



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

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



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

Description of Organization

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

McCadden Campus LLC (“Campus LLC”) is a wholly-owned subsidiary of the Center formed as a Delaware limited liability company on February 6, 2014. Campus LLC executed an Agreement of Limited Partnership with an affiliate of Thomas Safran and Associates, an affordable housing developer, to acquire real property and to build a mixed-use development named the Anita May Rosenstein Campus. See Note 20.

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

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

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

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

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



Independent Auditor's Report

Board of Directors
Los Angeles LGBT Center
Los Angeles, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Los Angeles LGBT Center and its Affiliates as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 27, 2017

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

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

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

Consolidated Statements of Activities and Changes in Net Assets

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

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

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

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

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

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

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

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

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

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

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2016

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

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

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

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash

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

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

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 20.

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

AMR QALICB was formed pursuant to the filing of those certain Articles of Incorporation with the California Secretary of State on February 2, 2017. On November 3, 2017, the Internal Revenue Service issued a letter determining that the AMR QALICB was exempt from federal income tax under IRC Section 501(c)(3). See Note 21.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Consolidation

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

Basis of Presentation

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

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

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Center.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the Center and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Consolidated Statements of Activities and Changes in Net Assets as satisfaction of program restrictions. The Center classifies donor-restricted contributions whose restrictions are met within the same year as the contributions are received as unrestricted contributions in the accompanying Consolidated Statements of Activities and Changes in Net Assets.
- Permanently restricted net assets - Net assets that are permanently restricted by donors for investment in perpetuity. The net investment income from permanently restricted investments is made available for program operations in accordance with donor restrictions.

Cash and Cash Equivalents

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

AMR QALICB, which is consolidated in with the Center, is required to keep unspent proceeds from a NMTC transaction (See Note 21) in segregated cash accounts to pay for construction costs of the Anita May Rosenstein Campus (See Note 20) and to pay for ongoing costs of the NMTC transaction. These amounts are classified as restricted cash on the accompanying Consolidated Statement of Position.

Clinic Fees Receivable, net

Clinic fees receivable represent balances due to the Center for services provided to clients prior to and including June 30, 2017. Payer types include clients, Medi-Cal, Medicare, AIDS Drug Assistance Program, and commercial insurance. Management provides for probable uncollectible amounts through an allowance based on current status of client accounts.

Contracts and Grants Receivable

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

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

Pledges Receivable, net

Pledges receivable, net represent individual and foundation pledges that have been made to the Center's Capital Campaign for the Anita May Rosenstein Center (See Note 20), Development general operations, and AIDS LifeCycle. Management provides for probable uncollectible amounts through an allowance based on the current status of individual or foundation pledges.

Inventories

Inventories are stated at the lower of cost or market. Inventory costs are determined on the first-in, first-out ("FIFO") method. Inventories consist of pharmacy drugs.

Split-Interest Agreements

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

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

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

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

Investments

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

Los Angeles LGBT Center and Affiliates
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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 generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

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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, 3.74%, which is 12-month LIBOR rate plus 2.00%. Amortization of discounts is recorded as additional fundraising revenue annually in accordance with donor-imposed restrictions, if any, on the pledges.

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

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

Property and Equipment

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

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

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

Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The Center reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2017 and 2016, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable and no impairments were recorded.

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Notes to the Consolidated Financial Statements

Unearned Revenue

Unearned revenue represents a conditional grant or other funds received for services to be performed by the Center, which have not yet been provided under the terms of the agreements. The Center recognizes these amounts as public support and other revenue when such services have been performed or the condition has been met and/or funds expended. Unearned revenue at June 30, 2017 consisted primarily of \$109,403 related to grants, \$107,000 related to events and \$235,952 related to conditional donations. Unearned revenue at June 30, 2016 consisted primarily of \$128,948 related to grants, \$321,690 related to events and \$33,898 related to conditional donations.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, 3.74% which is 12-month LIBOR rate plus 2.00%. Amortization of discounts is recorded as additional contributions annually in accordance with donor-imposed restrictions, if any. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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

Special Events

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

Contributed Goods and Services

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

A significant number of volunteers contribute services to the Center that do not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying consolidated financial statements. The value of such volunteer services received is \$425,315 and \$444,658 for the years ended June 30, 2017 and 2016, respectively.

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Notes to the Consolidated Financial Statements

Program Fees

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

Grant Revenue

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

Functional Allocation of Expenses

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

Income Taxes

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

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

The tax years ended June 30, 2014 and subsequent years remain open to examination by the taxing jurisdictions to which the Center is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

Non-Operating Income Allocated to Operations

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

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Notes to the Consolidated Financial Statements

Allocation of Joint Costs

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

Use of Estimates

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

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

Endowments

The Center is currently in the process of establishing a permanent endowment to be known as the Gil Garfield Fund for the Creative and Performing Arts that will exclusively support programming for the creative and performing arts at the Center. As of June 30, 2017, total contributions received are approximately \$2 million and are recorded as permanently restricted net assets.

Return Objectives and Risk Parameters

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

Reclassifications

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

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Notes to the Consolidated Financial Statements

3. Clinic Fees Receivable

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

| <i>June 30,</i> | 2017 | 2016 |
|--|---------------------|---------------------|
| Clinic fees receivable | \$ 6,030,388 | \$ 4,837,265 |
| Less: allowance for uncollectible clinic fees receivable | (62,020) | (62,237) |
| | \$ 5,968,368 | \$ 4,775,028 |

4. Pledges Receivable

Pledges receivable, are as follows:

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

Gross pledges receivable are due as follows:

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

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

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Notes to the Consolidated Financial Statements

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

Contributions receivable held in trust at June 30, 2017 and 2016, were \$3,042,619 and \$2,741,539, respectively. The contributions received during the year are measured at fair value of the underlying assets in the accompanying consolidated financial statements at the time of gift. There were no new contributions held in trust received during the years ended June 30, 2017 and 2016. Subsequent changes in the value of the underlying assets are recorded in the accompanying Consolidated Statements of Activities and Changes in Net Assets as a component of non-operating gains (losses) and other revenue. Under the trust, income is distributed to the Center each year and is temporarily restricted for youth-oriented programs. Total income distribution for the years ended June 30, 2017 and 2016 was \$156,315 and \$147,814, respectively. Principal of the trust is distributed to the Center either based on a predetermined schedule or at the discretion of the trustees. There were no trust principal payments received by the Center during the years ended June 30, 2017 and 2016.

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

On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2017 and 2016. This amount is classified as temporarily restricted net assets. At June 30, 2017 and 2016, the charitable remainder trust was adjusted to its estimated fair value of \$1,156,520 and \$1,057,988, respectively, and the change in fair value was classified as unrealized gains on the Consolidated Statements of Activities and Changes in Net Assets.

On December 17, 1993, the Center was named as 100% beneficiary of a charitable remainder trust holding a California limited liability company ("LLC"). The LLC owned a one-third interest in a shopping center and restaurant site in Montclair, California. On November 14, 2003, the benefactor amended the charitable remainder trust to name the Center as irrevocable beneficiary in exchange for the establishment of a permanent endowment fund in his honor upon death. The benefactor passed away and the LLC's portion in the shopping center and restaurant site were sold and the Center received proceeds of \$1,692,138 for their interest. The Center did not recognize a gain on the sale, as the cash proceeds approximated fair value. At June 30, 2017, an endowment fund has not yet been created and the Center is in the process of creating the endowment fund in accordance with the agreement. Funds received are classified as permanently restricted and total approximately \$2 million.

