



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

**Consolidated Financial Statements
and Supplemental Material**
Years Ended June 30, 2020 and 2019

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(a nonprofit California corporation)

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

Description of Organization (Unaudited)

For over 50 years, the Los Angeles LGBT Center (the “Center”) has been building the health, enriching the lives and advocating for the rights of lesbian, gay, bisexual and transgender (“LGBT”) people. It was founded as an all-volunteer organization, offering counseling, shelter/support for homeless LGBT youth, senior citizens and a safe space for our community to gather.

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

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

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

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

With total consolidated assets of \$192.7 million, today’s Center employs over 700 paid staff and has 1,450 volunteers in 10 locations across Los Angeles. The community is served at a rate of nearly 50,000 visits every month. The Center’s clients are primarily low and moderate income, and virtually all programs are free or low cost. The Center’s many services are tailored specifically for LGBTQ people and include: healthcare and medication with specialties in HIV/AIDS and transgender care and HIV prevention; counseling and addiction recovery; housing, food, education and employment training for youth experiencing homelessness; essential services and affordable housing for seniors; legal services; advocacy and policy work; cultural arts programs and more.

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



Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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

February 15, 2021

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Consolidated Financial Statements

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

Consolidated Statements of Financial Position

<i>June 30,</i>	2020	2019
Current assets		
Cash and cash equivalents	\$ 17,393,144	\$ 19,430,841
Restricted cash AMR Campus construction	-	2,280,181
Restricted cash NMTC CDE's fee reserve	1,542,473	1,850,173
Accounts and other receivables	318,479	68,164
Receivable from affiliates	-	1,831,919
Clinic fees receivable, net	8,281,958	7,292,006
Contracts and grants receivable, net	8,476,549	7,468,484
Pledges receivable, net	761,561	1,498,105
Short-term investments	15,554,623	15,139,404
Inventories	1,035,104	978,504
Total current assets	53,363,891	57,837,781
Noncurrent assets		
Contributions receivable - held in trust	2,505,399	2,862,706
Beneficial interests in trusts	2,475,865	2,403,589
Receivable from affiliates	5,396,881	5,199,674
Leverage loan receivable	28,910,100	28,910,100
Pledges receivable, net	781,016	956,672
Long-term investments	1,674,863	1,805,194
Property and equipment, net	92,108,325	87,481,438
Other assets	4,296,355	3,661,434
Total noncurrent assets	138,148,804	133,280,807
Total assets	\$ 191,512,695	\$ 191,118,588
Current liabilities		
Accounts payable	\$ 2,962,460	\$ 7,264,189
Accrued expenses and other liabilities	8,453,641	8,127,951
Retainage	219,980	2,472,145
Unearned revenue	1,769,669	1,217,941
Interest payable	466,722	269,515
Current portion of annuities payable	183,333	196,233
Current portion of long-term debt	3,870	25,162
Total current liabilities	14,059,675	19,573,136
Noncurrent liabilities		
Annuities payable, net of current portion	914,721	984,941
Long-term debt, net of current portion	45,921,807	45,878,833
Total noncurrent liabilities	46,836,528	46,863,774
Total liabilities	60,896,203	66,436,910
Commitments and contingencies (Note 17)		
Net assets		
Without donor restrictions	122,094,585	115,057,119
With donor restrictions	8,521,907	9,624,559
Total net assets	130,616,492	124,681,678
Total liabilities and net assets	\$ 191,512,695	\$ 191,118,588

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

<i>Year ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue			
Public support:			
Special events revenue:			
Gross receipts	\$ 5,381,825	\$ 83,598	\$ 5,465,423
Less costs of direct benefits to donors	(114,964)	-	(114,964)
Net special events revenue	5,266,861	83,598	5,350,459
Program fees	100,330,412	-	100,330,412
Grants	23,499,221	-	23,499,221
Contributions	6,979,331	696,085	7,675,416
Contributions - Capital Campaign	3,647,155	-	3,647,155
Contributed goods and services	542,770	-	542,770
Other operating revenue	402,883	-	402,883
Total public support and other revenue	140,668,633	779,683	141,448,316
Net assets released from restrictions:			
Satisfaction of program restrictions	1,440,128	(1,440,128)	-
Total public support and other revenue and net assets released from restrictions	142,108,761	(660,445)	141,448,316
Operating expenses			
Program services	127,146,106	-	127,146,106
Supporting services:			
General and administrative	3,172,651	-	3,172,651
Fund-raising	5,465,087	-	5,465,087
Total supporting services	8,637,738	-	8,637,738
Total operating expenses	135,783,844	-	135,783,844
Change in net assets before non-operating income/gains (losses) and other revenue	6,324,917	(660,445)	5,664,472
Non-operating income/gains (losses) and other revenue			
Net investment return	398,816	-	398,816
Unrealized loss on trusts held by third parties	-	(338,135)	(338,135)
Change in value of split-interest agreements	-	(104,072)	(104,072)
Other nonoperating revenue	313,733	-	313,733
Total non-operating income/gains (losses) and other revenue	712,549	(442,207)	270,342
Change in net assets	7,037,466	(1,102,652)	5,934,814
Net assets, beginning of year	115,057,119	9,624,559	124,681,678
Net assets, end of year	\$ 122,094,585	\$ 8,521,907	\$ 130,616,492

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

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

Los Angeles LGBT Center and Affiliates
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Consolidated Statement of Functional Expenses

