

**L.A. Gay & Lesbian Center
(a nonprofit California corporation)**

**Financial Statements
and Supplemental Information
Years Ended June 30, 2012 and 2011**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Financial Statements
and Supplemental Information
Years Ended June 30, 2012 and 2011

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

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L.A. Gay & Lesbian Center (a nonprofit California corporation)

Description of Organization

For over 40 years, the L.A. Gay & Lesbian Center (the “Center”) has been building the health, enriching the lives and advocating for the rights of lesbian, gay, bisexual and transgender (“LGBT”) people. It was founded as an all-volunteer organization, offering counseling, shelter/support for homeless LGBT youth, senior citizens and a safe space for our community to gather.

Today the Center is a \$63 million organization with over 350 employees and approximately 3,000 active volunteers. Its wide array of services includes: free HIV/AIDS healthcare and medications for those most in need; housing, food, clothing and support for homeless LGBT youth; low-cost counseling and addiction-recovery services; essential services for LGBT seniors and parents; legal services; health education and HIV prevention programs; cultural arts programs; and more.

Information about the L.A. Gay & Lesbian Center and its programs and services is available on the Web at www.lagaycenter.org.



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Independent Auditors' Report

Board of Directors
L.A. Gay & Lesbian Center
Los Angeles, California

We have audited the accompanying statement of financial position of the L.A. Gay & Lesbian Center as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the L.A. Gay & Lesbian Center as of June 30, 2012 and 2011, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

BDO USA, LLP

Los Angeles, California
December 21, 2012

Financial Statements

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statements of Financial Position

<i>June 30,</i>	2012	2011
Current assets		
Cash and cash equivalents	\$ 17,058,116	\$ 9,001,783
Accounts receivable	506,724	389,156
Clinic fees receivable, net	3,021,378	2,773,081
Contracts and grants receivable, net	2,364,548	2,664,776
Contributions receivable - pledges, net	1,028,473	1,292,845
Short-term investments	5,125,277	4,661,170
Inventories	349,625	466,970
Total current assets	29,454,141	21,249,781
Noncurrent assets		
Contributions receivable - held in trust	2,583,484	2,718,115
Beneficial interests in trusts	1,890,708	2,031,858
Long-term investments	968,886	1,379,894
Property and equipment, net	10,468,006	10,215,436
Other assets	1,075,525	891,723
Total noncurrent assets	16,986,609	17,237,026
Total assets	\$ 46,440,750	\$ 38,486,807
Current liabilities		
Accounts payable	\$ 2,493,121	\$ 2,829,652
Accrued expenses and other liabilities	2,986,359	2,265,867
Unearned revenue	437,200	718,955
Current portion of annuities payable	169,128	156,708
Current portion of long-term debt	312,889	331,977
Total current liabilities	6,398,697	6,303,159
Noncurrent liabilities		
Annuities payable, net of current portion	1,018,181	1,002,933
Long-term debt, net of current portion	2,662,358	2,975,247
Total noncurrent liabilities	3,680,539	3,978,180
Total liabilities	10,079,236	10,281,339
Commitments and contingencies		
Net assets		
Unrestricted	29,614,214	21,898,118
Temporarily restricted	3,045,048	2,584,800
Permanently restricted	3,702,252	3,722,550
Total net assets	36,361,514	28,205,468
Total liabilities and net assets	\$ 46,440,750	\$ 38,486,807

