-
	$ 13,374,549	$ 5,688,155

Investment income consists of the following:

Years ended June 30,	**2014**	2013
Gross realized gains from sale of trading securities	**$ 45,931**	$ 5,435
Gross realized losses from sale of trading securities	**(32,471)**	(7,835)
Dividend and interest income	**349,579**	186,136
Gross unrealized losses on fixed income securities	**-**	(296)
Gross unrealized gains on fixed income securities	**330,266**	4,104
Gross unrealized losses on equity securities	**-**	(48,054)
Gross unrealized gains on equity securities	**37,159**	25,056
Gross unrealized gains on non-traditional securities	**-**	-
Gross unrealized losses on non-traditional securities	**(13,186)**	-
Gross unrealized gains on mutual funds	**23,250**	-
Net investment income	**$ 740,528**	$ 164,546

Fixed income securities consist primarily of U.S. treasury bills and agency securities.

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

8. Fair Value Measurements

The Center adopted the provisions of ASC 820, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The following tables summarize the Center's fair value measurements by level at June 30, 2014 and 2013 for the assets and liabilities measured at fair value on a recurring basis:

June 30, 2014	*Level 1*	*Level 2*	*Level 3*
Mutual funds	**$ 536,977**	**$ -**	**$ -**
Equity securities and structured equity products	**4,156,161**	**2,597,820**	**-**
Fixed income securities	**5,596,061**	**-**	**-**
Non-traditional securities	**-**	**487,530**	**-**
Contributions receivable, held in trust	**3,023,800**	**-**	**-**
Beneficial interests in trusts	**-**	**-**	**2,547,264**
Total assets at fair value	**$ 13,312,999**	**$ 3,085,350**	**$ 2,547,264**
Annuities payable	**$ -**	**$ -**	**$ 1,058,127**

June 30, 2013	*Level 1*	*Level 2*	*Level 3*
Money market	$ 516,113	$ -	$ -
Equity securities	169,382	-	-
Fixed income securities	5,002,660	-	-
Contributions receivable, held in trust	2,790,109	-	-
Beneficial interests in trusts	-	-	2,574,749
Total assets at fair value	$ 8,478,264	$ -	$ 2,574,749
Annuities payable	$ -	$ -	$ 1,141,095

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, 2014 and 2013:

June 30,	**2014**	2013
Beginning balance	**$ 2,574,749**	$ 1,890,708
Proceeds from beneficial interest in trust	**(389,777)**	-
Total net gains included in change in net assets (realized/unrealized)	**362,292**	684,041
Ending balance	**$ 2,547,264**	$ 2,574,749

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, 2014 and 2013:

June 30,	**2014**	2013
Beginning balance	**$ (1,141,095)**	$ (1,187,309)
Change in value of split interest agreements	**(12,383)**	(123,326)
Receipts	**(63,494)**	-
Payments	**158,845**	169,540
Ending balance	**$ (1,058,127)**	$ (1,141,095)

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

9. Property and Equipment

Property and equipment consists of the following:

June 30,	**2014**	2013
Land	**$ 3,808,580**	$ 3,808,580
Buildings and improvements	**12,815,479**	11,721,200
Leasehold improvements	**2,120,329**	2,088,800
Furniture, fixtures and equipment	**1,544,301**	2,355,747
Computers and software	**1,935,750**	2,413,359
Construction in progress	**20,968**	670,440
	22,245,407	23,058,126
Less: accumulated depreciation and amortization, including $4,993 and $1,776,674 accumulated depreciation for equipment acquired under capital leases at June 30, 2014 and 2013, respectively.	**10,955,911**	11,695,678
	$ 11,289,496	$ 11,362,448

Depreciation and amortization expense was $1,036,910 and $1,006,062 for the years ended June 30, 2014 and 2013, respectively.

10. Line of Credit

On April 30, 2014, the Center extended its $4,500,000 revolving line of credit arrangement with Wells Fargo Bank ("LOC") to May 19, 2014. On May 19, 2014, the Center extended its LOC to July 19, 2014. On July 19, 2014, the Center extended its LOC to August 19, 2014. On July 30, 2014, the Center executed a new $4,500,000 revolving line of credit arrangement with Wells Fargo Bank with a maturity date of July 30, 2016. There were no outstanding balances under the LOC as of June 30, 2014 and 2013. The LOC is collateralized by the Center's accounts receivable, general intangibles, inventory, and equipment and bears interest at a fluctuating rate determined by the financial institution to be 2% above the Daily One Month Libor (2.16% at June 30, 2014). The LOC requires the Center to meet certain covenants. As of June 30, 2014 and 2013, the Center was in compliance with all covenants. During the year ended June 30, 2014 and 2013, the Center did not draw on the LOC and therefore did not incur any interest expense related to the LOC.