Year ended June 30, 2020	Program Services									Supporting Services			Total
	Policy & Community Building	Cultural Arts & Education	Senior Services	Health Services	Legal Services	Public Affairs	Children, Youth & Family	Culinary Arts	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	
Program Staff Salaries	\$ 971,911	\$ 628,080	\$ 842,966	\$ 23,188,090	\$ 814,963	\$ 788,002	\$ 5,544,030	\$ 305,151	\$ 33,083,193	\$ -	\$ 2,249,340	\$ 2,249,340	\$ 35,332,533
Administration Salaries	190,588	468,654	235,389	1,083,881	33,573	174,872	923,123	157,151	3,267,231	4,989,079	457,260	5,446,339	8,713,570
Employee Benefits	162,751	210,072	209,150	4,096,089	129,683	146,715	1,587,999	96,719	6,639,178	612,534	385,609	998,143	7,637,321
Employer Taxes	90,588	95,368	89,589	1,948,719	70,330	73,968	564,928	36,499	2,969,989	356,323	209,567	565,890	3,535,879
Medical Supplies	-	-	-	56,176,321	-	-	2,731	-	56,179,052	-	-	-	56,179,052
Supplies	8,093	32,362	39,105	209,917	3,669	5,433	174,666	75,741	548,986	175,121	20,294	195,415	744,401
Facilities, Repairs and Maintenance	70,282	44,074	39,061	1,027,689	51,292	3,424	126,816	15,958	1,378,596	96,378	44,965	141,343	1,519,939
Telephone and Utilities	12,274	55,766	31,734	304,050	9,503	4,825	169,928	22,170	610,250	518,620	21,647	540,267	1,150,517
Advertising, Printing and Postage	1,757	2,052	49,687	268,844	4,263	177,991	33,933	294	538,821	211,181	222,372	433,553	972,374
Insurance	1,459	11,393	7,766	25,945	11,810	781	27,300	3,794	90,248	387,864	3,127	390,991	481,239
Travel	79,373	400	3,487	60,071	6,721	870	42,150	109	193,181	30,355	50,933	81,288	274,469
Professional Fees and Contracted Services	326,496	7,314	40,262	2,152,489	39,525	145,431	118,307	13,616	2,843,440	844,637	269,181	1,113,818	3,957,258
Event Expenses	907,250	99,225	34,960	527,295	216	132,923	138,862	1,701	1,842,432	4,206	563,917	568,123	2,410,555
Equipment Lease and Repair	7,260	39,044	15,089	948,871	9,053	35,690	106,150	25,870	1,187,027	520,416	91,582	611,998	1,799,025
Client Services	14,802	663	122,705	1,135,206	7,152	-	1,184,463	-	2,464,991	-	35	35	2,465,026
Lab Testing	-	-	-	1,189,019	-	-	-	-	1,189,019	-	-	-	1,189,019
Taxes and Licenses	891	9,813	9,743	23,109	3,309	1,457	46,350	6,054	100,736	-	4,038	4,038	104,774
Educational Materials	-	-	-	64,435	-	-	482	38,307	103,224	-	-	-	103,224
Staff and Board Development	29,114	1,346	4,787	205,388	5,330	10,335	26,931	1,075	284,306	188,173	121,460	309,633	593,939
Interest Expense	100	783	534	1,784	182	54	1,877	261	5,575	608,842	215	609,057	614,632
Miscellaneous	58,258	-	-	82,695	-	33	74,539	-	215,525	1,360,693	-	1,360,693	1,576,218
Contributed Goods and Services	24,456	-	24,321	322,327	34,391	3,900	70,318	20,094	499,807	13,520	29,443	42,963	542,770
Bank, Payroll and Investment Fees	-	-	-	-	-	-	-	-	-	570,518	131,875	702,393	702,393
Depreciation and Amortization	17,364	202,981	214,261	919,854	19,084	32,401	989,547	133,492	2,528,984	684,715	84,982	769,697	3,298,681
Allocated GBA	262,254	161,201	224,185	5,722,791	201,879	225,646	1,468,801	115,558	8,382,315	(9,000,524)	618,209	(8,382,315)	-
Total expense by function	3,237,321	2,070,591	2,238,781	101,684,879	1,455,928	1,964,751	13,424,231	1,069,624	127,146,106	3,172,651	5,580,051	8,752,702	135,898,808
Less expenses included with revenue on the statement of activities	-	-	-	-	-	-	-	-	-	-	(114,964)	(114,964)	(114,964)
Total expenses included in the expense section of the consolidated statement of activities	\$ 3,237,321	\$ 2,070,591	\$ 2,238,781	\$ 101,684,879	\$ 1,455,928	\$ 1,964,751	\$ 13,424,231	\$ 1,069,624	\$ 127,146,106	\$ 3,172,651	\$ 5,465,087	\$ 8,637,738	\$ 135,783,844

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

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

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

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash

Years ended June 30,	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 5,934,814	\$ 16,437,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,298,681	1,690,167
Allowance for bad debt	1,259,857	16,711
Realized investment loss (gain)	1,018,764	(80,226)
Unrealized investment gain	(959,515)	(76,371)
Change in restricted split-interest agreements and trust	285,031	180,598
Changes in operating assets and liabilities:		
Accounts and other receivables	(250,315)	53,536
Receivable from affiliates	436,670	(4,888,827)
Clinic fees receivable, net	(989,952)	(1,325,247)
Contracts and grants receivable, net	(1,056,071)	(2,268,748)
Pledges receivable, net	898,391	899,773
Inventories	(56,600)	(96,531)
Other assets	(634,921)	(1,189,809)
Accounts payable	(4,301,729)	(6,606,316)
Accrued expenses and other liabilities	325,690	610,902
Retainage	(2,252,165)	(2,779,641)
Unearned revenue	551,728	(176,202)
Interest payable	197,207	269,515
Annuities payable	(83,120)	93,519
Net cash provided by operating activities	3,622,445	764,575
Cash flows from investing activities		
Purchase of property and equipment	(7,925,568)	(20,702,941)
Purchase of investments	(9,896,343)	(876,243)
Proceeds from sale of investments	9,787,859	960,875
Interest income reinvested	(235,653)	(387,605)
Net cash used in investing activities	(8,269,705)	(21,005,914)
Cash flows from financing activities		
Proceeds from notes payable	-	4,930,159
Increase in deferred financing costs	46,845	16,279
Repayments of notes payable and capital lease obligations	(25,163)	(144,107)
Net cash provided by financing activities	21,682	4,802,331
Net decrease in cash and cash equivalents and restricted cash	(4,625,578)	(15,439,008)
Cash and cash equivalents and restricted cash, beginning of year	23,561,195	39,000,203
Cash and cash equivalents and restricted cash, end of year	\$ 18,935,617	\$ 23,561,195
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 614,632	\$ 190,131
Noncash investing and financing activities		
Investments in other entities	\$ -	\$ 900,000
Capitalized development costs remaining in payables	219,980	6,099,803

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

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

1. Organization

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

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

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

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

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

On January 30, 2020, the World Health Center (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19” outbreak or “pandemic”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Center’s financial condition, liquidity, and future results of operations.

The Center responded aggressively to address COVID-19 and impacts to operations. On March 19, 2020, the Center directed as many staff to work from home (“WFH”) as possible. That has resulted in approximately two-thirds of the Center’s staff to WFH. For health services, the Center was able to quickly pivot to move to telehealth visits for the clinic and mental health services. The Center was in the fortunate position of having a strong IT infrastructure in place that included a patient facing portal in Allscripts, the Center’s electronic healthcare record keeping system, that was HIPAA compliant. The biggest challenge with this pivot was acquiring and configuring approximately 40 new laptops with the proper encryption for Health Services staff. However, that challenge was successfully met. Telehealth visits have been widely accepted, and the no-show rate for patients has actually improved.

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Our Youth Drop-in Center has been significantly modified, and we worked with our funding agencies to minimize the potential impact the six-foot safe distance rule could have on our Emergency Overnight Night bed program and Transitional Living Program. Also, we've had to radically modify our Seniors program. We had to shut the building down and are now distributing meals on a takeout basis and developed a more robust outreach program for those clients.

COVID-19 has also had an impact on our fundraising events. We were forced to cancel our single largest fundraising event, AIDS/LifeCycle, both for fiscal year 2020 and fiscal year 2021. In addition, Simply DiVine and the Anniversary Fin Vanguard Awards were canceled.

In March and April of 2020, The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and other legislation was enacted in response to the global health emergency. Consequently, the Center received six Department of Health and Human Services COVID related grants, of which four were for the Health Services Program and two were for the Youth Transitional Living Program. The income tax effect of the CARES Act is expected to be immaterial to the consolidated financial statements. The Center will continue to assess the income tax effect of the CARES Act and ongoing government guidance related to COVID-19 that may be issued.

Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Center is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Consolidation

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

Basis of Presentation

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit with banks and investments with original maturities of three months or less. The Center places its temporary cash investments with high credit quality financial institutions. At times cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance limits. The Center has not experienced any losses related to these balances. All noninterest-bearing and interest-bearing cash balances held in the same ownership category are aggregated and were insured up to at least \$250,000 per depositor at each financial institution at June 30, 2020.

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

Clinic Fees Receivable, Net

Clinic fees receivable represent balances due to the Center for services provided to clients prior to and including June 30, 2020. 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.

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.

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Notes to the Consolidated Financial Statements

Pledges Receivable, Net

Pledges receivable represent individual and foundation pledges that have been made to the Center's Capital Campaign for the Anita May Rosenstein Campus (see Note 22) for the development of 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, 2020 and 2019 were calculated based on the Annuity 2000 Mortality Table. At June 30, 2020 and 2019, annuities payable were \$1,098,054 and \$1,181,174, respectively.

The contributed assets of \$2,491,290 and \$2,641,290 at June 30, 2020 and 2019, respectively, are recorded at fair value and a corresponding liability has been recorded to reflect the present value of required lifetime payments. The portion of the contributed assets, which represent future annuity payments, is classified in cash and cash equivalents and investments.

The Center is also the beneficiary of assets held in charitable remainder trusts administered by other trustees. These trusts are recorded at the present value of the remainder interest held by the trustee.

The Center uses an interest rate commensurate with the risks involved to discount the charitable remainder trusts. The discount rates for the years ended June 30, 2020 and 2019 are 0.6% and 2.8%, respectively.

Investments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-320, *Investments-Debt and Equity Securities*, the Center accounts for its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value on the Consolidated Statements of Financial Position. The Center records realized and unrealized gains and losses on investments in the Consolidated Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations and is then recorded as net assets with donor restrictions.

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Notes to the Consolidated Financial Statements

Fair Value Measurements

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

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

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

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

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

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

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.

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Pledges are carried at fair value. The fair value of pledges that are expected to be paid in less than one year are measured at net realizable value and all other pledges are recorded at the present value of estimated future cash flows. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 2.53% and 4.20%, which is 12-month LIBOR rate plus 2.00%, as of both June 30, 2020 and 2019, respectively. Amortization of discounts is recorded as contribution revenue annually in accordance with donor-imposed restrictions, if any, on the pledges.

Investments are carried at fair value.

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

Property and Equipment

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

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

For assets acquired outside of the construction of the Anita May Rosenstein Campus buildings, 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.

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 2020 and 2019, 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.

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Unearned Revenue

Unearned revenue represents a conditional grant or other funds received for services to be performed by the Center, which have not yet been provided under the terms of the agreements. The Center recognizes these amounts as public support and other revenue when such services have been performed or the condition has been met and/or funds expended. Unearned revenue at June 30, 2020 consisted primarily of \$360,599 related to grants, \$65,000 related to events and \$1,344,070 related to conditional donations. Unearned revenue at June 30, 2019 consisted primarily of \$212,812 related to grants, \$166,165 related to events and \$838,964 related to conditional donations.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 2.53%, which is 12-month LIBOR rate plus 2.00%. Amortization of discounts is recorded as additional contributions annually in accordance with donor-imposed restrictions, if any. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restricted support that increases those net asset classes.

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

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

Special Events

Revenue from special events is recorded at the fair market value for goods and services provided in excess of the costs of direct benefits to donors. 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 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 \$29,443 and \$331,121 for the years ended June 30, 2020 and 2019, 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 \$513,327 and \$592,608 for the years ended June 30, 2020 and 2019, respectively, and is included in contributed goods and services in the accompanying consolidated financial statements.

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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 \$286,104 and \$403,459 for the years ended June 30, 2020 and 2019, respectively.

Program Fees

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

Grants

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

Functional Allocation of Expenses

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

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

Income Taxes

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

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, 2020 and 2019, there were no interest or penalties recorded or included in the Consolidated Statements of Activities and Changes in Net Assets related to taxes.

The tax year ended June 30, 2017 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.

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Non-Operating Income Allocated to Operations

Contributions, except for split-interest agreements and perpetual trusts held by third parties, are reported as operating increases in the appropriate category of net assets. The Board of Directors has designated that split-interest agreements and perpetual trusts held by third parties are not generally available for use in operations; therefore, changes in value are recognized as non-operating activities in the appropriate category of net assets. Investment return, net, including realized and unrealized gains and losses, in excess of amounts utilized in operations, is accounted for as an increase or decrease in non-operating activities. It is classified as net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law. Other non-operating income includes interest income and expense from various loans held by the Center.

Allocation of Joint Costs

Under U.S. GAAP, 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, 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, 2020, total contributions received are approximately \$2 million and are recorded as net assets with donor restrictions.

Return Objectives and Risk Parameters

The investment objectives for the management of Center's investment portfolio is to produce current income to support the programs of the Center, 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.

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Recently Adopted Accounting Pronouncements

During the year ended June 30, 2020, the Center adopted the FASB Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (“ASU 2018-08”). The purpose of ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Company adopted ASU 2018-08 effective July 1, 2019. Adoption of ASU 2018-08 did not have a material impact on the Center’s consolidated financial statements.

During the year ended June 30, 2020, the Center adopted FASB ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, (“ASU 2016-15”). ASU 2016-15 was issued to clarify whether the following items should be classified as operating, investing or financing in the statement of cash flows: (i) debt prepayments and extinguishment costs, (ii) settlement of zero-coupon debt, (iii) settlement of contingent consideration, (iv) insurance proceeds, (v) settlement of bank owned life insurance policies, (vi) distributions from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) receipts and payments with aspects of more than one class of cash flows. Adoption of ASU 2016-15 did not have a material impact on the Center’s consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that provided an option to defer the effective date for the Center until annual periods beginning after December 15, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The update improves how entities account for equity investments, present and disclose financial instruments, and measure the valuation allowance on deferred tax assets related to available-for-sale debt securities. The original effective date for this update would have required the Center to adopt the update in fiscal year 2019. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which deferred the effective date until the Center’s fiscal year 2023. Management continues to evaluate the potential impact of this update.

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In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update, along with ASU 2018-10, *Codification Improvements to Topic 842: Leases*, ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that provided an option to defer the effective date for the Center until annual periods beginning after December 15, 2021 with early adoption permitted. The Center is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform with the current year financial statement presentation.