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	\$ 6,680,603	\$ 377,227	\$ -	\$ 7,057,830
Less costs of direct benefits to donors	(197,918)	-	-	(197,918)
Net special events revenue	6,482,685	377,227	-	6,859,912
Program fees	38,531,460	-	-	38,531,460
Grants	11,195,582	-	-	11,195,582
Contributions	3,860,162	1,175,862	-	5,036,024
Contributed goods and services	906,088	-	-	906,088
Other operating revenue	202,801	-	-	202,801
Total public support and other revenue	61,178,778	1,553,089	-	62,731,867
Satisfaction of program restrictions	1,097,357	(1,097,357)	-	-
Total public support and other revenue and net assets released from restrictions	62,276,135	455,732	-	62,731,867
Operating expenses				
Program services	49,529,436	-	-	49,529,436
Supporting services:				
General and administrative	564,337	-	-	564,337
Fund-raising	5,008,874	-	-	5,008,874
Total supporting services	5,573,211	-	-	5,573,211
Total operating expenses	55,102,647	-	-	55,102,647
Change in net assets before non-operating gains (losses) and other revenue	7,173,488	455,732	-	7,629,220
Non-operating gains (losses) and other revenue				
Interest and dividend income	227,609	-	-	227,609
Realized and unrealized loss on investments, net	(51,140)	-	-	(51,140)
Unrealized loss on perpetual trust held by a third party	-	-	(134,632)	(134,632)
Change in value of split-interest agreements	329,797	4,516	114,334	448,647
Other revenue	36,342	-	-	36,342
Total non-operating gains (losses) and other revenue	542,608	4,516	(20,298)	526,826
Change in net assets	7,716,096	460,248	(20,298)	8,156,046
Net assets, beginning of year	21,898,118	2,584,800	3,722,550	28,205,468
Net assets, end of year	\$ 29,614,214	\$ 3,045,048	\$ 3,702,252	\$ 36,361,514

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statements of Activities and Changes in Net Assets (Continued)

<i>Year ended June 30, 2011</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenue				
Public support:				
Special events revenue:				
Gross receipts	\$ 6,448,310	\$ 258,069	\$ -	\$ 6,706,379
Less costs of direct benefits to donors	(193,200)	-	-	(193,200)
Net special events revenue	6,255,110	258,069	-	6,513,179
Program fees	34,460,009	-	-	34,460,009
Grants	10,221,221	-	-	10,221,221
Contributions	2,750,812	1,430,772	-	4,181,584
Contributed goods and services	915,588	-	-	915,588
Other operating revenue	270,928	-	-	270,928
Total public support and other revenue	54,873,668	1,688,841	-	56,562,509
Satisfaction of program restrictions	917,380	(917,380)	-	-
Total public support and other revenue and net assets released from restrictions	55,791,048	771,461	-	56,562,509
Operating expenses				
Program services	44,018,194	-	-	44,018,194
Supporting services:				
General and administrative	648,107	-	-	648,107
Fund-raising	4,850,078	-	-	4,850,078
Total supporting services	5,498,185	-	-	5,498,185
Total operating expenses	49,516,379	-	-	49,516,379
Change in net assets before non-operating gains (losses) and other revenue	6,274,669	771,461	-	7,046,130
Non-operating gains (losses) and other revenue				
Interest and dividend income	187,828	-	-	187,828
Realized and unrealized gain on investments, net	48,746	-	-	48,746
Unrealized gain on perpetual trust held by a third party	-	-	331,832	331,832
Change in value of split-interest agreements	(263,956)	384,823	28,406	149,273
Transfer of charitable remainder trusts from temporarily restricted to permanently restricted	-	(740,000)	740,000	-
Total non-operating gains (losses) and other revenue	(27,382)	(355,177)	1,100,238	717,679
Change in net assets	6,247,287	416,284	1,100,238	7,763,809
Net assets, beginning of year	15,650,831	2,168,516	2,622,312	20,441,659
Net assets, end of year	\$ 21,898,118	\$ 2,584,800	\$ 3,722,550	\$ 28,205,468

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statement of Functional Expenses
Year Ended June 30, 2012