11. Debt

Notes payable and capital lease obligations are summarized as follows:

June 30,	**2014**	2013
Mortgage note payable to the Community Redevelopment Agency, collateralized by land and building, due October 2017, non-interest bearing, subordinated to bank line of credit; annual principal payments to be repaid from residual receipts of operations (as defined).	**$ 1,339,744**	$ 1,339,744
Note payable to Wells Fargo Bank, collateralized by building, due October 1, 2017; interest is payable monthly at 6.43%. Payable in variable monthly principal and interest payments ranging from $25,674 to $28,576. Unpaid interest and principal are due upon maturity.	**987,264**	1,241,476
Note payable to Wells Fargo Bank, collateralized by investments, due August 19, 2014; interest is payable monthly at Daily One Month LIBOR plus 1.25%. See Note 17.	**7,000,000**	-
Capital lease obligations, expiring at various dates through June 1, 2014. Payable in variable monthly principal and interest payments of $7,469.	**-**	76,557
Capital lease obligation, expiring October 8, 2019. Payable in variable monthly principal and interest payments of $5,662.	**299,566**	-
Total debt	**9,626,574**	2,657,777
Less: current portion of long-term debt	**(7,308,561)**	(330,769)
Long-term debt, net of current portion	**$ 2,318,013**	$ 2,327,008

On July 30, 2014, the Center executed a $7,000,000 Promissory Note with Wells Fargo Bank ("Note"). The proceeds were loaned to an affiliate to repay the Bridge Loan. The Note is fully collaterized with Center investments and is due on July 30, 2017. Interest is payable at Daily One Month LIBOR plus 1.25%.

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

Years ending June 30,	Notes Payable	Notes Payable	Capital Leases	Notes with Residual Value	Total
2015	$ 272,856	$ 7,000,000	$ 35,705	$ -	$ 7,308,561
2016	292,864	-	55,865	-	348,729
2017	314,336	-	58,762	-	373,098
2018	107,208	-	61,809	1,339,744	1,508,761
2019	-	-	65,013	-	65,013
Thereafter	-	-	22,412	-	22,412
	$ 987,264	$ 7,000,000	$ 299,566	$ 1,339,744	$ 9,626,574

Interest expense related to long-term debt was $73,999 and $74,661 for the years ended June 30, 2014 and 2013, respectively.

12. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

June 30,	**2014**	2013
Pharmacy Medi-Cal refund reserves	**$ 5,917,532**	$ -
Accrued payroll and other employee expenses	**2,595,225**	2,152,455
Class action lawsuit settlement	**1,400,000**	-
Due to affiliate	**735,091**	-
Accrued expenses	**559,823**	607,958
Other liabilities	**378,234**	496,664
Due to grantors	**197,204**	-
Mental Health Services reserves	**180,714**	-
AIDS Drug Assistance Program/Healthy Way LA reserves	**-**	2,413,351
Total accrued expenses and other liabilities	**$ 11,963,823**	$ 5,670,428

AIDS Drug Assistance Program/Healthy Way Los Angeles Payable

During the year ended June 30, 2013, the Center established an ADAP/HWLA (AIDS Drug Assistance Program/Healthy Way Los Angeles) payable of $2,413,351 for potential refunds to ADAP associated with the projected re-billings to HWLA as a result of client migration from ADAP to HWLA. An additional $235,595 was accrued through December 31, 2013. ADAP conducted an internal audit of client eligibility for HWLA and determined $862,052 in prescription payments were refunded in September 2013 related to previously billed claims. The Center contacted ADAP in August 2014 to inquire if further claim adjustments would be made related to client eligibility for HWLA and was informed that there would be no further adjustments. The Center has also been previously assured in phone conversations with the State Office of AIDS that it would not be left with unbillable claims related to changes in HWLA eligibility, and the HWLA program has since been ended with no further opportunity to bill for past claims. Based on ADAP's determination that no further claim adjustments would be made related to HWLA eligibility, the Center has released the remaining payable of $1,786,894 during the year ended June 30, 2014.