3. Clinic Fees Receivable

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

<i>June 30,</i>	2020	2019
Clinic fees receivable	\$ 8,466,457	\$ 7,416,918
Less: allowance for uncollectible clinic fees receivable	(184,499)	(124,912)
	\$ 8,281,958	\$ 7,292,006

4. Pledges Receivable

Pledges receivable, are as follows:

<i>June 30,</i>	2020	2019
Pledges receivable	\$ 1,756,810	\$ 2,781,322
Less: unamortized discount	(87,201)	(181,881)
Less: allowance for uncollectible pledges	(127,032)	(144,664)
Net pledges receivable	\$ 1,542,577	\$ 2,454,777

Gross pledges receivable, are due as follows:

<i>June 30,</i>	2020	2019
Less than one year	\$ 888,593	\$ 1,642,769
One to five years	568,217	738,553
More than five years	300,000	400,000
Pledges receivable	\$ 1,756,810	\$ 2,781,322

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

During the year ended June 30, 2020, total cash collected related to the Capital Campaign was \$3,667,897. For the year ended June 30, 2020, the Center recognized \$3,647,155 as revenue, including an unamortized discount of \$84,002. At June 30, 2020, the Center had signed Statements of Intent in the amount of \$13,506,311 related to the Capital Campaign, which are not recognized as a receivable or revenue until received. During the year ended June 30, 2019, total cash collected related to the Capital Campaign was \$38,424,691. For the year ended June 30, 2019, the Center recognized \$8,018,021 as revenue, including an unamortized discount of \$163,260. At June 30, 2019, the Center had unconditional or irrevocable pledges due in more than one year of \$900,000 related to the Capital Campaign, included in the revenue recognized. At June 30, 2019, the Center had signed Statements of Intent in the amount of \$14,309,533 related to the Capital Campaign, which are not recognized as a receivable or revenue until received.

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

Contributions receivable held in trust at June 30, 2020 and 2019 were \$2,505,399 and \$2,862,706, 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, 2020 and 2019. Subsequent changes in the value of the underlying assets are recorded in the accompanying Consolidated Statements of Activities and Changes in Net Assets as a component of non-operating income/gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is treated as net assets with donor restrictions for youth-oriented programs. Total income distribution for the years ended June 30, 2020 and 2019 was \$100,000 and \$245,000, 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, 2020 and 2019.

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

On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2020 and 2019. This amount is classified as net assets with donor restrictions. At June 30, 2020 and 2019, the charitable remainder trust was adjusted to its estimated fair value of \$1,411,783 and \$1,362,200, respectively, and the change in fair value was classified as unrealized loss on the Consolidated Statements of Activities and Changes in Net Assets.

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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, 2020, an endowment fund has not yet been created and the Center is in the process of creating the endowment fund in accordance with the agreement. Funds received are classified as net assets with donor restrictions and total approximately \$2 million.

Beneficial interests in trusts at June 30, 2020 and 2019 were \$2,475,865 and \$2,403,589, respectively.

6. Leverage Loan Receivable

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

The leverage loan receivable accrues 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.

The leverage loan receivable at June 30, 2020 and 2019, are as follows:

<i>June 30,</i>	2020	2019
AMR Campus Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through June 15, 2024, and then principal and interest payments of \$462,839 are due quarterly through maturity in June 23, 2041.	\$ 28,910,100	\$ 28,910,100

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7. Contracts and Grants Receivable

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

<i>June 30,</i>	2020	2019
Alliance for Housing and Healing	\$ 197,039	\$ 77,026
California Department of Social Services	33,488	-
California Office of Aids	161,898	445,032
California Office of Emergency Services	273,517	546,356
Centerlink	7,441	11,320
Chembio Diagnostic System, Inc.	-	80,917
Children's Hospital Los Angeles	29,272	5,124
City of Los Angeles	80,396	78,675
City of West Hollywood	47,317	12,090
Howard Brown Health Center	-	5,000
Legal Aid Foundation of Los Angeles	-	1,000
Los Angeles County Department of Mental Health	465,660	269,046
Los Angeles County Department of Probation	-	3,334
Los Angeles County Department of Public Health	5,090,798	3,739,604
Los Angeles Homeless Services Authority	792,968	1,339,637
Mid-Atlantic Network of Youth & Family Services	10,579	11,811
Santa Clara County	25,350	-
Social & Scientific Systems, Inc.	-	120
The General Hospital Corporation	5,652	15,519
The People Concern OPCC & LAMP Community United	162,375	260,688
The RAND Corporation	2,974	2,483
The University of Pittsburgh	-	5,900
United Way of Greater Los Angeles	-	28,447
University of California, Los Angeles	261,006	160,777
University of Southern California	29,283	-
US Department of Health & Human Services	849,132	348,148
US Department of Justice	43,574	11
US Department of State	45,081	110,664
Allowance for Contracts and Grants Receivable	(138,251)	(90,245)
Net Contract and Grant Receivables	\$ 8,476,549	\$ 7,468,484

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8. Investments

Investments consist of the following:

<i>June 30,</i>	2020	2019
Mutual funds	\$ 4,648,361	\$ 3,347,152
Equity securities	8,852,956	5,297,585
Fixed income securities	2,429,648	5,840,551
Non-traditional securities	1,298,521	2,459,310
	\$ 17,229,486	\$ 16,944,598

Net investment return consists of the following:

<i>Years ended June 30,</i>	2020	2019
Dividend income	\$ 514,807	\$ 728,465
Interest income	37,023	69,600
Total dividend and interest	551,830	798,065
Gross realized losses from sale of securities	(1,204,638)	(82,923)
Gross realized gains from sale of securities	185,874	163,933
Gross unrealized losses on fixed income securities	(122,214)	(180,992)
Gross unrealized gains on fixed income securities	183,679	201,187
Gross unrealized losses on equity securities	(1,132,071)	(1,013,980)
Gross unrealized gains on equity securities	2,057,153	1,088,777
Gross unrealized losses on non-traditional securities	(165,920)	(189,114)
Gross unrealized gains on non-traditional securities	139,808	169,239
Gross unrealized losses on mutual funds	(1,355)	-
Gross unrealized gains on mutual funds	435	1,253
Investments charges	(93,765)	(96,307)
Total realized and unrealized gains, net	(153,014)	61,073
Net investment return	\$ 398,816	\$ 859,138

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

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

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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, 2020 and 2019 for the assets and liabilities measured at fair value on a recurring basis:

<i>June 30, 2020</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 4,648,361	\$ -	\$ -	\$ 4,648,361
Equity securities	8,852,956	-	-	8,852,956
Fixed income securities	2,429,648	-	-	2,429,648
Non-traditional securities	764,001	-	534,520	1,298,521
Contributions receivable, held in trust	2,505,399	-	-	2,505,399
Beneficial interests in trusts	-	-	2,475,865	2,475,865
Total assets at fair value	\$ 19,200,365	\$ -	\$ 3,010,385	\$ 22,210,750
Annuities payable	\$ -	\$ -	\$ 1,098,054	\$ 1,098,054

<i>June 30, 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 3,347,152	\$ -	\$ -	\$ 3,347,152
Equity securities	5,297,585	-	-	5,297,585
Fixed income securities	5,840,551	-	-	5,840,551
Non-traditional securities	2,080,495	-	378,815	2,459,310
Contributions receivable, held in trust	2,862,706	-	-	2,862,706
Beneficial interests in trusts	-	-	2,403,589	2,403,589
Total assets at fair value	\$ 19,428,489	\$ -	\$ 2,782,404	\$ 22,210,893
Annuities payable	\$ -	\$ -	\$ 1,181,174	\$ 1,181,174

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, fixed income securities, non-traditional securities and investments underlying the contributions receivable - held in trust are based on the market approach, which utilizes market transaction data for the same or similar instruments. Fair values of financial assets are obtained from an independent pricing service and are based on unadjusted quoted prices for identical assets in active markets.