Year ended June 30, 2012	Program Services							Supporting Services			Total
	Policy & Community Building Programs	Health & Mental Services	Health Education & Prevention	Legal Services	Public Affairs	Children, Youth & Family Svcs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Program Staff Salaries	\$ 1,089,613	\$ 6,382,355	\$ 570,694	\$ 425,307	\$ 446,093	\$ 1,957,842	\$ 10,871,904	\$ -	\$ 1,390,527	\$ 1,390,527	\$ 12,262,431
Administration Salaries	242,988	385,273	50,671	71,943	17,220	490,201	1,258,296	2,679,608	58,488	2,738,096	3,996,392
Employee Benefits	195,601	930,683	104,235	69,959	42,806	471,288	1,814,572	256,895	167,921	424,816	2,239,388
Employer Taxes	115,431	554,599	53,261	40,901	39,156	223,613	1,026,961	182,751	121,845	304,596	1,331,557
Medical Supplies	-	22,102,997	203	-	-	7,480	22,110,680	-	-	-	22,110,680
Supplies	28,084	89,517	11,257	5,033	2,286	82,617	218,794	74,669	13,905	88,574	307,368
Facilities, Repairs and Maintenance	83,882	325,004	21,147	20,337	7,361	1,063,866	1,521,597	71,309	31,024	102,333	1,623,930
Telephone and Utilities	49,914	103,970	11,976	10,331	3,958	122,871	303,020	234,994	16,259	251,253	554,273
Advertising, Printing and Postage	28,701	139,062	11,467	26	305,299	5,006	489,561	94,618	301,086	395,704	885,265
Insurance	6,353	10,616	1,396	5,626	475	13,508	37,974	222,469	5,239	227,708	265,682
Travel	68,581	23,418	12,345	12,105	7,241	31,419	155,109	31,602	6,817	38,419	193,528
Professional Fees and Contracted Services	186,528	462,798	50,834	152	150,993	520,284	1,371,589	305,519	207,600	513,119	1,884,708
Event Expenses	120,032	18,166	419,549	4,030	643	55,089	617,509	19,348	1,893,333	1,912,681	2,530,190
Equipment Lease and Repair	50,187	251,556	9,111	8,082	10,311	341,812	671,059	240,991	15,878	256,869	927,928
Client Services	2,142	26,953	10,632	28	-	418,542	458,297	-	-	-	458,297
Lab Testing	-	654,204	-	-	-	-	654,204	-	-	-	654,204
Taxes and Licenses	4,151	10,585	1,062	942	361	20,445	37,546	5,981	6,382	12,363	49,909
Educational Materials	-	31,681	19,792	462	-	-	51,935	-	-	-	51,935
Staff and Board Development	14,873	68,709	425	4,650	5,087	26,710	120,454	89,681	41,480	131,161	251,615
Interest Expense	-	-	-	-	-	-	-	97,200	-	97,200	97,200
Miscellaneous	62,984	81,733	2,816	2	1,311	59,660	208,506	52,930	77,878	130,808	339,314
Contributed Professional Services	34,295	593,233	19,758	49,049	-	77,822	774,157	9,126	122,805	131,931	906,088
Bank and Payroll Fees	-	-	-	-	-	-	-	409,483	-	409,483	409,483
Allocated G&A	410,520	2,411,759	211,760	173,029	151,113	746,596	4,104,777	(4,603,091)	498,314	(4,104,777)	-
Total expenses before depreciation and amortization	2,794,860	35,658,871	1,594,391	901,994	1,191,714	6,736,671	48,878,501	476,083	4,976,781	5,452,864	54,331,365
Depreciation and amortization	108,640	211,402	27,803	24,661	9,449	268,980	650,935	88,254	32,093	120,347	771,282
Total expenses	\$ 2,903,500	\$ 35,870,273	\$ 1,622,194	\$ 926,655	\$ 1,201,163	\$ 7,005,651	\$ 49,529,436	\$ 564,337	\$ 5,008,874	\$ 5,573,211	\$ 55,102,647

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statement of Functional Expenses (Continued)
Year Ended June 30, 2011