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

6. Leverage Loan Receivable

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

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

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Notes to the Consolidated Financial Statements

Notes receivable at June 30, 2017 and 2016, are as follows:

| <i>June 30,</i> | 2017 | 2016 |
|---|---------------|------|
| AMR Campus Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through June 15, 2024, and then principal and interest payments of \$462,839 are due quarterly through maturity in June 23, 2041. | \$ 28,910,100 | \$ - |

7. Contracts and Grants Receivable

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

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

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Notes to the Consolidated Financial Statements

8. Investments

Investments consist of the following:

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

Investment income consists of the following:

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

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

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

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9. Fair Value Measurements

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

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

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

The following table summarizes the Center's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

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

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The following table summarizes the Center's activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

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

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

10. Property and Equipment

Property and equipment consists of the following:

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

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

11. Line of Credit

On July 30, 2014, the Center executed a \$4,500,000 revolving line of credit ("LOC") with Wells Fargo Bank ("WFB") with a maturity date of July 30, 2016. On July 29, 2016, the Center extended the \$4,500,000 LOC with WFB with a maturity date of July 30, 2018. On June 20, 2017, the Center executed a new \$5,500,000 LOC with WFB with a maturity date of June 20, 2019. The LOCs were all collateralized by the Center's accounts receivable, general intangibles, inventory and equipment and bear interest at 2.00% above the Daily One Month Libor. There is an unused drawdown fee of 0.25% that is assessed on a quarterly basis. All LOCs required the Center to meet certain covenants. As of June 30, 2017 and 2016, the Center was in compliance with all covenants. There were no outstanding balances under the LOCs as of June 30, 2017 and 2016. During the years ended June 30, 2017 and 2016, the Center did not draw down on the LOCs and therefore, did not incur any interest expense related to the LOCs, other than the unused drawdown fee, which was immaterial as of June 30, 2017 and 2016.

12. Term Loan/Revenue Bond

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

13. Bridge Loan Note

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

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14. Debt

Notes payable and capital lease obligations are summarized as follows:

| <u>June 30,</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|--------------|
| Mortgage note payable to the Community Redevelopment Agency, collateralized by land and building, due October 2016, non-interest bearing, subordinated to bank line of credit; annual principal payments to be repaid from residual receipts of operations (as defined). | \$ - | \$ 1,339,744 |
| Note payable to Wells Fargo Bank, collateralized by building, due October 1, 2017; interest is payable monthly at 6.43%. Payable in variable monthly principal and interest payments ranging from \$25,674 to \$28,576. Unpaid interest and principal are due upon maturity. | 107,208 | 421,544 |
| Note payable to Wells Fargo Bank, collateralized by investments, due July 30, 2017; interest is payable monthly at Daily One Month LIBOR plus 1.25%. See Note 20. | - | 7,000,000 |
| Note payable A-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21. | 10,210,500 | - |
| Note payable B-1 to New Markets Community Capital XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21. | 4,489,500 | - |
| Note payable A-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21. | 6,807,000 | - |
| Note payable B-2 to GLA SUB-CDE XX, LLC, collateralized by land and building, due June 2047, at 1.33% interest only payment, payable quarterly until June 2024 then converts to principal and interest; annual principal payments to be repaid from residual receipts of operations (as defined). See Note 21. | 2,993,000 | - |

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

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

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

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

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

15. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are as follows:

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

Medi-Cal Reconciliation Payable

As a Federally Qualified Health Center (FQHC), the Center files an annual reconciliation report with the State of California Medi-Cal program. The Center determined that a reserve should be established for payback requests once the reconciliation reports have been audited by the State. As of June 30, 2017, \$167,252 was established for payable amounts from reconciliation reports for fiscal years 2014 through 2016, and an additional amount of \$183,183 was established for the reconciliation report for fiscal year 2017. The total reserve amount is \$350,435.

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340B Pharmaceutical Reserve

The Center determined that from October 2014 through September 2015 some pharmaceutical drugs were incorrectly replenished using the 340B Drug Pricing Program. The Center estimated the refund to drug manufacturers to be \$404,101 through June 30, 2015 and established a reserve in that amount. An additional reserve amount of \$170,092 was estimated for replenishment activity from July 2015 through September 2015. The total reserve amount was \$574,194. As of June 30, 2017, the Center has reimbursed six pharmaceutical manufacturers in the amount of \$35,673. The remaining balance of \$538,521 is in the reserve account for future reimbursement requests.

Medical Insurance Payable

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

16. Commitments and Contingencies

Capital Leases

The Center leases certain equipment under agreements that are classified as capital leases. The current and long-term portions of capital lease obligations as of June 30, 2017, are presented in Note 14.

Aggregate maturities required on capital lease obligations are as follows:

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

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Operating Leases

The Center executed a lease agreement effective on March 25, 2011 to lease an approximately 32,000 square-foot building in Los Angeles, California. The term is five years and six months and commenced on April 1, 2011 and was to end on September 30, 2016. The base rent was \$56,000 per month plus taxes and insurance of \$8,000 per month. The first six months of the lease included free base rent. The fixed rental adjustment of the base rent was set to increase 3% annually, effective April 1, 2012. The Center estimated that taxes and insurance would also increase at a rate of 3% annually. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accrued expenses and other current liabilities in the accompanying Consolidated Statements of Financial Position. In 2012, the Center received approximately \$216,000 for a tenant improvement allowance, which was recorded in deferred rent and is being recognized over the term of the lease. Deferred rent included in accrued expenses and other liabilities was \$0 and \$41,655 for the years ended June 30, 2017 and 2016, respectively. The Center renegotiated and extended the lease agreement effective on March 23, 2016. The term is two years and seven months and commenced on October 1, 2016 and will end on April 30, 2019. The base rent on October 1, 2016 at commencement of the extended lease was \$64,919 per month. The fixed rental adjustment of the base rent will increase 3% annually on April 1st until the end of the lease agreement.

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

The Center executed a lease agreement effective on April 11, 2017 to lease approximately 4,000 square-foot space in Los Angeles, California. The term is two years and commenced on the effective date. The base rent is \$6,250 per month, including parking. The base rent is set to increase annually by the greater of the increase in the Consumer Price Index, as defined in the lease agreement, or 3%. The total amount of rental payments due over the lease term is charged to rent expense on the straight-line method over the term of the lease.

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

| <i>Years ending June 30,</i> | <i>Amount</i> |
|------------------------------|---------------|
| 2018 | \$ 1,142,405 |
| 2019 | 995,495 |
| 2020 | 209,938 |
| 2021 | 34,891 |
| | <hr/> |
| | \$ 2,382,729 |

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Rent expense is as follows:

| <i>Years ending June 30,</i> | 2017 | 2016 |
|------------------------------|--------------|------------|
| Rent expense | \$ 1,105,078 | \$ 946,580 |
| Sublease rental income | (79,113) | (87,767) |
| Rent expense, net | \$ 1,025,965 | \$ 858,813 |

Employment Agreements

The Center entered into an employment agreement with the Chief Executive Officer (“CEO”) effective June 16, 2012 for a term of ten years. The agreement provides for an annual base salary, various benefits and a possible annual performance bonus. This followed three successive agreements, two two-year and one five-year agreements, under which the CEO accrued an entitlement to severance. The current agreement also includes a severance provision in the event that the CEO is terminated with or without cause. If the CEO is terminated with cause on or after June 16, 2015, she accrues an additional severance entitlement. If the CEO is terminated without cause, the Center is required to pay all salary and benefits due under the terms of the agreement, including severance. The current agreement also has a provision which the CEO may resign and will receive the severance entitlement through the date of resignation. As of June 30, 2017, the Center has accrued approximately \$500,000 associated with the severance entitlement. However, the CEO must mitigate these liabilities by promptly seeking new employment. In the event that the salary of said new employment is less than the salary under the terms of the current agreement, the Center must pay the CEO the difference. The Center also entered into a severance agreement with an employee which provides for certain severance payments upon resignation or termination without cause any time after July 1, 2017. The payments range between four months to one year at the current salary depending on the date of resignation or termination. The Center has not accrued any severance obligation at June 30, 2017.