Pharmacy Medi-Cal Refund Reserves

As of June 30, 2014, the Center has established a reserve of $5,760,616 related to pharmacy adjudication errors for Medi-Cal billings related to electronic claims. In October 2009, Medi-Cal had mandated that clinics and pharmacies using 340B drug pricing begin billing Medi-Cal using 340B actual acquisition cost plus a set dispensing fee to determine the billing amount requested for each claim. The pharmacy Medi-Cal claims were being erroneously edited by the Center's third-party pharmacy benefits manager when processed for final transmission to Medi-Cal for payment. Medi-Cal was then processing reimbursements based on the erroneous edit. The Center worked with its pharmacy benefits manager to identify and correct the error and then notified Medi-Cal to determine the correct process for refunding the overpayment.

The Center is in discussions with Medi-Cal to determine if the correct dispensing fee has been charged on pharmaceutical drugs dispensed. It is possible that the correct fee is lower than what Medi-Cal was previously billed. The Center analyzed all Medi-Cal claims going back to October 2009 and has established a $156,916 reserve as of June 30, 2014 in the event that the correct dispensing fee is lower.

Mental Health Services Reserve

The Center has also established a reserve related to billings for psychiatric services. The Center determined that billing claims for psychiatric services were incorrectly double billed to third-party insurance payers for patients who were also billed to the County of Los Angeles Department of Mental Health Integrated Clinic Model Program. The Center estimates the amount of the refund to these payers to be $180,714 through June 30, 2014.

13. Commitments and Contingencies

Capital Leases

The Center leases certain equipment under agreements that are classified as capital leases. The current and long-term portions of capital lease obligations as of June 30, 2014 are presented in Note 11.

Aggregate maturities required on capital lease obligations are as follows:

Years ended June 30,	Amount
2015	$ 45,298
2016	67,947
2017	67,947
2018	67,947
2019	67,947
Thereafter	22,647
Less: portion representing interest	(40,167)
Total	$ 299,566

Operating Leases

The Center leases equipment and office facilities under non-cancelable operating lease agreements expiring through September 30, 2016.

The Center executed a lease agreement effective on March 25, 2011 to lease an approximately 32,000 square foot building on approximately 47,000 square feet of land in Los Angeles, California. The term is five years and six months and commenced on April 1, 2011 and will end on September 30, 2016. The base rent is $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 is set to increase 3% annually, effective April 1, 2012. The Center estimates that taxes and insurance will also increase at a rate of 3% annually. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accrued expenses and other current liabilities in the accompanying Statements of Financial Position. In 2012, the Center received approximately $216,000 for a tenant improvement allowance, which was recorded in deferred rent and is being recognized over the term of the lease. Deferred rent included in accrued expenses and other liabilities was $324,176 and $439,219 for the years ended June 30, 2014 and 2013, respectively.

At June 30, 2014, the estimated future minimum rental payments under these leases are as follows:

Years ending June 30,	Amount
2015	$ 845,513
2016	870,878
2017	222,579
	$ 1,938,970

Rent expense is as follows:

Years ending June 30,	**2014**	2013
Rent expense	**$ 815,958**	$ 863,359
Sublease rental income	**(67,477)**	(111,306)
Rent expense, net	**$ 748,481**	$ 752,053

Employment Agreements

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

Litigation

In March 2005, a medical malpractice action was brought by several plaintiffs, on behalf of themselves and all others similarly situated against the Center based upon the fact that between 1999 and 2004, the Center inadvertently used a non-standard medication for the treatment of syphilis patients coming to the Center. When the error was recognized in 2004, the Center diligently worked with state and federal authorities to notify affected patients of the Center of the mistake. The investigation that followed demonstrated that although a non-standard medication had been used, there was no indication of treatment failure. In other words, the non-standard medication appeared to eradicate syphilis from the patients treated with it.

Nevertheless, four of the patients of the Center elected to file a lawsuit against the Center based upon these circumstances. They brought the action as a proposed class action in the Los Angeles Superior Court seeking recovery of general damages.