Year ended June 30, 2011	Program Services							Supporting Services			Total
	Policy & Community Building	Health & Mental Services	Health Education & Prevention	Legal Services	Public Affairs	Children, Youth & Family Svcs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Program Staff Salaries	\$ 897,896	\$ 5,906,540	\$ 530,839	\$ 460,649	\$ 353,002	\$ 1,404,500	\$ 9,553,426	\$ -	\$ -	\$ -	\$ 9,553,426
Administration Salaries	193,959	370,707	48,755	43,247	16,569	326,575	999,812	2,274,755	1,401,182	3,675,937	4,675,749
Employee Benefits	154,465	784,245	90,259	67,688	31,865	313,171	1,441,693	225,510	157,038	382,548	1,824,241
Employer Taxes	96,548	519,765	52,003	42,985	29,580	161,201	902,082	140,173	115,552	255,725	1,157,807
Medical Supplies	-	20,059,115	67	-	-	6,180	20,065,362	-	-	-	20,065,362
Supplies	34,897	90,326	19,146	5,746	4,291	53,989	208,395	51,011	7,076	58,087	266,482
Facilities, Repairs and Maintenance	78,596	315,072	19,667	22,208	6,755	272,492	714,790	247,376	28,084	275,460	990,250
Telephone and Utilities	57,355	107,864	13,132	10,904	4,178	84,026	277,459	197,353	18,171	215,524	492,983
Advertising, Printing and Postage	7,659	99,264	12,938	30	295,793	2,977	418,661	96,760	205,348	302,108	720,769
Insurance	7,783	12,899	5,569	13,316	577	11,363	51,507	215,118	1,958	217,076	268,583
Travel	60,374	25,947	22,553	17,166	6,669	24,394	157,103	40,678	22,992	63,670	220,773
Professional Fees and Contracted Services	246,603	711,176	68,207	12,500	114,661	344,687	1,497,834	280,082	166,745	446,827	1,944,661
Event Expenses	148,008	4,270	392,783	26	60	93,953	639,100	29,272	1,638,458	1,667,730	2,306,830
Equipment Lease and Repair	69,705	292,080	10,572	10,747	4,113	197,154	584,371	371,233	20,415	391,648	976,019
Client Services	13,925	70,648	40,048	-	-	315,765	440,386	-	-	-	440,386
Lab Testing	-	623,002	-	-	-	-	623,002	-	-	-	623,002
Taxes and Licenses	5,095	13,252	181,669	1,054	404	18,217	219,691	5,646	1,371	7,017	226,708
Educational Materials	-	6,150	27,682	-	-	-	33,832	-	-	-	33,832
Staff and Board Development	7,690	54,639	1,957	5,791	2,883	8,654	81,614	103,460	17,898	121,358	202,972
Interest Expense	-	-	-	-	-	-	-	163,354	-	163,354	163,354
Miscellaneous	46,184	938	-	67	453	46,945	94,587	51,594	153,258	204,852	299,439
Contributed Professional Services	37,962	629,451	20,439	43,219	-	7,552	738,623	18,654	158,312	176,966	915,589
Bank and Payroll Fees	758	13,333	-	-	-	60	14,151	179,446	204,246	383,692	397,843
Allocated G&A	332,193	2,272,953	199,691	176,941	120,417	526,412	3,628,607	(4,125,002)	496,395	(3,628,607)	-
Total expenses before depreciation and amortization	2,497,655	32,983,636	1,757,976	934,284	992,270	4,220,267	43,386,088	566,473	4,814,499	5,380,972	48,767,060
Depreciation and amortization	122,626	234,370	30,824	27,342	10,475	206,469	632,106	81,634	35,579	117,213	749,319
Total expenses	\$ 2,620,281	\$ 33,218,006	\$ 1,788,800	\$ 961,626	\$ 1,002,745	\$ 4,426,736	\$ 44,018,194	\$ 648,107	\$ 4,850,078	\$ 5,498,185	\$ 49,516,379