Litigation

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

Government Regulations

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

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17. Retirement Plans

Defined Contribution Plan

The Center has a defined contribution plan covering substantially all employees who have completed one year of service and have attained the age of 18. Employer contributions are at the discretion of management. There were no employer contributions for the years ended June 30, 2017 and 2016.

Deferred Compensation Plan

The Center has a nonqualified deferred compensation plan (under IRC Section 457(b)) for key executives to defer a portion of their compensation. The deferred amounts and earnings thereon are payable to participants, or designated beneficiaries, upon retirement or death. The Center does not make contributions to this plan. At June 30, 2017 and 2016, the Center holds assets totaling \$1,029,883 and \$890,453, respectively, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying Consolidated Statements of Financial Position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

18. Net Assets

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

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

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

Permanently Restricted Net Assets

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

19. Allocation of Joint Costs

The Center conducted activities that include requests for contributions, as well as program, management and general components. Those activities included a special event. The costs of conducting those activities included \$3,179,927 and \$3,554,176 of joint costs for the years ended June 30, 2017 and 2016, respectively, which are not specifically attributable to components of the activities (joint costs).

These joint costs were allocated as follows:

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

20. Anita May Rosenstein Campus

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

Campus LLC is wholly-owned by the Center. Campus LLC is the Managing General Partner of the Partnership, however, the Partnership is jointly controlled with TSA LLC. The partnership obligations are set forth in the McCadden Plaza LP Limited Partnership Agreement ("LPA") and the First Amendment to the LPA ("Amendment"). Under the terms of the Guaranty Agreement contained in the Amendment, the Center guaranties certain obligations of Campus LLC under the LPA and Amendment, including the Call and Put sections of the agreements as described below as well as re-payment of the New Generation Fund Loan, explained in more detail below. The Guaranty has no definitive term as it will remain in effect so long as Campus LLC remains the Managing General Partner of the Partnership.

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

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

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

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

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

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

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

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

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

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

The Center also entered into a NMTC transaction on June 23, 2017, which is fully described in Note 21. As the Subdivision of the East Property was not recorded prior to June 23, 2017, the Partnership was required to transfer the deed of the East Property to AMR QALICB, an affiliate of the Center, including the Senior Component of the land, to complete the transaction. The Partners executed the Amendment on June 15, 2017 to transfer the East Property. AMR QALICB executed an Amended and Restated Agreement of Purchase and Sale and Joint Escrow Instructions, effective June 21, 2017, with the Partnership to sell the affordable housing air space parcel of the East Property to the Partnership for development of the Senior Component for \$4,930,158 following Subdivision. In addition, AMR QALICB executed two additional Agreements of Purchase and Sale and Joint Escrow Instructions with the Partnership to sell parking for the Senior Component and Youth Component in an amount equal to \$54,557 per parking stall. The number of parking stalls to be sold are subject to negotiation.

As of June 30, 2017, AMR QALICB had \$15,434,557 recorded as land and land development. See Note 10. The Partnership transferred \$12,700,000 for the East Property and \$2,072,206 for land acquisition costs, AMR QALICB paid \$404,018 for demolition costs, and the Center donated a small parcel near the East Property at a value of \$258,333.

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

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

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

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

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

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

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

On June 14, 2017, the Partnership executed a Guaranteed Maximum Price Contract ("Contract") with Swinerton Builders ("Contractor"). The contract sum is guaranteed by the Contractor not to exceed \$57,533,628 without approved change orders. The Contract includes construction of the foundation, approximately 350 underground parking stalls, site work, and buildings related to the Center Component.

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

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

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

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

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

21. New Market Tax Credits

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

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

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

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

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

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

The QLICI Loans bear interest at a fixed rate equal to 1.3279% and mature on June 23, 2047. The QLICI Loans are recorded in the Center’s Consolidated Statements of Financial Position. The QLICI Loans are secured by a mortgage on East Property. As discussed in Note 20, after Subdivision, the Partners intend to purchase back the air rights parcel from AMR QALICB for the Senior Component, at which point the QLICI Loans will be secured by the Center Component of the Project.

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

As part of the NMTC transaction, the Center executed a Master Lease Agreement with AMR Campus QALICB, Inc. The term of the lease is for 30 years from the date of the NMTC transaction with provisions to cancel it when the put/call agreements are exercised on the seventh year anniversary as discussed below. Rent is to commence upon completion of the premises for occupancy, which is projected to be in the first quarter of 2019. Assuming a March 2019 occupancy rate, the first quarter's rent is to start at \$26,426 and increase to \$88,784 by the end of the seventh year. All rental activity will be eliminated upon consolidation.

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

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

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

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

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

22. Gay & Lesbian Elder Housing Corporation

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

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

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

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

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

The GLEH Project is regulated by the California Housing Finance Agency as to rent charges, operating methods and other matters. Additionally, the GLEH Project has qualified for and was allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and until gross rent, among other requirements. The GLEH Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

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

Due to the lack of marketability of the Note, the 2051 maturity date and the regulated use of the GLEH Project, management has determined the Center does not have sufficient evidential matter to determine the fair market value of the Note and has assigned no value to the Note as of June 30, 2017 and 2016.

23. Effect of Economic Conditions on Contributions

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

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

24. Subsequent Events

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

Supplemental Material



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Independent Auditor's Report on Supplementary Material

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

BDO USA, LLP

December 27, 2017

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

Consolidating Statement of Financial Position

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

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

Consolidating Statement of Activities and Changes in Net Assets

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



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

Federal Awards Audit Report
June 30, 2017

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

Federal Awards Audit Report
June 30, 2017

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles LGBT Center and Affiliates (the "Center"), which comprise of the consolidated statement of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

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

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

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003.

Purpose of this Report

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

BDO USA, LLP

December 27, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the Los Angeles LGBT Center and Affiliates' (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2017. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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



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

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

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

We have audited the consolidated financial statements of the Los Angeles LGBT Center and Affiliates as of and for the year ended June 30, 2017, and have issued our report thereon dated December 27, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