On April 16, 2008, a judge denied the plaintiffs' motion requesting that a class be certified. The plaintiffs appealed that order. On May 26, 2010, the Court of Appeal reversed that ruling and ordered that the class be certified. On December 17, 2010, the new judge assigned to the case made an order regarding the form of the notice to be sent to the patients informing them of the certification of the class and their option to "opt out" from participating in the class. The Center appealed that ruling. In April 2011, the Court of Appeal issued a writ declining to order that the class proceed on an opt-in basis, but instead directing the Superior Court to vacate its order that the Center disclose the patients' names and other identifying information to plaintiffs' counsel, and directing disclosure only to a court-appointed third-party administrator for the purpose of giving class notice. The administrator gave Notice of Pendency of Class Action by mail in August, 2011. The Notice required any putative class member desiring to opt out of the class to do so by November 10, 2011.

On September 25, 2012, the Superior Court granted defendant's motion for summary adjudication of claims of certain unnamed class members and denied the Center's motion to decertify the class. The effect of the summary adjudication is to reduce the class size to no more than 34 patients. Plaintiffs thereafter filed a petition for writ of mandate and notice of appeal challenging the order for summary adjudication. Plaintiffs' petition for writ of mandate was denied and appeal dismissed by the Court of Appeal. The appeal was dismissed because it was not taken from a judgment or an appealable order.

On June 11, 2013, the Superior Court granted Plaintiffs' Motion for Entry of Judgment and Motion to Bifurcate the Claims of two class members. A Notice of Appeal from the judgment was filed on August 8, 2013, and is currently pending before the Court of Appeal. On September 9, 2013, the Center filed a Notice of Cross-Appeal from the order denying the motion to decertify the class.

In April 2014, the parties globally settled the action for approximately $1,400,000. On August 18, 2014, the Superior Court entered a Final Approval Order and Judgment and the appeals were dismissed. The global settlement has been fully funded by the Center's insurer. Administration and disbursement of settlement funds is ongoing. As of June 30, 2014, the Center established an accrual of $1,400,000 for the settlement of the class action lawsuit and a corresponding receivable of $1,400,000 due from the Center's insurer.

Other claims have been made against the Center arising in the ordinary course of its activities that have not resulted in lawsuits being filed against the Center. The Center's management believes that the ultimate disposition of all such matters will not have a material effect on its financial position.

Contingencies

The Center was notified that the California State Board of Equalization ("Board") had determined that the sales of certain HIV test kits to the Center should be subject to state sales tax. The Center's management believes, based on the advice of tax experts and the fact that the Center is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC"), that the Center, as a charitable organization, qualifies for the California sales and use tax exemption for purchases of tangible personal property for the purpose of donation under state regulations. The Center has filed a petition for rehearing. On November 15, 2011, the Board agreed to rehear the Center's case. During the year ended June 30, 2011, the State Board of Equalization has denied the Center's claim for exemption through the date of this report, so the Center has established a reserve for this contingency of approximately $260,000, which is included in accrued expenses and other liabilities on the Statements of Financial Position. At June 30, 2014, the reserve remains at $260,000. The amount of the reserve is based on the Center's estimate based on the most recent information available at the time of this report.

Government Regulations

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

14. Retirement Plans

Defined Contribution Plan

The Center has a defined contribution plan covering substantially all employees who have completed one year of service and have attained the age of 18. Employer contributions are at the discretion of management. There were no employer contributions for the years ended June 30, 2014 and 2013.

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, 2014 and 2013, the Center holds assets totaling $733,840 and $557,834, respectively, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying Statements of Financial Position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

15. Net Assets

Unrestricted Net Assets

	2014	2013
Undesignated	**$ 44,039,555**	$ 35,254,223
Board-designated – Capital Campaign	**2,505,368**	1,287,225
Unrestricted net assets	**$ 46,544,923**	$ 36,541,448

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions at June 30, 2014 and 2013:

	2014	2013
Purpose restrictions		
Development of McCadden Campus	**$ 3,239,656**	$ 200,000
Health and HIV Prevention Services	**450,446**	516,747
Policy	**290,950**	238,831
Youth, Seniors and Women's Services	**214,825**	263,454
Time restrictions		
Charitable remainder trusts	**1,521,721**	1,409,424
For periods after June 30, 2014 and 2013 - general operations	**932,670**	1,085,953
Temporarily restricted net assets	**$ 6,650,268**	$ 3,714,409

Net assets of $2,016,610 and $1,356,078 were released from donor restrictions in 2014 and 2013, respectively, by incurring expenses related to specific programs which satisfied the restricted purposes.