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Statements of Cash Flows

Increase (Decrease) in Cash

<i>Years ended June 30,</i>	2012	2011
Cash flows from operating activities		
Increase in net assets	\$ 8,156,046	\$ 7,763,809
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	771,282	749,319
Gain on disposal	(8,397)	-
Net investment (gain)/loss	51,140	(48,746)
Noncash proceeds from charitable remainder trusts	-	(572,595)
Change in unrestricted split-interest agreements	(450,000)	(13,107)
Change in temporarily restricted split-interest agreements	(4,516)	(384,824)
Change in permanently restricted split-interest agreements and trust	280,297	(360,238)
Changes in operating assets and liabilities:		
Accounts receivable	368,057	(199,999)
Clinic fees receivable, net	(248,297)	(118,459)
Contracts and grants receivable, net	300,228	(559,032)
Contributions receivable - pledges, net	264,372	(689,229)
Inventories	117,345	(78,466)
Other assets	(183,802)	(527,699)
Accounts payable	(336,531)	504,967
Accrued expenses and other liabilities	720,492	1,046,203
Unearned revenue	(281,755)	154,221
Annuities payable	27,668	150,694
Net cash provided by operating activities	9,543,629	6,816,819
Cash flows from investing activities		
Purchase of property and equipment	(1,015,455)	(278,657)
Purchase of investments	(526,272)	-
Proceeds from sale of investments	423,661	-
Interest income reinvested	(1,628)	(7,791)
Interest income from split-interest agreement	(35,625)	-
Proceeds from charitable remainder trusts and charitable lead trusts	-	139,000
Net cash used in investing activities	(1,155,319)	(147,448)
Cash flows from financing activities		
Repayments of notes payable and capital lease obligations	(331,977)	(1,522,845)
Net cash used in financing activities	(331,977)	(1,522,845)
Net increase in cash and cash equivalents	8,056,333	5,146,526
Cash and cash equivalents, beginning of year	9,001,783	3,855,257
Cash and cash equivalents, end of year	\$ 17,058,116	\$ 9,001,783
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 105,248	\$ 167,106

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Financial Statements

1. Organization

The L.A. Gay & Lesbian Center (the "Center") is a nonprofit California corporation formed for the purpose of serving the lesbian, gay, bisexual and transgender communities. The Center's formal corporate name is The Los Angeles Gay and Lesbian Community Services Center dba the L.A. Gay & Lesbian Center.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Financial Statements

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 non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

Contracts and Grants Receivable

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

Inventories

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

Split-Interest Agreements

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

The Center is required by the State of California Department of Insurance to maintain minimum reserves related to these annuities. For annuities issued between January 1, 1992 and December 31, 2004, the minimum reserve basis is the a-1983 Table at an interest rate of 6%. Effective January 1, 2005, the minimum reserve basis for annuities issued on or after this date is the Annuity 2000 Mortality Table at an interest rate of 4 ½%. At June 30, 2012 and 2011, annuities payable were \$1,187,309 and \$1,159,641, 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 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, 2012 and 2011 ranged from 2.8% to 7.0%.

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Notes to Financial Statements

Investments

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

Fair Value Measurements

The Center follows ASC 820, *Fair Value Measurements*. ASC 820 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.

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Notes to Financial Statements

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.

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 2012 and 2011, 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.

Repairs and maintenance are charged to expense when incurred.

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 funds expended. Unearned revenue at June 30, 2012 consisted primarily of \$1,321 related to grants, \$337,649 related to events and \$44,513 related to capital lease incentives. Unearned revenue at June 30, 2011 consisted primarily of \$326,858 related to grants, \$268,780 related to events and \$67,736 related to capital lease incentives.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. 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.

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Notes to Financial Statements

Contributed Goods and Services

The value of significant contributed goods is reflected as contributions in the financial statements at the fair value of such goods at the date of donation. There were contributed goods of \$61,268 and \$70,862 for the years ended June 30, 2012 and 2011, 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 \$844,820 and \$844,726 for the years ended June 30, 2012 and 2011, respectively, and is included in contributed goods and services in the accompanying financial statements.

A significant number of volunteers contribute services to the Center that do not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. The value of such volunteer services received is estimated to be \$179,971 and \$159,387 for the years ended June 30, 2012 and 2011, respectively.

Program Fees

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

Grant Revenue

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and detailed in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs based on management's estimates.

Income Taxes

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

The Center adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on July 1, 2009 and the implementation of ASC 740-10 had no impact on the Center's financial statements. ASC 740-10 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2012 and 2011. The Center recognizes interest and penalties related to unrecognized tax positions as tax expense. As of June 30, 2012, the Center did not incur any related interest and penalties.