December 27, 2017

Schedule of Expenditures of Federal Awards

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|--|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| MAJOR PROGRAMS | | | | | |
| US Department of Health and Human Services | | | | | |
| Health Resources and Services Administration | | | | | |
| Consolidated Health Centers Cluster | 3H80CS26621-03-10 | 02/01/16 - 01/31/17 | 93.224 | 2,087,154 | 1,507,609 |
| Consolidated Health Centers Cluster | 6H80CS26621-04-06 | 02/01/17 - 01/31/18 | 93.224 | 2,181,451 | 846,835 |
| Subtotal - 93.224 | | | | | 2,354,444 |
| US Department of Health and Human Services | | | | | |
| Centers for Disease Control and Prevention | | | | | |
| Pass through County of Los Angeles Department of HIV and STD Programs | | | | | |
| HIV Education & Risk Reduction (Center WeHo) PFP | PH-000821 - Schedule 15 | 01/01/16 - 12/31/16 | 93.940 | 210,000 | 90,647 |
| HIV Education & Risk Reduction (Center WeHo) PFP | PH-000821 - Schedule 17 | 01/01/17 - 12/31/17 | 93.940 | 210,000 | 70,692 |
| HIV Counseling, Testing, & Referral Services in Storefront (Center WeHo) | PH-000821 Schedule 14.1 | 01/01/16 - 12/31/16 | 93.940 | 315,000 | 169,791 |
| HIV Counseling, Testing, & Referral Services in Storefront (Center WeHo) | PH-000821 Schedule 16.1 | 01/01/17 - 12/31/17 | 93.940 | 365,000 | 138,452 |
| Routine HIV Testing in Clinical Setting Services | PH-000834 Schedule 09.1 | 01/01/16 - 12/31/16 | 93.940 | 75,000 | 39,141 |
| Routine HIV Testing in Clinical Setting Services | PH-000834 Schedule 10.1 | 01/01/17 - 12/31/17 | 93.940 | 75,000 | 38,387 |
| HIV Education & Risk Reduction (Positive Images) | PH-001044 Schedule 10.1 | 07/01/16 - 12/31/16 | 93.940 | 112,500 | 107,729 |
| HIV Education & Risk Reduction (Positive Images) | PH-001044 Schedule 11 | 01/01/17 - 06/30/17 | 93.940 | 112,500 | 89,993 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-1 Scheduel 05 | 09/30/16 - 09/29/17 | 93.940 | 69,237 | 50,642 |
| HIV/AIDS Biomedical Prevention Services | PH-003085-1- Scheduel 04 | 09/30/16 - 09/29/17 | 93.940 | 2,126,517 | 381,348 |
| STD Screening, Treatment, Case Finding, and Educational Services (CDC) | H701701-14 Schedule 15.1 | 01/01/16 - 06/30/16 | 93.940 | 76,180 | 59 |
| STD Screening, Treatment, Case Finding, and Educational Services (CDC) | H701701-15 Schedule 17.1 | 07/01/16 - 06/30/17 | 93.940 | 86,568 | 86,430 |
| Subtotal - 93.940 | | | | | 1,263,311 |
| Total Major Programs (A) | | | | | 3,617,755 |
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Housing and Urban Development | | | | | |
| Pass through Los Angeles Homeless Services Authority (LAHSA) | | | | | |
| Rapid Rehousing for Youth | CA1489L9D001500 | 01/01/17 - 12/31/17 | 14.267 | 240,742 | 30,281 |
| Direct Programs: | | | | | |
| Supportive Housing Program | CA0484L9D001508 | 02/01/16 - 01/31/17 | 14.267 | 374,754 | 216,294 |
| Supportive Housing Program | CA0484L9D001609 | 02/01/17 - 01/31/18 | 14.267 | 374,754 | 170,863 |
| Subtotal - 14.267 | | | | | 417,438 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|--|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Justice Office on Violence Against Women Direct Programs: Justice for Families Program | 2015-FJ-AX-0005 | 10/01/15 - 09/30/18 | 16.021 | 450,000 | 93,576 |
| Subtotal - 16.021 | | | | | 93,576 |
| US Department of Justice Office on Violence Against Women Direct Programs: Legal Assistance for Victims Grant Program | 2015-WL-AX-0052 | 10/01/15 - 09/30/17 | 16.524 | 400,000 | 214,785 |
| Subtotal - 16.524 | | | | | 214,785 |
| US Department of Justice Office of Criminal Justice Planning Pass through California Office of Emergency Services Unserved/Underserved Victim Advocacy & Outreach Program | XV1501 1497 | 04/01/16 - 03/31/18 | 16.575 | 350,000 | 162,262 |
| Unserved/Underserved Victim Advocacy & Outreach Program | UV1501 1497 | 04/01/16 - 03/31/17 | 16.575 | 175,000 | 146,430 |
| Unserved/Underserved Victim Advocacy & Outreach Program | UV1602 1497 | 04/01/17 - 09/30/18 | 16.575 | 262,500 | 37,479 |
| Subtotal - 16.575 | | | | | 346,171 |
| US Department of State Bureau of Democracy, Human Rights and Labor Direct Programs: LGBT Human Rights Advancement: China DRL | S-LMAQM-15-GR-1123 | 08/24/15 - 08/23/18 | 19.345 | 900,000 | 322,269 |
| Subtotal - 19.345 | | | | | 322,269 |
| US Department of Health and Human Services ACYF - Family and Youth Services Bureau Pass through Children Hospital Los Angeles CHLA - Project Legacy | SGF9994 (C) | 09/30/16 - 09/29/17 | 93.092 | 10,000 | 7,111 |
| Subtotal - 93.092 | | | | | 7,111 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|---|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Health and Human Services National Institutes of Health | | | | | |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| MSM and Substance Cohort at UCLA - Mstudy | 1935GSA392 | 06/01/16 - 05/31/17 | 93.279 | 238,675 | 274,382 |
| MSM and Substance Cohort at UCLA - Mstudy | 1935GSA392 | 06/01/17 - 05/31/18 | 93.279 | 311,128 | 29,125 |
| Subtotal - 93.279 | | | | | 303,507 |
| US Department of Health and Human Services Health Resources and Services Administration | | | | | |
| Health Infrastructure Investment Program | C8DCS29096-01-00 | 09/30/15 - 09/29/18 | 93.526 | 1,000,000 | 330,478 |
| Subtotal - 93.526 | | | | | 330,478 |
| US Department of Health and Human Services ACYF - Family and Youth Services Bureau | | | | | |
| Direct Programs: | | | | | |
| Transitional Living Program | 90CX6939-04 | 09/30/15 - 09/29/16 | 93.550 | 200,000 | 66,349 |
| Transitional Living Program | 90CX6939-05 | 09/30/16 - 09/29/17 | 93.550 | 200,000 | 134,190 |
| Subtotal - 93.550 | | | | | 200,539 |
| US Department of Health and Human Services Administration for Children and Families-Financial Assistance Award | | | | | |
| Direct Programs: | | | | | |
| Street Outreach Program (SOP) | 90YO2270-01 | 09/30/16 - 09/29/17 | 93.557 | 190,000 | 150,847 |
| Subtotal - 93.557 | | | | | 150,847 |
| US Department of Health and Human Services Administration for Children and Families | | | | | |
| Pass through California Office of Emergency Services | | | | | |
| Equality in Prevention and Services for Domestic Abuse (GL) Program | GL16 06 1497 | 07/01/17 - 06/30/17 | 93.671 | 206,250 | 145,477 |
| Subtotal - 93.671 | | | | | 145,477 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|--|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Health and Human Services National Institutes of Health | | | | | |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| Natural History of AIDS Homosexual Men - Multi-Center AIDS Cohort Study (MACS) | 1935 G SA391 | 04/01/16 - 03/31/17 | 93.855 | 275,000 | 170,532 |
| Natural History of AIDS Homosexual Men - Multi-Center AIDS Cohort Study (MACS) | 1935 G SA391 | 04/01/17 - 03/31/18 | 93.855 | 250,250 | 64,849 |
| UCLA MACS NHLBI | 1935 G SA391 | 09/08/16 - 03/31/17 | 93.855 | 124,232 | 83,359 |
| UCLA MACS NHLBI | 1935 G SA391 | 04/01/17 - 03/31/18 | 93.855 | 105,202 | 16,087 |
| Subtotal - 93.855 | | | | | 334,827 |
| US Department of Health and Human Services National Institutes of Health | | | | | |
| Pass through The Regents of the University of California, Los Angeles, Office of The President | | | | | |
| UCLA-Semel Institute for Neuroscience | 2000 G UN 354 | 03/01/17 - 05/31/18 | 93.865 | 135,201 | 11,161 |
| Subtotal - 93.865 | | | | | 11,161 |
| US Department of Health and Human Services Health Resources and Services Administration | | | | | |
| Ryan White Treatment Modernization Act of 2006, Part A | | | | | |
| Pass through County of Los Angeles Department of HIV and STD Programs | | | | | |
| HIV/AIDS Medical Care Coordination | PH002362-05 - Schedule 05 | 03/01/16 - 02/28/17 | 93.914 | 1,855,201 | 1,145,788 |
| HIV/AIDS Medical Care Coordination | PH002362-06 - Schedule 06 | 03/01/17 - 02/28/18 | 93.914 | 1,855,201 | 519,157 |
| HIV/AIDS Ambulatory/Outpatient Medical Services | PH002427-05 - Schedule 21-25 | 03/01/16 - 02/28/17 | 93.914 | 1,296,381 | 748,331 |
| HIV/AIDS Ambulatory/Outpatient Medical Services | PH002427-06 - Schedule 26-30 | 03/01/17 - 02/28/18 | 93.914 | 1,605,395 | 310,837 |
| HIV/AIDS Mental Health, Psychotherapy Services | H210803-12 Schedule 18 | 03/01/16 - 02/28/17 | 93.914 | 105,473 | 27,752 |
| HIV/AIDS Mental Health, Psychotherapy Services | H210803-13 Schedule 19 | 03/01/17 - 08/31/17 | 93.914 | 52,737 | 14,951 |
| HIV/AIDS Mental Health, Psychiatric Services | PH-002872-3 Schedule 2 | 03/01/16 - 02/28/17 | 93.914 | 79,978 | 18,130 |
| HIV/AIDS Mental Health, Psychiatric Services | PH-002872-4 Schedule 3 | 03/01/17 - 08/31/17 | 93.914 | 39,989 | 9,804 |
| Subtotal - 93.914 | | | | | 2,794,750 |
| US Department of Health and Human Services Health Resources and Services Administration | | | | | |
| Ryan White Treatment Modernization Act Part C | | | | | |
| Direct Programs: | | | | | |
| Ryan White Part C Outpatient EIS Program | 6 H76HA00158-25-03 | 01/01/16 - 12/31/16 | 93.918 | 776,239 | 383,529 |
| Ryan White Part C Outpatient EIS Program | 6 H76HA00158-26-01 | 01/01/17 - 12/31/17 | 93.918 | 776,239 | 316,174 |
| Subtotal - 93.918 | | | | | 699,703 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|--|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Health and Human Services | | | | | |
| Center for Disease Control and Prevention | | | | | |
| Direct Programs: | | | | | |
| Expanded HIV Testing | NU65PS003576-05-01 | 09/30/15 - 03/31/17 | 93.939 | 68,223 | 40,275 |
| Mpowerment | NU65PS003576-05-01 | 09/30/15 - 03/31/17 | 93.939 | 262,640 | 96,145 |
| CRCS for Youth | NU65PS003576-05-01 | 09/30/15 - 03/31/17 | 93.939 | 127,993 | 51,925 |
| HIV Testing - Linkage to Care: ARTAS | 1U65PS004801-02 | 07/01/16 - 06/30/17 | 93.939 | 104,356 | 104,356 |
| Medication Adherence: Every Dose Every Day | 1U65PS004801-02 | 07/01/16 - 06/30/17 | 93.939 | 231,272 | 231,272 |
| HIV Prevention with Positive Mpowerment | 1U65PS004801-02 | 07/01/16 - 06/30/17 | 93.939 | 58,191 | 58,191 |
| HIV Outreach and Testing | 6 NU65PS923651-01 | 04/01/17 - 03/31/18 | 93.939 | 100,025 | 4,423 |
| Prevention for HIV Positive | 6 NU65PS923651-01 | 04/01/17 - 03/31/18 | 93.939 | 200,501 | 15,354 |
| Prevention for HIV Positive | 6 NU65PS923651-01 | 04/01/17 - 03/31/18 | 93.939 | 54,071 | 441 |
| Subtotal - 93.939 | | | | | 602,382 |