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Level 2 measurement valuation techniques: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

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. Non-traditional securities securing the 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, 2020 and 2019:

<i>June 30,</i>	2020	2019
Beginning balance	\$ 2,782,404	\$ 2,504,055
Purchase of non-traditional securities	155,705	135,915
Proceeds from beneficial interests in trusts	53,104	-
Total net gains included in change in net assets (realized/unrealized)	19,172	142,434
Ending balance	\$ 3,010,385	\$ 2,782,404

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, 2020 and 2019:

<i>June 30,</i>	2020	2019
Beginning balance	\$ 1,181,174	\$ 1,087,655
Change in value of split interest agreements	104,072	198,652
Receipts	-	76,128
Payments	(187,192)	(181,261)
Ending balance	\$ 1,098,054	\$ 1,181,174

There were no changes in the valuation methodologies.

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10. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2020	2019
Land	\$ 7,928,073	\$ 3,291,913
Buildings and improvements	14,511,587	13,847,857
Leasehold improvements	2,551,022	2,101,952
Furniture, fixtures and equipment	4,024,759	3,728,169
Computers and software	2,468,174	2,016,632
Construction in progress	766,438	485,986
Total Center property and equipment	32,250,053	25,472,509
Less: accumulated depreciation and amortization, including \$3,735 and \$87,762 accumulated depreciation for equipment acquired under capital leases at June 30, 2020 and 2019, respectively.	16,571,730	15,018,792
Total Center property and equipment, net of depreciation and amortization	15,678,323	10,453,717
AMR Campus - Land	9,558,063	9,558,063
AMR Campus - Buildings	68,639,024	67,490,999
AMR Campus - Furniture, fixtures and equipment	402,262	402,262
Total AMR Campus property and equipment	78,599,349	77,451,324
Less: accumulated depreciation and amortization, at June 30, 2020 and 2019, respectively.	2,169,347	423,603
Total AMR Campus property and equipment, net of depreciation and amortization	76,430,002	77,027,721
Total consolidated property and equipment, net of depreciation and amortization	\$ 92,108,325	\$ 87,481,438

For the years ended June 30, 2020 and 2019, the value of the assets under capital lease obligations were \$18,679 and \$388,914, respectively.

Depreciation and amortization expense was \$3,298,681 and \$1,690,167 for the years ended June 30, 2020 and 2019, respectively. The Center did not dispose of any assets for the years ended June 30, 2020 and 2019.

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Notes to the Consolidated Financial Statements

11. Line of Credit

On June 20, 2017, the Center executed a \$5,500,000 revolving line of credit (“LOC”) with Wells Fargo Bank (“WFB”) with a maturity date of June 20, 2019. On June 20, 2019, the Center extended the \$5,500,000 LOC with WFB with a maturity date of June 20, 2021. The LOC is 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. The LOC requires the Center to meet certain covenants. As of June 30, 2020 and 2019, the Center was in compliance with all covenants. During the years ended June 30, 2020 and 2019, the Center did not draw down on the LOC and therefore, did not incur any interest expense related to the LOC, other than the unused drawdown fee, which was immaterial as of June 30, 2020 and 2019. There were no outstanding balances under the LOC as of June 30, 2020 and 2019.

12. Term Loan/Revenue Bond

On June 20, 2017, the Center executed a new Term Loan/Revenue Bond (“Bond”) for \$19,100,000 with Wells Fargo Bank issued by California Enterprise Development Authority (“CDE”) with a maturity date of June 20, 2047. The Bond is collateralized by a 1st Deed of Trust/Mortgage on the properties located at 1119-1125 N McCadden Place, Los Angeles, CA 90038 and 1625 N Schrader Boulevard, Los Angeles, CA 90028 at an Index Floating Rate Mode whereby the interest rate on the Bond will be reset monthly at 67% of One Month LIBOR plus an applicable spread of 1.51%. There is an unused drawdown fee of 0.10% that is assessed on a quarterly basis. The Bond requires the Center to meet certain covenants. As of June 30, 2020 and 2019, the Center was in compliance with all covenants. During the years ending June 30, 2020 and 2019, 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, 2020 and 2019. There was no outstanding balance under the Bond as of June 30, 2020 and 2019. The Term Loan/Revenue Bond was cancelled by the Center on January 22, 2020.

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 year ended June 30, 2019, the Center did not draw on the Bridge Note and therefore, did not incur any interest expense related to the Bridge Note. The Bridge Note matured on June 20, 2019 and was not renewed.

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Notes to the Consolidated Financial Statements

14. Note Payable to City of Los Angeles

The City of Los Angeles (“City”) provided \$4,930,159 of Community Development Block Grant (“CDBG”) funds for the Senior Component of the Project (see Note 22) for the acquisition of the air space parcel on which to build the senior affordable housing. To accomplish this objective, the City executed a 55-year Acquisition and Permanent Loan (“City Loan”) with the Center on January 16, 2018. Concurrent to this City Loan, the Center entered into a loan agreement with the Partnership (see Note 22), under the same terms and conditions as the City Loan. The Partnership then used these funds to buy the air space parcel from AMR QALICB when the senior affordable housing transaction closed on September 19, 2018. As a result, the Center at June 30, 2020 and 2019 has a receivable from the Partnership for \$4,930,159 related to the loan and a payable to the City for the same amount included in Receivable from Affiliates Noncurrent Assets.

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Notes to the Consolidated Financial Statements

15. Debt

Notes payable and capital lease obligations are summarized as follows:

<i>June 30,</i>	2020	2019
<p>Note payable to City of Los Angeles, collateralized by McCadden Plaza Senior Housing Project Land (“Project”). The note shall bear simple interest at the rate of 4% percent per annum on the principal amount outstanding. The principal of the loan and all accrued interest thereon shall be repaid from residual receipts of the Project, if any, on an annual basis and due and payable in full on January 2073. See Note 14.</p>	\$ 4,930,159	\$ 4,930,159
<p>Note payable A-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p>	10,210,500	10,210,500
<p>Note payable B-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p>	4,489,500	4,489,500
<p>Note payable A-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p>	6,807,000	6,807,000
<p>Note payable B-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p>	2,993,000	2,993,000
<p>Note payable A-3 to LADF XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.</p>	6,607,000	6,607,000

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<i>June 30,</i>	2020	2019
<i>(continued)</i>		
Note payable B-3 to LADF XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.	3,393,000	3,393,000
Note payable A-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.	5,285,600	5,285,600
Note payable B-4 to LIIF SUB-CDE XI, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 23.	2,474,400	2,474,400
Capital lease obligation, with variable monthly principal and interest payments due through February 8, 2023.	11,031	36,194
Total debt	47,201,190	47,226,353
Less: unamortized cost of issuance	(1,275,513)	(1,322,358)
Less: current portion of long-term debt	(3,870)	(25,162)
Long-term debt, net of current portion	\$ 45,921,807	\$ 45,878,833

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

<i>Years ending June 30,</i>	CDBG Loan Payable	Capital Leases	NMTC Notes Payable	Total
2021	\$ -	\$ 3,870	\$ -	\$ 3,870
2022	-	4,361	-	4,361
2023	-	2,800	-	2,800
2024	-	-	275,000	275,000
2025	-	-	1,567,697	1,567,697
Thereafter	4,930,159	-	40,417,303	45,347,462
	\$ 4,930,159	\$ 11,031	\$ 42,260,000	\$ 47,201,190

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Interest expense related to long-term debt was \$760,113 and \$190,131 for the years ended June 30, 2020 and 2019, respectively.

16. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

<i>June 30,</i>	2020	2019
Accrued payroll and other employee expenses	\$ 5,734,573	\$ 5,756,164
Medi-Cal refund reserve	1,592,277	768,127
Accrued expenses	478,920	783,379
Medical insurance payable	245,098	193,178
Due to grantors	230,434	273,896
Retreatment vaccine reserve	-	135,931
Other liabilities	104,519	149,456
340B pharmaceutical reserve	67,820	67,820
Total accrued expenses and other liabilities	\$ 8,453,641	\$ 8,127,951

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, 2020, the total reserve amount is \$1,592,277, comprising \$398,944, \$393,291 and \$800,042 for fiscal years 2017, 2019 and 2020 respectively. As of June 30, 2019, the total reserve amount is \$768,127, comprising \$374,836 and \$393,291 for fiscal years 2018 and 2019, respectively.

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. As of June 30, 2019, the Center has reimbursed 13 pharmaceutical manufacturers in the amount of \$113,214. As of June 30, 2020 and 2019, there are six reimbursements still pending with manufacturers and there have been no additional reserve. The Center has estimated the amount for the six pending reimbursements at June 30, 2020 and 2019 to be \$67,820.

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Retreatment Vaccine Reserve

In March 2018, the Center discovered that the refrigerators in the clinic services area had gone out of the recommended temperature range for the storage of various vaccines used in the clinic. After further investigation, it was determined that these temperature excursions had occurred periodically from May 2016 to March 2018. For those patients who received vaccinations during the affected period, the Center provided complimentary vaccinations. As of June 30, 2019, the Center has provided vaccinations in the amount of \$224,460 and the remaining reserve amount was \$135,931. The Center has determined that only a very small number of patients will still come back for revaccination based on utilization trends, so the Center has estimated the cost of revaccinations for this population to be \$0 as of June 30, 2020, retiring the remaining liability.

Medical Insurance Payable

The Center identified that a small number of pharmacy transactions billed to Medi-Cal from July 2017 through June 2018 were not being adjudicated correctly based on the acquisition cost plus the dispensing fee. The Center estimated the overpayment amount to be \$145,007 through June 30, 2020 and established a reserve in that amount.

In August 2017, the State of California Medi-Cal program announced that an increase in the dispensing fee for pharmaceuticals would take effect on April 1, 2017. The Center adjusted the dispensing fee billed per the new guidelines in October 2017. A policy clarification was issued in June 2018, stating that the change would not formally take effect until February 2019 and Medi-Cal would retroactively adjust billings. The Center adjusted the billed dispensing fee pending further guidance from Medi-Cal. A policy clarification was received in January 2019 confirming implementation in February 2019 and that communications related to retro-active implementation would be forthcoming. The Center determined that the payback amount for early implementation of the new dispensing fee from October 2017 through June 2018 was \$35,792 and established a reserve in that amount. As of June 30, 2020, there have been no adjustments made by the state.

As a Federally Qualified Health Center (FQHC), the Center files an annual cost report with the federal Medicare program at which time reimbursements related to vaccine administration are determined. The Center received the cost report settlement for fiscal year 2018 in March 2019, but there was a concern the payment was overstated by \$12,379. An audit of the report determined that this was not overstated. As of June 30, 2020, the reserve is \$0.

With the rapid onset of the COVID-19 pandemic and the implementation of local lockdown orders in March 2020, Health Centers were forced to rapidly transition from in-person visits to telehealth. In March and April 2020, guidance was released from Medicare stating that telehealth visits would be reimbursed at the full Prospective Payment System (PPS) rate. In July 2020, this decision was revisited, and the Center learned that telehealth visits would be reimbursed at the normal telehealth rate rather than the PPS and that the policy change would be retro-actively applied to January 2020. The difference in the reimbursement amounts would be deducted on future payments. The Center estimated the repayment amount to be \$64,299 through June 30, 2020 and established a reserve in that amount.

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17. Commitments and Contingencies

Capital Leases

The Center leases certain equipment under agreements that are classified as capital leases. The current and long-term portions of capital lease obligations as of June 30, 2020, are presented in Note 15.

Aggregate maturities required on capital lease obligations are as follows:

<i>Years ended June 30,</i>	Amount
2021	\$ 4,985
2022	4,985
2023	2,913
Less: portion representing interest	(1,852)
Total	\$ 11,031

Operating Leases

The Center executed a lease agreement effective on December 10, 2014 to lease an approximately 2,500 square-foot space in West Hollywood, California. The term is five years and commenced on September 1, 2015. The base rent is \$14,000 per month plus \$1,500 per month for 10 parking spaces. The fixed rental adjustment of the base rent is set to increase 3% annually, effective one year after the space is occupied. The total amount of rental payments due over the lease term is charged to rent expense on the straight-line method over the term of the lease. The Center extended the lease agreement effective on April 8, 2020. The term is five years and commenced on September 1, 2020. The base rent is \$17,000 per month plus \$1,739 per month for 10 parking spaces. The fixed rental adjustment of the base rent is set to increase 4% annually.

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

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

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At June 30, 2020, the estimated future minimum rental payments under these leases are as follows:

<i>Years ending June 30,</i>	Amount
2021	\$ 502,417
2022	497,727
2023	449,063
2024	463,145
2025	477,750
Thereafter	638,411
Total	\$ 3,028,513

Rent expense is as follows:

<i>Years ending June 30,</i>	2020	2019
Rent expense	\$ 602,543	\$ 1,243,098
Sublease rental income	(82,734)	(71,494)
Rent expense, net	\$ 519,809	\$ 1,171,604

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 that 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 that 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, 2020, and 2019, the Center has accrued \$547,968 and \$524,950, respectively, included in accrued expenses and other liabilities in the Consolidated Statements of Financial Position, related to these agreements.

Litigation

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

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Government Regulations

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

18. Retirement Plans

Defined Contribution Plan

The Center has a defined contribution plan covering substantially all employees who have completed one year of service and have attained the age of 18. Employer contributions are at the discretion of management. There were no employer contributions for the years ended June 30, 2020 and 2019.