The tax years ended June 30, 2008 through 2011 remain open to examination by the taxing jurisdictions to which the Center is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

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Notes to Financial Statements

Non-Operating Income Allocated to Operations

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

Allocation of Joint Costs

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

Use of Estimates

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

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

3. Clinic Fees Receivable

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

<i>June 30,</i>	2012	2011
Clinic fees receivable	\$ 3,043,231	\$ 2,832,131
Less: allowance for uncollectible clinic fees receivable	(21,853)	(59,050)
	\$ 3,021,378	\$ 2,773,081

4. Contributions Receivable - Pledges

At June 30, 2012 and 2011, contributions receivable from pledges were \$1,176,999 and \$1,433,071, respectively, and were classified as unconditional promises, of which \$899,162 are expected to be received within one year and \$277,837 are expected to be received in over one year to five years.

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Based upon management's judgment including such factors as prior collection history, types of contributions and the nature of the fundraising activities, the Center has established an allowance for uncollectible pledges of \$148,526 and \$140,226 at June 30, 2012 and 2011, respectively.

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

Contributions receivable held in trust at June 30, 2012 and 2011 were \$2,583,484 and \$2,718,115, respectively. The contributions received during the year are measured at the fair value of the underlying assets in the accompanying financial statements at the time of gift. There were no contributions held in trust received during the years ended June 30, 2012 and 2011. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities and changes in net assets as a component of non-operating gains (losses) and other revenue. Under one of the trusts, income is distributed to the Center each year and is temporarily restricted for youth-oriented programs. Total income distribution for the years ended June 30, 2012 and 2011 was \$128,157 and \$127,030, respectively. Principal of the trusts is to be distributed to the Center either based on a predetermined schedule or at the discretion of the trustees. There were no trust principal payments received by the Center during the years ended June 30, 2012 and 2011.

The Center is a beneficiary of irrevocable charitable remainder trusts held and administered by third-party trustees, of which the significant ones are noted below. On November 9, 2010, the Center was named an irrevocable 89% beneficiary of a new charitable remainder trust consisting of a four-unit apartment building in Los Angeles, California. An independent appraisal was obtained to determine the fair market value for both 2012 and 2011. This amount was recognized as a temporarily restricted contribution on the statements of activities and changes in net assets. At June 30, 2012, the charitable remainder trust was adjusted to its estimated fair value of \$643,029.

On December 17, 1993, the Center was named as 100% beneficiary of a charitable remainder trust holding a California limited liability company ("LLC"). On November 14, 2003, the benefactor amended the charitable remainder trust to name the Center as irrevocable beneficiary in exchange for the establishment of a permanent endowment fund in his honor upon death. During the year ended June 30, 2011, the benefactor passed away. At June 30, 2012, an endowment fund has not yet been created and the Center is working toward creating the endowment fund.

As the beneficiary of this charitable remainder trust, the LLC owns a one-third interest in a shopping center in Montclair, California for which the Center obtained an independent appraisal supporting its fair value of \$590,000.

The Center has been named the beneficiary of three charitable remainder trusts from a deceased donor. At June 30, 2012, the Center received an offer to purchase its interest in a certain Interest Only Secured Promissory Note for \$450,000 plus accrued interest. The Center is currently working with the Trustee of the Trusts to determine the remaining assets available for distribution. At this time, the Center is not able to determine with certainty any remaining assets available for distribution.

Beneficial interests in trusts at June 30, 2012 and 2011 were \$1,890,708 and \$2,031,858 respectively.

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Notes to Financial Statements