Los Angeles LGBT Center and Affiliates
(a nonprofit California corporation)
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through/ Grantor's Number | Grant Period | CFDA Number | Subtotal Program Award Amount | Current Year Expenditures |
|--|-----------------------------------|---------------------|----------------|-------------------------------------|------------------------------|
| NON-MAJOR PROGRAMS | | | | | |
| US Department of Health and Human Services Center for Disease Control and Prevention Pass through County Department of Public Health STD Screening, Treatment, Case Finding, and Educational Services (CDC) | H701701-15 Schedule 17.1 | 07/01/16 - 06/30/17 | 93.977 | 259,705 | 259,289 |
| Subtotal - 93.977 | | | | | 259,289 |
| US Department of Homeland Security Federal Emergency Management Administration Passed Through United Way of Greater Los Angeles Emergency Food and Shelter Program (EFSP) | Phase XXXIII | 07/01/15 - 12/31/16 | 97.024 | 42,267 | 42,267 |
| Subtotal - 97.024 | | | | | 42,267 |
| Total Non-Major Programs (B) | | | | | 7,276,577 |
| Total Federal Programs (A + B) | | | | | 10,894,332 |

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. In fiscal year 2017, the Center used an indirect rate of 22%, which was the latest approved provisional rate from Department of Health & Human services, unless the grant agreements stated a lower rate.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:
 Material weakness(es) identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? No
 Significant deficiencies identified? None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

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

Identification of Major Programs

| | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|-------------------------|
| <i>Name of Federal Program or Cluster:</i> | | |
| US Department of Health and Human Services - FQHC | 93.224 | \$ 2,354,444 |
| US Center for Disease Control and Prevention-SHEP | 93.940 | 1,263,311 |
| | | |
| Dollar threshold used to distinguish between Type A and Type B programs | | \$ 750,000 |
| | | |
| Auditee qualified as low-risk auditee? | | Yes |

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

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

Finding 2017-001: Level of Effort

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

Criteria

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

Condition

During our testing of level of effort requirements, we noted that the level of effort requirements of contract NO. PH-001044 Exhibit G-1 Goal No. 1 requirement 2.0, 3.0 and 3A.0 and Exhibit G-2 Goal No. 1 requirement 2.0, 2A.0, 2C.0, 2D.0, 3.0, and 3A.0 were not met by the requirement date.

Questioned costs

No questioned costs were noted with this finding.

Context

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

Effect

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

Cause

The success of the program is dependent on effective outreach and active and voluntary participant engagement. During the year ended June 30, 2017, the services were hindered due to staff turnover, office moves, and the need for more effective management. In addition, the Center currently is challenged with limited space for group meetings.

Repeat Finding

This was reported as finding 2014-001 in the 2014 report.

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The Center recently changed the reporting structure of the manager responsible for deliverables under this grant to a new Director. The new Director is providing increased mentoring and coaching to further develop the manager's performance of this program. Program staff are also enhancing outreach efforts working with the Center's Marketing Department and are increasing collaboration with case management staff to ensure more HIV positive patients receiving care in the Center's clinic are aware of the program. Additionally, the Center is working with the granting agency to monitor the level of effort requirements and will propose an amendment to the grant agreement if the Center continues to be unable to reach minimum level of effort requirements.

Finding 2017-002: Level of Effort

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

Criteria

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

Condition

During our testing of level of effort requirements, we noted that the level of effort requirements of contract NO. H-701701 Exhibit L-1 Scope of Work Goal No. 2 requirement 2A.0, 3.0, 3A.00, 3B.0, and 4.0 were not met by the requirement date.

Questioned costs

No questioned costs were noted with this finding.

Context

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

Effect

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

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Cause

The amount of new syphilis infections diagnosed at the Center have doubled since 2014 while no staff have been added. Also, staff have been moved to a site not at the Center's clinic. As a result, interviews were done telephonically and contact goals were not met.

Recommendation

The Center should move forward with their plan and work with the County official to establish a scope of work that is realistic given the number of staff funded by the grant and the volume of data entry required. In addition, the Center should re-integrate the Community-Embedded Disease Intervention Specialist ("CEDIS") staff into the clinic flow to help capture and interview newly diagnosed impacted patients.