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, 2020 and 2019, the Center holds assets totaling \$1,246,604 and \$1,242,193, respectively, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying Consolidated Statements of Financial Position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

19. Net Assets

Net Assets Without Donor Restrictions

	2020	2019
Undesignated	\$ 122,094,585	\$ 115,057,119
Without donor restrictions net assets	\$ 122,094,585	\$ 115,057,119

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Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to the following restrictions at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Development of Anita May Rosenstein Campus	\$ 815,998	\$ 836,740
Health and HIV Prevention Services	94,848	499,885
Policy	21,875	-
Youth, Seniors and Women's Services	143,519	92,855
Charitable remainder trusts	2,533,246	2,801,129
Funds to establish an endowment	2,102,138	2,102,138
Subtotal - purpose restrictions	5,711,624	6,332,747
Time restrictions		
Charitable remainder trusts	2,290,842	2,266,515
For periods after June 30, 2020 and 2019 - general operations	519,441	1,025,297
Subtotal - time restrictions	2,810,283	3,291,812
Net assets with donor restrictions	\$ 8,521,907	\$ 9,624,559

Net assets of \$1,440,128 and \$2,371,155 were released from donor and time restrictions in 2020 and 2019, respectively, by incurring expenses related to specific programs that satisfied the restricted purposes.

At June 30, 2020 and 2019, net assets with donor restrictions of \$4,686,352 and \$5,101,918, respectively, are contributions restricted by donors whereby the interest and dividends are used to support operations of the Center. These net assets with donor restrictions are primarily managed by third-party trustees, and the Center does not have control over investment decisions.

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Notes to the Consolidated Financial Statements

20. Liquidity and Availability of Resources

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

<i>Years ended June 30,</i>	2020	2019
Cash and cash equivalents	\$ 17,393,144	\$ 19,430,841
Short-term investments	15,554,623	15,139,404
Accounts and other receivables	318,479	68,164
Receivable from affiliate - current	-	1,831,919
Clinic fees receivable, net	8,281,958	7,292,006
Contracts and grants receivable, net	8,476,549	7,468,484
Pledges receivable current, net	761,561	1,498,105
Total financial assets available within one year*	50,786,314	52,728,923
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(1,076,240)	(1,429,480)
Restricted by donors in perpetuity	(2,102,138)	(2,102,138)
Total amounts unavailable for general expenditures within one year	(3,178,378)	(3,531,618)
Total financial assets available to management for general expenditures within one year	\$ 47,607,936	\$ 49,197,305

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

Liquidity Management

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

To help manage unanticipated liquidity needs the Center has a committed line of credit of \$5,500,000, which it could draw upon (see Note 11).

21. Allocation of Joint Costs

The Center conducted activities that include requests for contributions, as well as program, management and general components. Those activities included a special event. The costs of conducting those activities included \$2,201,107 and \$3,694,084 of joint costs for the years ended June 30, 2020 and 2019, respectively, which are not specifically attributable to components of the activities (joint costs).

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Notes to the Consolidated Financial Statements

These joint costs were allocated as follows:

<i>Years ended June 30,</i>	2020	2019
Fundraising	\$ 1,718,777	\$ 2,944,871
Health/Education/Prevention Program	482,330	749,213
Total	\$ 2,201,107	\$ 3,694,084

22. Anita May Rosenstein Campus

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

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

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

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

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

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

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On June 14, 2017, the Partnership executed a Guaranteed Maximum Price Contract (“Contract”) with Swinerton Builders (“Contractor”). The contract sum was guaranteed by the Contractor not to exceed \$57,533,628 without approved change orders. The Contract includes construction of the foundation, approximately 350 underground parking stalls, site work and buildings related to the Center Component. As of June 30, 2020, the Contract was increased to \$67,177,646 through additional change orders. Construction on the Project began on June 2017, and the Center’s component was substantially completed.

As part of financing the development of the Center Component and parking, the Center entered into a New Markets Tax Credit (“NMTC”) transaction on June 23, 2017, which is fully described in Note 23. As the Subdivision of the East Property was not recorded prior to June 23, 2017, the Partnership was required to transfer the deed of the East Property to AMR QALICB, including the Senior Component of the land, to complete the transaction. The Partners executed the Amendment on June 15, 2017 to transfer the East Property. AMR QALICB executed an Amended and Restated Agreement of Purchase and Sale and Joint Escrow Instructions, effective June 21, 2017, with the Partnership to sell the affordable housing air space parcel of the East Property to the Partnership for development of the Senior Component for \$4,930,159 following Subdivision.

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

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

On June 20, 2019, the Bridge Loan Note matured and was not renewed. The Center cancelled the Term Loan/Revenue Bond on January 22, 2020. During the construction of the Anita May Rosenstein Campus, none of the credit facilities were drawn down due to the success of the Capital Campaign, cash generated from operations, proceeds from the NMTC transaction, and cash and investments on hand.

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

The Center’s Component and underground parking was substantially completed on April 6, 2019 at which time the Center received a six-month Temporary Certificate of Occupancy (“TCO”). The Center was granted successive six-month extensions on the TCO through March 7, 2021. The Center will receive a permanent Certificate of Occupancy when construction on the Senior and Youth Components are completed, which is anticipated to be in early 2021.

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

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

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

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

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

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As of June 30, 2020 and 2019, on a consolidated basis, the Center had a receivable of \$5,396,881 and \$7,031,593, respectively, due from the Partnership and TAY LP, primarily related to the City Loan and the advancement of Hard and Soft Costs incurred during construction. This receivable is presented as receivable due from affiliates in the Consolidated Statement of Financial Position.

AMR QALICB had \$9,558,063, which consist of land acquisitions, donated land, capitalize interest, and closing cost, as land and land development costs as of June 30, 2020 and 2019.

As of June 30, 2020, AMR QALICB had \$68,639,024 recorded as Buildings, including Hard Costs, Soft Costs and Other Costs, related to the Center Component and associated parking. The Center Component was substantially completed on April 6, 2019. The Center donated \$1,144,238 for the Center Component to AMR QALICB during the year ended June 30, 2020. During the year ended June 30, 2020, Partnership and TAY LP paid \$598,065 to the Center and AMR QALICB for their respective Hard and Soft Costs.

As of June 30, 2020, AMR QALICB had a payable to the Center for \$786,869, primarily related to Hard and Soft Costs, and the Center had an offsetting receivable from AMR QALICB. In addition, the Center had a payable to AMR QALICB for \$162,972, and AMR QALICB has an offsetting receivable from the Center related to Hard Costs for the Center Component. These two amounts are eliminated in the Consolidated Statements of Financial Position.

23. New Market Tax Credits

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

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

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

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

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

	2020	2019
1. QLICI Loan A1 (NMCC)	\$ 10,210,500	\$ 10,210,500
2. QLICI Loan B1 (NMCC)	4,489,500	4,489,500
3. QLICI Loan A2 (GLA)	6,807,000	6,807,000
4. QLICI Loan B2 (GLA)	2,993,000	2,993,000
5. QLICI Loan A3 (LADF)	6,607,000	6,607,000
6. QLICI Loan B3 (LADF)	3,393,000	3,393,000
7. QLICI Loan A4 (LIIF)	5,285,600	5,285,600
8. QLICI Loan B4 (LIIF)	2,474,400	2,474,400
Total	\$ 42,260,000	\$ 42,260,000

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

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

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

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

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

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

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

24. Gay & Lesbian Elder Housing Corporation

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

GLEH merged with and into GLEH-LA on November 12, 2014, and the Center executed a Master Services Agreement ("MSA") through December 31, 2016 ("Initial Term") with GLEH-LA to replace the Services Agreement on that same date. At the expiration of the Initial Term, this agreement automatically renewed for successive six-month periods unless either party provides the other party with notice of non-renewal at least thirty days prior to expiration of the current term. Under the MSA, the Center agreed to continue to provide social services to the residents and other management, administrative and back-office services for fees commensurate with fair market value. If the cash flow is not adequate to cover the fees charged, the fees will accrue interest free and will carryover and be paid in the next successive year or until such time that monies are available. Under the MSA, the Center is entitled to \$1,094,419 and \$846,543 for the years ended June 30, 2020 and 2019, respectively, however the Center did not recognize revenue due to the uncertainty of collection, and the amount is fully reserved.