6. Contracts and Grants Receivable

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

<i>June 30,</i>	2012	2011
Los Angeles County Office of AIDS Programs and Policy:		
HIV/AIDS Ambulatory Outpatient Medical Services	\$ 772,010	\$ 1,036,887
HIV/AIDS Non-Occupational Post Exposure Prophylaxis Services	119,688	72,207
HIV/AIDS Health Education/Risk Reduction Prevention Services	78,862	68,338
Mental Health, Psychiatric Services	20,867	48,173
HIV/AIDS Counseling & Testing Prevention Services (HCT) - The S.P.O.T.	35,334	35,834
Mental Health, Psychotherapy Services	22,336	33,632
Routine HIV Testing in Non-County Operated Clinical Setting Services	16,889	32,192
HCT - Mobile Testing Unit, Pay-for-Performance	20,714	22,293
US Department of Housing & Urban Development:		
Supportive Housing Program	146,695	25,944
Los Angeles County Department of Public Health:		
STD Screening, Treatment, Case Finding and Educational Services	367,783	417,199
US Department of Health & Human Services:		
Initiative to Reduce Long-Term Foster Care	235,362	259,535
LGBT Aging in Place Initiative	32,849	52,677
Ryan White Part C Outpatient Early Intervention Services	63,550	83,205
University of Southern California:		
Health Research Association - Project AWARE	25,056	107,753
Los Angeles County Department of Mental Health:		
Outreach Services	-	14,060
Drop-In Centers for Transitional Age Youth Services	16,123	34,614
Integrated Care Model	20,563	-
University of California, Los Angeles:		
Multicenter AIDS Cohort Study of Newly Infected Persons with HIV	102,646	76,350
Los Angeles County Substance Abuse Prevention & Control	-	30,907
Los Angeles Homeless Services Authority:		
Emergency Overnight Bed Program	34,826	3,752
US Department of Justice:		
Domestic Violence (DV) Legal Advocacy Project and STOP DV	40,244	32,719
California Emergency Management Agency:		
Unserved/Underserved Victim Advocacy and Outreach Program	13,250	24,364
Equality for Prevention & Services for Domestic Abuse Recovery Act	59,189	-
Federal Emergency Management System:		
United Way of Los Angeles - Emergency Food and Shelter Program	2,533	23,866
Los Angeles County Prop 10 Commission a.k.a. First 5 LA	8,422	47,863
City of Los Angeles Homeless AIDS Coordinator's Office:		
HIV Prevention Services	13,156	8,792
Center for Disease Control:		
HIV Prevention Projects for CBO's - Safety Counts First	13,689	15,744
HIV Prevention Projects for CBO's - Many Men, Many Voices	14,212	15,297
HIV Prevention Projects for CBO's - Comprehensive Risk Counseling and Services	6,022	13,055
Mpowerment	19,462	-
Other Grants	67,272	40,700
Allowance for Losses	(25,056)	(13,176)
	\$ 2,364,548	\$ 2,664,776

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Notes to Financial Statements

7. Investments

Investments consist of the following:

<i>June 30,</i>	2012	2011
Money market mutual funds	\$ 662,642	\$ 707,517
Equity securities	162,113	243,474
Debt securities	5,269,408	5,090,073
	\$ 6,094,163	\$ 6,041,064

Investment income consists of the following:

<i>Year ended June 30,</i>	2012	2011
Gross realized gains from sale of trading securities	\$ 6,407	\$ -
Gross realized losses from sale of trading securities	(40,095)	(975)
Dividend and interest income	227,609	187,828
Net unrealized losses on debt securities	(306)	(6,677)
Net unrealized holding gains (losses) on equity securities	(17,146)	56,398
Net investment income	\$ 176,469	\$ 236,574

Debt securities consist primarily of U.S. treasury bills and agency securities.

All investments are classified between short-term and long-term investments on the statements of financial position, based on their maturity date and the Center's intentions.

8. Fair Value Measurements

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

The following tables summarize the Center's fair value measurements by level at June 30, 2012 and 2011 for the assets and liabilities measured at fair value on a recurring basis:

<i>June 30, 2012</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Debt securities	\$ 5,269,408	\$ -	\$ -
Money market mutual funds	662,642	-	-
Equity securities	162,113	-	-
Contributions receivable, held in trust	2,583,484	-	-
Beneficial interests in trusts	-	-	1,890,708
Total assets at fair value	\$ 8,677,647	\$ -	\$ 1,890,708
Annuities payable	\$ -	\$ -	\$ 1,187,309

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<i>June 30, 2011</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Debt securities	\$ 5,090,073	\$ -	\$ -
Money market mutual funds	707,517	-	-
Equity securities	243,474	-	-
Contributions receivable, held in trust	2,718,115	-	-
Beneficial interests in trusts	-	-	2,031,858
Total assets at fair value	\$ 8,759,179	\$ -	\$ 2,031,858
Annuities payable	\$ -	\$ -	\$ 1,159,641