Views of Responsible Officials and Planned Corrective Actions

As noted above, the number of new syphilis infections diagnosed have doubled while the number of staff has not increased. The Center plans to meet with County officials and establish a scope of work that is realistic given the number of staff funded by the grant and the volume of services provided. Additionally, the Center has realized that moving CEDIS staff to another location has been problematic. CEDIS staff will be re-integrated into the clinic flow following a remodel planned for completion by the fall of 2018. The number of patients reached and the overall participation rate of partners of HIV or sexually transmitted infection patients in the Center's CEDIS program far exceeds the County average of Public Health Investigators, as reported by County officials.

Finding 2017-003: Level of Effort

Contract no. PH-003085 W-1, Biomedical HIV Prevention Services

Criteria

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

Condition

During our testing of level of effort requirements, we noted that the level of effort requirements of contract NO. PH-003085 W-1 Attachment B-1 Objective was not met by the requirement date.

Questioned costs

No questioned costs were noted with this finding.

Context

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

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Effect

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

Cause

This fee-for-service grant first term (August 1, 2016 through September 30, 2016) was only two months. This was an insufficient period of time to hire and train staff and launch services.

Recommendation

The Center should continue to work with the granting agency to monitor the level of effort requirements. Going forward, the Center should request a realistic objective for new County contracts during the start-up time frame.

Views of Responsible Officials and Planned Corrective Actions

As noted above, this was a fee-for-service contract, and the first term was only two months. During the first term of the contract, the Center hired and trained staff on required protocols and procedures. Services were launched shortly thereafter in the second term. Moving forward, the Center will request that new County contracts factor in start-up time and adjust program objectives to take that into account.

Status of Prior Year Findings

Questioned Program:

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

2016-001: Eligibility

Contract no. PH-0002362-05, HIV/AIDS SPAS 208 Medical Care Coordination Services Contract ("MCC"); PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services ("AOM"); H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement ("Psychotherapy"); PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract ("Psychiatry")

Prior Year Finding:

The Center is responsible for reassessments of the client's Los Angeles County residency, income and insurance status every six months. During prior year test, 25 of the 60 samples reviewed did not have an eligibility reassessments performed within six months.

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

As a result of the above finding, the Center established a protocol effective immediately, to ensure Center's HIV clients will be screened every six months to determine their eligibility for Center programs, regardless of insurance type.

Through the practice management system ("PMS"), the program staff will identify clients who are due for their six-month reassessments and generate a reminder on the account. The program staff will be notified of the need for a reassessment and schedule the screening as soon as possible.

The Center will also implement a procedure to generate a weekly report of clients with expiring eligibility. A program staff member will notify the client in advance of their upcoming appointments that they are due for a screening and that this should be completed during their visit.

The Center is implementing an electronic reminder system called CareMessage that will allow program staff members to send electronic reminders to clients when their Ryan White eligibility is within 45 days of expiring. This will allow program staff members to reach clients electronically and telephonically to advise them of expiring eligibility. Additionally, the program staff will review eligibility information prior to providing care. If a client goes over their six-month reassessment due date and the reassessment was not performed, program staff will ensure documentation of their attempted communication with the client is retained in their patient file. If the client does not complete a timely reassessment, they will be required to have it completed at their next appointment.

Current Year Status:

The Center established a protocol to ensure the Center's HIV clients will be screened every six months to determine their eligibility for Center programs, regardless of insurance type.

Through the PMS, the program staff now identify clients who are due for their six-month reassessments and generate a reminder on the account.

The Center implemented the CareMessage reminder system in June 2017 and has been using the system to advise Ryan White clients with expiring coverage within the next 30-45 days. Additionally, the Center has a benefits specialist calling clients to remind them a day before their scheduled appointment to arrive early and complete the required six-month screening. These procedures will improve the six-month verification process in line with programmatic requirements.

Additionally, program staff review eligibility information prior to providing care. If a client goes over their six-month reassessment due date and the reassessment was not performed, program staff ensure documentation of their attempted communication with the client is retained in their patient file. If the client does not complete a timely reassessment, they will be required to have it completed at their next appointment.

Los Angeles LGBT Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

2016-002: Eligibility

Contract no. PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services; H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement; PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract

Prior Year Finding:

The Center is responsible for developing and implementing client eligibility criteria that includes assessments that the client is not eligible for another payer source such as private or public insurance. During prior year test, 8 of the 60 samples reviewed contained services that were initially paid by both Medi-Cal and Ryan White, but were subsequently reversed out by the County once the Center submitted updated information via Casewatch Millennium (“Casewatch”) system.

Views of Responsible Officials and Planned Corrective Actions

To prevent duplicate billing of services, the Center proposes the following:

- All HIV clients being seen in the clinic will have an insurance eligibility check done on every medical visit before they are seen. If the insurance has changed, they will be referred to a Patient Services Specialist who will update their account.
- For clients with pending insurance, the account will be flagged in PMS using a temporary insurance code that will suspend the billing process and prevent the Center from billing the County for the service. Based on this temporary insurance code, the Center’s Health Information Systems (“HIS”) team who is responsible for entering all Ryan White billing data into the County Casewatch system, will prevent all suspended accounts from being submitted for payment. Once the insurance status is resolved, the temporary insurance code will be updated accordingly, and the Center will then retroactively bill for the services to the correct payer source. If the client permanently loses their insurance that will be documented in the medical record and services performed will be billed to the County under the Ryan White program.
- A report will be generated weekly, listing all changes made to insurance status for Ryan White clients in PMS. This report will be reviewed by a Patient Services Specialist who will ensure that Casewatch is current and as a result, prevent billing of clients with a pending insurance status. The Center is also in the process of creating i2i reports (a population management system) that can identify all insurance changes, which will also be reviewed on a monthly basis.

Current Year Status:

The Center conducts insurance eligibility checks on every medical visit for all HIV clients. The Center is using the temporary insurance code and checking for insurance changes daily and weekly. Additionally, the Center changed the Casewatch billing process to exclude any accounts that have been paid by any payer to prevent duplication billing of services. Benefits specialists update and review Casewatch to ensure the insurance changes are identified when they happen.

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

2016-003: Level of Effort

Contract no. PH-0002362-05, HIV/AIDS SPAS 208 Medical Care Coordination Services Contract ("MCC"); H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement ("Psychotherapy"); PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract ("Psychiatry")

Prior Year Finding:

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreements. During prior year test, although the number of clients seen exceeded the requirements for contract no. PH-0002362-05 (MCC), the numbers pertaining to direct service hours ("DSH") and linkage to referrals ("LTR") were not met. For contract no. PH-002872 (Psychotherapy) and PH-002872 (Psychiatry), the numbers pertaining to clients seen, DSH was not met. The Center has been communicating with the County how to better align reporting of actual DSH performed and actual DSH accepted in Casewatch. The findings for contract no. H210803-7 (Psychotherapy) and PH-002872 (Psychiatry) resulted questioned costs in the amount of \$22,664 and \$21,490 accordingly.

Views of Responsible Officials and Planned Corrective Actions

MCC

- DSH: The Center's Allscripts Professional EHR ("EHR") system tracks the number of DSH provided by MCC team members allocated to the contract. As a quality assurance measure, the MCC program management team has created a weekly EHR DSH report to identify any deficiencies in the number of units/DSH reported by the Center's MCC teams. Ongoing weekly MCC team reporting has been implemented to identify deficient DSH and address any issues that require correction within the EHR or Casewatch so that the DSH performed by the MCC team is correctly reflected in the Casewatch system and monthly report. Additionally, the MCC team members have been trained to align the Casewatch dates of MCC Screeners and Trackers with the EHR's progress/note billing date so that there is congruency and accurate reporting of these DSH activities.
- LTR: The Center's EHR has a new referral module that has integrated the MCC Referral Requirements (e.g., Housing, Mental Health, and Addiction Treatment). The MCC referrals are tracked in the EHR to reflect their status and date of linkage. The MCC program management team is working with the Center's HIS department on automating the transmission of the Center's EHR referral information as LTRs to Casewatch. Until this data mapping from both systems has been completed, the MCC team members will manually enter these referrals into Casewatch to capture the required LTR. It is important to note that Mental Health, MCC and AOM programs are integrated and the Center's linkage process is protocolled in the EHR to streamline the high number of internal referrals.