Permanently Restricted Net Assets

At June 30, 2014 and 2013, permanently restricted net assets of $4,849,120 and $4,365,434, respectively, are contributions restricted by donors whereby the interest and dividends are used to support operations of the Center and the original investments are held in perpetuity. These permanently restricted net assets are primarily managed by third-party trustees, and the Center does not have control over investment decisions.

16. Allocation of Joint Costs

The Center conducted activities that include requests for contributions, as well as program, management and general components. Those activities included a special event. The costs of conducting those activities included $2,480,670 and $2,305,189 of joint costs for the years ended June 30, 2014 and 2013, respectively, which are not specifically attributable to particular components of the activities (joint costs).

These joint costs were allocated as follows:

Years ended June 30,	**2014**	2013
Fundraising	**$ 2,022,876**	$ 2,008,362
Health/Education/Prevention Program	**457,794**	296,827
Total	**$ 2,480,670**	$ 2,305,189

17. McCadden Plaza

The Center has partnered with Thomas Safran and Associates ("TSA"), an affordable housing developer, to acquire real property located at 1116 North McCadden Place and 6725 Santa Monica Boulevard in Los Angeles ("Property") to build a mixed-use development. The intent is to build approximately 100 units of affordable housing for seniors and approximately 40 units of affordable housing for transitional-aged youth ("Affordable Housing Component") as well as Center programming space for seniors and youth, the Center's administrative offices, and retail space ("Center Component"). To effect the transaction and development, on February 6, 2014, the Center formed McCadden Campus LLC ("Center LLC"), a Delaware limited liability company. TSA also formed McCadden Plaza Affordable Housing, LLC ("TSA LLC"), a California limited liability company. Center LLC and TSA LLC are herein referred to as Partners.

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

Center LLC is the Managing General Partner with an ownership interest of 25.05% and a 25.05% interest as a limited partner. TSA LLC is Co-General Partner with an ownership interest of 24.95% and a 24.95% interest as a limited partner. The Partners intend to apply to the California Tax Credit Allocation Committee for an allocation of federal and/or state low income housing tax credits for the Affordable Housing Component. Center LLC contributed $25.05 as capital as the Managing General Partner and $25.05 as a limited partner. TSA LLC contributed $24.95 as capital as Co-General Partner and $24.95 as a limited partner. Center LLC and TSA LLC each loaned the Partnership $127,000. The loans bear an interest rate of 8.0%. As of June 30, 2014, the Center classified the funds as a receivable from affiliate on the accompanying Statements of Financial Position at June, 30, 2014.

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

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

Center LLC will own and be primarily responsible for the management and supervision of the construction of the Center Component. Center LLC is solely responsible for obtaining financing for the acquisition, construction and development of the Center Component and associated parking. This will include a capital campaign, mortgage, and, hopefully, New Markets Tax Credits. TSA LLC will be primarily responsible for identifying and negotiating the terms of all debt and equity financing for the development and construction of the Affordable Housing Component. In addition, TSA LLC shall be primarily responsible for the management and supervision of the construction of the Affordable Housing Component.

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

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

To finance the Property acquisition, the Partnership executed a Secured Promissory Note ("Note") on February 20, 2014 with the New Generation Fund ("Lender") in the amount of $8,191,500 with a three year term and 5% interest rate. Of the Note, $1,298,493 was withheld as an interest reserve and $290,729 is restricted with the Lender and available for drawdown. Monthly interest payments are automatically capitalized into the loan principal on the first business day of the following month. The principal outstanding as of June 30, 2014 was $6,725,124, net of the interest reserve. The Partnership has the right to request one extension of the maturity date to not exceed one year. The Center and Thomas L. Safran, an individual, (together "Guarantors") executed a Repayment Guaranty in favor of the Lender. The Guarantors, on a joint and several basis, guarantee and promise to pay to Lender or order, on demand, in lawful money of the United States, in immediately available funds the smaller of: (i) $2,047,875 together with interest and any other sums payable under the loan or any of the other loan documents or (ii) the outstanding amount of the obligations of the Partnership to the Lender.