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

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

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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, 2020 and 2019.

25. Effect of Economic Conditions on Contributions

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

26. Subsequent Events

The Center evaluated subsequent events through February 15, 2021, 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, 2020, except as described below.

Although the Center cannot estimate the length or gravity of the impact of the COVID-19 outbreak introduced in FY20, if the pandemic continues, it may have a material adverse effect on Center's results of future operations, financial position and liquidity in fiscal year 2021.

The Center implemented multiple efforts in fiscal year 2020 to address the pandemic and minimize the impact on operations, and these efforts have been carried forward to fiscal year 2021. To mitigate the cancellation of key fundraising initiatives, the Center hosted a two-hour telethon on KTLA TV in September 2020, which was a huge success, and launched TogetherRide, a safe, cycling event to raise funds and awareness for AIDS to replace AIDS/LifeCycle. TogetherRide encourages individual cyclists to join together to collectively ride 1.2 million miles, on any type of bike, outside or inside, to raise \$5 million. Since this is a new event, it is too early to gauge the success of the event.

Management is carefully monitoring all funding streams and will continue to evaluate its options during this time. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

Supplemental Material



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

515 Flower Street
47th Floor
Los Angeles CA 90071

Independent Auditor's Report on Supplemental Material

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

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

BDO USA, LLP

February 15, 2021

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Consolidating Statement of Financial Position

<i>June 30, 2020</i>	Los Angeles LGBT Center	AMR Campus QALICB, Inc.	Elimination Entries	Consolidated Financials
Current assets				
Cash and cash equivalents	\$ 16,125,274	\$ 1,267,870	\$ -	\$ 17,393,144
Restricted cash AMR Campus construction	-	-	-	-
Restricted cash NMTC CDE's fee reserve	-	1,542,473	-	1,542,473
Accounts and other receivables	318,479	-	-	318,479
Receivable from affiliates	786,869	162,972	(949,841)	-
Clinic fees receivable, net	8,281,958	-	-	8,281,958
Contracts and grants receivable, net	8,476,549	-	-	8,476,549
Pledges receivable, net	761,561	-	-	761,561
Short-term investments	15,554,623	-	-	15,554,623
Inventories	1,035,104	-	-	1,035,104
Total current assets	51,340,417	2,973,315	(949,841)	53,363,891
Noncurrent assets				
Contributions receivable - held in trust	2,505,399	-	-	2,505,399
Beneficial interests in trusts	2,475,865	-	-	2,475,865
Receivable from affiliate	5,396,881	-	-	5,396,881
Leverage loan receivables	28,910,100	-	-	28,910,100
Pledges receivable, net	781,016	-	-	781,016
Long-term investments	1,674,863	-	-	1,674,863
Property and equipment, net	15,678,323	76,430,002	-	92,108,325
Other assets	4,296,355	-	-	4,296,355
Total noncurrent assets	61,718,802	76,430,002	-	138,148,804
Total assets	\$ 113,059,219	\$ 79,403,317	\$ (949,841)	\$ 191,512,695
Current liabilities				
Accounts payable	\$ 2,962,460	\$ -	\$ -	\$ 2,962,460
Accrued expenses and other liabilities	8,453,641	-	-	8,453,641
Payable to affiliates	162,972	786,869	(949,841)	-
Retainage	-	219,980	-	219,980
Unearned revenue	1,769,669	-	-	1,769,669
Interest payable	466,722	-	-	466,722
Current portion of annuities payable	183,333	-	-	183,333
Current portion of long-term debt	3,870	-	-	3,870
Total current liabilities	14,002,667	1,006,849	(949,841)	14,059,675
Noncurrent liabilities				
Annuities payable, net of current portion	914,721	-	-	914,721
Long-term debt, net of current portion	4,907,857	41,013,950	-	45,921,807
Total noncurrent liabilities	5,822,578	41,013,950	-	46,836,528
Total liabilities	19,825,245	42,020,799	(949,841)	60,896,203
Commitments and Contingencies (Note 17)				
Net assets				
Without donor restrictions	84,712,067	37,382,518	-	122,094,585
With donor restrictions	8,521,907	-	-	8,521,907
Total net assets	93,233,974	37,382,518	-	130,616,492
Total liabilities and net assets	\$ 113,059,219	\$ 79,403,317	\$ (949,841)	\$ 191,512,695

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

Consolidating Statement of Activities and Changes in Net Assets

<i>Year ended June 30, 2020</i>	Los Angeles LGBT Center	AMR Campus QALICB, Inc.	Elimination Entries	Consolidated Financials
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	\$ 5,465,423	\$ -	\$ -	\$ 5,465,423
Less costs of direct benefits to donors	(114,964)	-	-	(114,964)
Net special events revenue	5,350,459	-	-	5,350,459
Program fees	100,330,412	-	-	100,330,412
Grants	23,499,221	-	-	23,499,221
Contributions	7,675,416	-	-	7,675,416
Contributions - Capital Campaign	3,647,155	-	-	3,647,155
Contributed goods and services	542,770	-	-	542,770
Other operating revenue	402,883	321,056	(321,056)	402,883
Total public support and other revenue	141,448,316	321,056	(321,056)	141,448,316
Net assets released from restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total public support and other revenue and net assets released from restrictions	141,448,316	321,056	(321,056)	141,448,316
Operating expenses				
Program services	125,982,917	1,163,189	-	127,146,106
Supporting services:				
General and administrative	2,285,252	1,208,455	(321,056)	3,172,651
Fund-raising	5,409,572	55,515	-	5,465,087
Total supporting services	7,694,824	1,263,970	(321,056)	8,637,738
Total operating expenses	133,677,741	2,427,159	(321,056)	135,783,844
Change in net assets before non-operating income/gains (losses) and other revenue	7,770,575	(2,106,103)	-	5,664,472
Non-operating income/gains (losses) and other revenue				
Net investment return	398,816	-	-	398,816
Unrealized loss on trusts held by third parties	(338,135)	-	-	(338,135)
Change in value of split-interest agreements	(104,072)	-	-	(104,072)
Other nonoperating revenue	313,733	-	-	313,733
Donation of construction in progress	719,384	(719,384)	-	-
Total non-operating income/gains (losses) and other revenue	989,726	(719,384)	-	270,342
Change in net assets	8,760,301	(2,825,487)	-	5,934,814
Net assets, beginning of year	84,473,673	40,208,005	-	124,681,678
Net assets, end of year	\$ 93,233,974	\$ 37,382,518	\$ -	\$ 130,616,492