Psychotherapy and Psychiatry

- The Center will use the monthly Budget Variance meetings to determine if there is a need to reallocate costs to grants. The Psychotherapy and Psychiatry contracts expire August 31, 2017. The Center has already opted not to submit a proposal for these funds as the number of clients covered by Ryan White has declined with the implementation of the Affordable Care Act. However, the Center will closely monitor the allocation during the remainder of this grant period to ensure that the allocations are accurate each month and in line with the level of effort requirements.

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Current Year Status:

MCC

The contract was modified with new goals and the Center has implemented an intervention to assess and address any Ryan White eligibility issues. The Center has not met the DSH target due to staff vacancies, which has been communicated to DHSP. The Center needs to meet with the County to determine more competitive salary ranges to attract and retain staff on the program. The Center met the LTR target goal.

Psychotherapy and Psychiatry

Despite the declining number of clients due to more third-party insurance coverage, the County requested the Center to extend the contract for sixth months to August 2017 to serve more clients. The Center fell below the scope of work targets at the end of the contract period. However, the variances were communicated to the County.

2016-004: Reporting

Contract no. PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services

Prior Year Finding:

The Center is responsible for submitting a signed hard copy of the monthly report, the electronic format of the report and the standard client level reporting data to the County no later than thirty days after the end of each calendar month. During prior year test, 2 of the 8 reports reviewed were submitted after the 30-day deadline and no extension was documented.

Views of Responsible Officials and Planned Corrective Actions

A system has been implemented to ensure invoices are submitted within 30 days. Visit data is submitted to Casewatch by the 15th of every month and invoices are compiled prior to the 30th. A tickler system will prompt responsible staff in Health and Mental Health Services to ensure report submission within 30 days and this will further be confirmed by the grants managers in Finance. If any issues arise that may delay submission, proper documentation will be maintained accordingly. Of the two reports reviewed, one invoice identified was only one day late.

Current Year Status:

The Center implemented a calendar tickler system to ensure that invoices are submitted on time and to ensure that proper documentation of report extension approval is maintained. Prior approval of late submission is kept with copies of the completed invoices.



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**Los Angeles LGBT Center
Single Audit
Corrective Action Plan
Year Ended June 30, 2017**



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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

Current Year Findings

Questioned Program:

CFDA No. 93.940 – US Department of Health and Human Services, Centers for Disease Control and Prevention, passed through County of Los Angeles Department of HIV and STD Programs

Finding 2017-001: Level of Effort:

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

Name of person responsible for corrective action:

Dustin Kerrone, Director of Community Health Programs

Current Year Finding:

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement. During our testing of level of effort requirements, we noted that the level of effort requirements of contract No. PH-001044 Exhibit G-1 Goal No. 1 requirement 2.0, 3.0 and 3A.0 and Exhibit G-2 Goal No. 1 requirement 2.0, 2A.0, 2C.0, 2D.0, 3.0, and 3A.0 were not met by the requirement date.

Corrective Action Plan:

The Center recently changed the reporting structure of the manager responsible for deliverables under this grant to a new Director. The new Director is providing increased mentoring and coaching to further develop the manager's performance of this program. Program staff are also enhancing outreach efforts working with the Center's Marketing Department and are increasing collaboration with case management staff to ensure more HIV positive patients receiving care in the Center's clinic are aware of the program. Additionally, the Center is working with the granting agency to monitor the level of effort requirements and will propose an amendment to the grant agreement if the Center continues to be unable to reach minimum level of effort requirements.

Anticipated Completion Date:

By March 1, 2018

Finding 2017-002: Level of Effort:

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

Name of person responsible for corrective action:

Dustin Kerrone, Director of Community Health Programs

Current Year Finding:

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement. During our testing of level of effort requirements, we noted that the level of effort requirements of contract No. H-701701 Exhibit L-1 Scope of Work Goal No. 2 requirement 2A.0, 3.0, 3A.00, 3B.0, and 4.0 were not met by the requirement date.

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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

Corrective Action Plan:

As noted in the Single Audit report, the number of new syphilis infections diagnosed have doubled while the number of staff has not increased. The Center plans to meet with County officials and establish a scope of work that is realistic given the number of staff funded by the grant and the volume of services provided. Additionally, the Center has realized that moving CEDIS staff to another location has been problematic. CEDIS staff will be re-integrated into the clinic flow following a remodel planned for completion by the fall of 2018. The number of patients reached and the overall participation rate of partners of HIV or sexually transmitted infection patients in the Center's CEDIS program far exceeds the County average of Public Health Investigators, as reported by County officials.

Anticipated Completion Date:

Center Management will meet with DHSP officials by April 1, 2018 regarding scope of work, and the remodel allowing reintegration of CDEIS staff into the clinic flow is anticipated to be completed by December 1, 2018.

Finding 2017-003: Level of Effort:

Contract No. PH-003085 W-1, Biomedical HIV Prevention Services

Name of person responsible for corrective action:

Dustin Kerrone, Director of Community Health Programs

Current Year Finding:

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreement. During our testing of level of effort requirements, we noted that the level of effort requirements of contract NO. PH-003085 W-1 Attachment B-1 Objective was not met by the requirement date.

Corrective Action Plan:

As noted in the Single Audit report, this was a fee-for-service contract, and the first term was only two months. During the first term of the contract, the Center hired and trained staff on required protocols and procedures. Services were launched shortly thereafter in the second term. Moving forward, the Center will request that new County contracts factor in start-up time and adjust program objectives to take that into account.

Anticipated Completion Date:

By March 1, 2018.

Status of Prior Year Findings

Questioned Program:

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

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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

2016-001: Eligibility:

Contract No. PH-0002362-05, HIV/AIDS SPAS 208 Medical Care Coordination Services Contract ("MCC"); PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services ("AOM"); H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement ("Psychotherapy"); PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract ("Psychiatry")

Name of persons responsible for corrective action:

*Louis Guitron, Director of Case Management Services
Diane Kubrin, Director of Mental Health
Lisa Kimsey, Senior Operations Manager*

Prior Year Finding:

The Center is responsible for reassessments of the client's Los Angeles County residency, income and insurance status every six months. During the prior year audit, 25 of the 60 samples reviewed did not have an eligibility reassessments performed within six months.

Corrective Action Plan:

As a result of the above finding, the Center established a protocol effective immediately, to ensure Center's HIV clients will be screened every six months to determine their eligibility for Center programs, regardless of insurance type.

Through the practice management system ("PMS"), the program staff will identify clients who are due for their six-month reassessments and generate a reminder on the account. The program staff will be notified of the need for a reassessment and schedule the screening as soon as possible.

The Center will also implement a procedure to generate a weekly report of clients with expiring eligibility. A program staff member will notify the client in advance of their upcoming appointments that they are due for a screening and that this should be completed during their visit.

The Center is implementing an electronic reminder system called CareMessage that will allow program staff members to send electronic reminders to clients when their Ryan White eligibility is within 45 days of expiring. This will allow program staff members to reach clients electronically and telephonically to advise them of expiring eligibility. Additionally, the program staff will review eligibility information prior to providing care. If a client goes over their six-month reassessment due date and the reassessment was not performed, program staff will ensure documentation of their attempted communication with the client is retained in their patient file. If the client does not complete a timely reassessment, they will be required to have it completed at their next appointment.

Current Year Status:

The Center established a protocol to ensure the Center's HIV clients will be screened every six months to determine their eligibility for Center programs, regardless of insurance type.