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 amended and repaid by a $7,000,000 Promissory Note to the Center on July 30, 2014 with a three year term and 30-day LIBOR plus 1.25% interest rate. The funds were subsequently loaned to the Partnership. As of June 30, 2014, the Center has a receivable from affiliate recorded in the amount of the loan in the accompanying Statements of Financial Position at June 30, 2014.

Prior to the Subdivision, and conveyance of the Center's Component, to the extent the Partnership requires funds for the development of McCadden Plaza, which are not funded from the proceeds of any loans made to the Partnership, Center LLC and TSA LLC shall advance such funds on a 55%/45% basis (with Center LLC advancing 55% of such amount and TSA LLC advancing 45% of such amount) in the form of capital contributions and/or interest bearing loans to the Partnership at a rate not to exceed 8% per annum. Upon completion of the schematic drawings for McCadden Plaza, the 55%/45% split shall be updated and adjusted to reflect the Partners' agreement that Center LLC's percentage share for funds necessary for the development of McCadden Plaza shall be equal to the ratio that the gross square footage of the improvement comprising the Center's Component (inclusive of any parking garage attributable thereto) bears to the aggregate square footage of the improvements constituting McCadden Plaza. TSA LLC's percentage share for funds necessary for the development of McCadden Plaza shall be equal to the ratio that the gross square footage of the improvements comprising the Affordable Housing Component (inclusive of any parking garage attributable thereto) bears to the aggregate square footage of the improvements constituting McCadden Plaza (collectively, the "Updated Cost Sharing Ratio"). The Partners shall cooperate to "true up" and reconcile existing advances and contributions by the Partners to reflect the Updated Cost Sharing Ratio. The Partners shall be repaid, on a pro rata basis, any advances made by either Center LLC or TSA LLC on behalf of McCadden Plaza from the proceeds of any financing obtained by the Partnership and/or the proceeds of the syndication of the limited partnership interest in the Partnership.

After the date of the Subdivision and conveyance of the Center Component or, to the extent any such costs or expenses relate solely to the development of the Affordable Housing component, TSA LLC shall advance 100% of such funds in the form of capital contributions and/or loans to the Partnership, which loans shall be interest at a rate not to exceed 8% per annum. To the extent any Partner has advanced more than its allocated share of costs and expenses, advances shall be "trued up" and reimbursed by the other Partner on a bi-annual basis. Costs and expenses related to architectural services for and the design of McCadden Plaza will be borne on a 50%/50% basis by the Partners.

The Partners distributed a Request of Qualifications to 10 internationally recognized design architectural firms. All 10 firms expressed strong interest in being considered as the design architect for McCadden Plaza. The Partners selected five firms and distributed a detailed Request for Proposal for the design of McCadden Plaza. Each firm was offered $20,000 to participate in the design competition. Ultimately, one firm resigned from the competition and another firm that had been initially turned down offered to submit a design schematic for free. The Partners paid four firms $20,000 and $10,000 to one firm. After in-person presentations before a committee comprised of Center and TSA personnel, design and executive architect firms were selected. Contract negotiations are ongoing while schematic design drawings are being further refined. The Partnership has paid the design and executive architects $52,602 (subsequent to June 30, 2014) for further work on the project.

The Center is using the equity method of accounting for the project at this time since the Partnership agreement does not give the Center a controlling interest of the Partnership. Through June 30, 2014, no income or expense has been recognized by the Center as all costs incurred by the Partnership are related to development of the project and have been capitalized in accordance with GAAP. At June 30, 2014, the Partnership had approximately $270,000 (unaudited) in assets consisting primarily of $12,700,000 (unaudited) related to land and approximately $14,270,000 (unaudited) in liabilities.

18. 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.

19. Subsequent Events

The Center evaluated subsequent events through December 30, 2014, which is when these financial statements were available to be issued. The Center is not aware of any additional significant subsequent events that would have a material impact on its financial statements, except as follows.

The Center 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 will commence once the landlord completes the agreed-upon tenant improvements, in approximately 90 to 120 days. The base rent is $14,000 per month plus $1,500 per month for 10 parking spaces. The fixed rental adjustment of the base rent is set to increase 3% annually, effective one year after the space is occupied. The total amount of rental payments due over the lease term will be charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid will be credited or charged to deferred rent obligation.