Through the PMS, the program staff now identify clients who are due for their six-month reassessments and generate a reminder on the account.

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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

The Center implemented the CareMessage reminder system in June 2017 and has been using the system to advise Ryan White clients with expiring coverage within the next 30-45 days. Additionally, the Center has a benefits specialist calling clients to remind them a day before their scheduled appointment to arrive early and complete the required six-month screening. These procedures have improved the six-month verification process in line with programmatic requirements.

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

Completion Date:

June 2017

2016-002: Eligibility:

Contract No. PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services; H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement; PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract

Name of persons responsible for corrective action:

*Louis Guitron, Director of Case Management Service
Diane Kubrin, Director of Mental Health*

Prior Year Finding:

The Center is responsible for developing and implementing client eligibility criteria that includes assessments that the client is not eligible for another payer source such as private or public insurance. During the prior year audit, 8 of the 60 samples reviewed contained services that were initially paid by both Medi-Cal and Ryan White, but were subsequently reversed out by the County once the Center submitted updated information via the Casewatch Millennium ("Casewatch") system.

Corrective Action Plan:

To prevent duplicate billing of services, the Center proposes the following:

- All HIV clients being seen in the clinic will have an insurance eligibility check done on every medical visit before they are seen. If the insurance has changed, they will be referred to a Patient Services Specialist who will update their account.
- For clients with pending insurance, the account will be flagged in PMS using a temporary insurance code that will suspend the billing process and prevent the Center from billing the County for the service. Based on this temporary insurance code, the Center's Health Information Systems ("HIS") team who is responsible for entering all Ryan White billing data into the County Casewatch system, and will prevent all suspended accounts from being submitted for payment. Once the insurance status is resolved, the temporary insurance code will be updated accordingly, and the Center will then retroactively bill for the services to the correct payer source. If the client

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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

permanently loses their insurance that will be documented in the medical record and services performed will be billed to the County under the Ryan White program.

- A report will be generated weekly, listing all changes made to insurance status for Ryan White clients in PMS. This report will be reviewed by a Patient Services Specialist who will ensure that Casewatch is current and as a result, prevent billing of clients with a pending insurance status. The Center is also in the process of creating i2i reports (a population management system) that can identify all insurance changes, which will also be reviewed on a monthly basis.

Current Year Status:

The Center conducts insurance eligibility checks on every medical visit for all HIV clients. The Center is using the temporary insurance code and checking for insurance changes daily and weekly. Additionally, the Center changed the Casewatch billing process to exclude any accounts that have been paid by any payer to prevent duplication billing of services. Benefits specialists update and review Casewatch to ensure the insurance changes are identified when they happen.

Completion Date:

March 2017

2016-003: Level of Effort:

Contract No. PH-0002362-05, HIV/AIDS SPAS 208 Medical Care Coordination Services Contract ("MCC"); H210803-7 HIV/AIDS Mental Health Psychotherapy Services Agreement ("Psychotherapy"); PH-002872 HIV/AIDS Mental Health Psychiatry Services Contract ("Psychiatry")

Name of persons responsible for corrective action:

Louis Guitron, Director of Case Management Services

Diane Kubrin, Director of Mental Health

Lisa Kimsey, Senior Operations Manager

Prior Year Finding:

The Center should comply with level of effort requirements in accordance with the terms and provisions of the above-referenced grant agreements. During the prior year audit, although the number of clients seen exceeded the requirements for contract no. PH-0002362-05 (MCC), the numbers pertaining to direct service hours ("DSH") and linkage to referrals ("LTR") were not met. For contract no. PH-002872 (Psychotherapy) and PH-002872 (Psychiatry), the numbers pertaining to clients seen, DSH was not met. The Center has been communicating with the County how to better align reporting of actual DSH performed and actual DSH accepted in Casewatch. The findings for contract No. H210803-7 (Psychotherapy) and PH-002872 (Psychiatry) resulted in questioned costs in the amount of \$22,664 and \$21,490 accordingly.

Corrective Action Plan:

MCC

- DSH: The Center's Allscripts Professional EHR ("EHR") system tracks the number of DSH provided by MCC team members allocated to the contract. As a quality assurance measure, the MCC program management team has created a weekly EHR DSH report to identify any deficiencies in the number of units/DSH reported by the Center's MCC teams. Ongoing weekly MCC team

Los Angeles LGBT Center (a nonprofit California corporation)

Corrective Action Plan (Continued) Year Ended June 30, 2017

reporting has been implemented to identify deficient DSH and address any issues that require correction within the EHR or Casewatch so that the DSH performed by the MCC team is correctly reflected in the Casewatch system and monthly report. Additionally, the MCC team members have been trained to align the Casewatch dates of MCC Screeners and Trackers with the EHR's progress/note billing date so that there is congruency and accurate reporting of these DSH activities.

- LTR: The Center's EHR has a new referral module that has integrated the MCC Referral Requirements (e.g., Housing, Mental Health, and Addiction Treatment). The MCC referrals are tracked in the EHR to reflect their status and date of linkage. The MCC program management team is working with the Center's HIS department on automating the transmission of the Center's EHR referral information as LTRs to Casewatch. Until this data mapping from both systems has been completed, the MCC team members will manually enter these referrals into Casewatch to capture the required LTR. It is important to note that Mental Health, MCC and AOM programs are integrated and the Center's linkage process is protocolled in the EHR to streamline the high number of internal referrals.

Psychotherapy and Psychiatry

- The Center will use the monthly Budget Variance meetings to determine if there is a need to reallocate costs to grants. The Psychotherapy and Psychiatry contracts expire August 31, 2017. The Center has already opted not to submit a proposal for these funds as the number of clients covered by Ryan White has declined with the implementation of the Affordable Care Act. However, the Center will closely monitor the allocation during the remainder of this grant period to ensure that the allocations are accurate each month and in line with the level of effort requirements.

Current Year Status:

MCC

The contract was modified with new goals and the Center has implemented an intervention to assess and address any Ryan White eligibility issues. The Center has not met the DSH target due to staff vacancies, which has been communicated to DHSP. The Center needs to meet with the County to determine more competitive salary ranges to attract and retain staff on the program. The Center met the LTR target goal.

Psychotherapy and Psychiatry

Despite the declining number of clients due to more third-party insurance coverage, the County requested the Center to extend the contract for sixth months to August 2017 to serve more clients. The Center fell below the scope of work targets at the end of the contract period. However, the variances were communicated to the County.

Completion Date:

MCC – June 2017

Psychotherapy and Psychiatry – August 2017

2016-004: Reporting:

Contract No. PH-002427, HIV/AIDS SPAS 2-8 Ambulatory Outpatient Medical Services

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

**Corrective Action Plan (Continued)
Year Ended June 30, 2017**

Name of person responsible for corrective action:

Mark Beaty, Senior Finance Manager – Healthcare Programs

Prior Year Finding:

The Center is responsible for submitting a signed hard copy of the monthly report, the electronic format of the report and the standard client level reporting data to the County no later than thirty days after the end of each calendar month. During prior year test, 2 of the 8 reports reviewed were submitted after the 30-day deadline and no extension was documented.

Corrective Action Plan:

A system has been implemented to ensure invoices are submitted within 30 days. Visit data is submitted to Casewatch by the 15th of every month and invoices are compiled prior to the 30th. A tickler system will prompt responsible staff in Health and Mental Health Services to ensure report submission within 30 days and this will further be confirmed by the grants managers in Finance. If any issues arise that may delay submission, proper documentation will be maintained accordingly. Of the two reports reviewed, one invoice identified was only one day late.

Current Year Status:

The Center implemented a calendar tickler system to ensure that invoices are submitted on time and to ensure that proper documentation of report extension approval is maintained. Prior approval of late submission is kept with copies of the completed invoices.

Completion Date:

December 2016