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, 2012 and 2011:

<i>June 30,</i>	2012	2011
Beginning balance	\$ 2,031,858	\$ 1,046,033
Donations received, net	-	572,595
Total net gains (losses) included in change in net assets (realized/unrealized)	(141,150)	413,230
Ending balance	\$ 1,890,708	\$ 2,031,858

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, 2012 and 2011:

<i>June 30,</i>	2012	2011
Beginning balance	\$ (1,159,641)	\$ (1,008,947)
Change in value of split interest agreements	(118,482)	(277,064)
Receipts	(71,644)	(34,217)
Payments	162,458	160,587
Ending balance	\$ (1,187,309)	\$ (1,159,641)

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Notes to Financial Statements

9. Property and Equipment

Property and equipment consists of the following:

<i>June 30,</i>	2012	2011
Land	\$ 3,808,580	\$ 3,808,580
Buildings and improvements	11,699,564	11,641,982
Leasehold improvements	765,363	265,996
Furniture, fixtures and equipment	2,204,548	2,050,398
Computers and software	2,386,150	2,311,984
Construction in progress	293,417	63,227
	21,157,622	20,142,167
Less: accumulated depreciation and amortization, including \$1,334,961 and \$1,229,938 accumulated depreciation for equipment acquired under capital leases at June 30, 2012 and 2011, respectively.	10,689,616	9,926,731
	\$ 10,468,006	\$ 10,215,436

Depreciation and amortization expense was \$771,282 and \$749,319 for the years ended June 30, 2012 and 2011, respectively.

10. Line of Credit

On May 1, 2012, the Center renewed its \$4,500,000 revolving line of credit arrangement with Wells Fargo Bank that expires on April 30, 2013. There were no outstanding balances under this line of credit as of June 30, 2012 and 2011, and the Center did not draw on the line during the year ended June 30, 2012. The line is collateralized by the Center's accounts receivable, general intangibles, inventory, and equipment and bears interest at a fluctuating annual rate determined by the financial institution to be 3% above the Daily One Month Libor (3.25% at June 30, 2012).

The line of credit agreement requires the Center to meet certain covenants. As of June 30, 2012 and 2011, the Center was in compliance with all covenants.

Interest expense related to the line of credit totaled \$0 for the years ended June 30, 2012 and 2011, respectively.

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11. Debt

Notes payable and capital lease obligations are summarized as follows:

<i>June 30,</i>	2012	2011
Mortgage note payable to the Community Redevelopment Agency, collateralized by land and building, due October 2017, non-interest bearing, subordinated to bank line of credit; annual principal payments to be repaid from residual receipts of operations (as defined).	\$ 1,339,744	\$ 1,339,744
Note payable to Wells Fargo Bank, collateralized by building, due October 1, 2017; interest is payable monthly at 6.43%. Payable in variable monthly principal and interest payments ranging from \$25,674 to \$28,576. Unpaid interest and principal are due upon maturity.	1,478,320	1,698,984
Capital lease obligations, expiring at various dates through June 1, 2014. Payable in variable monthly principal and interest payments of \$7,002.	157,183	268,496
Total debt	2,975,247	3,307,224
Less: current portion of long-term debt	(312,889)	(331,977)
Long-term debt, net of current portion	\$ 2,662,358	\$ 2,975,247

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

<i>Years ending June 30,</i>	Notes Payable	Capital Leases	Notes with Residual Value	Total
2013	\$ 236,844	\$ 76,045	\$ -	\$ 312,889
2014	254,212	81,138	-	335,350
2015	272,856	-	-	272,856
2016	292,864	-	-	292,864
2017	314,336	-	-	314,336
Thereafter	107,208	-	1,339,744	1,446,952
	\$ 1,478,320	\$ 157,183	\$ 1,339,744	\$ 2,975,247

Interest expense related to long-term debt was \$97,200 and \$163,354 for the years ended June 30, 2012 and 2011, respectively.

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Notes to Financial Statements

12. Commitments and Contingencies

Capital Leases

The Company 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, 2012 are presented in Note 11.

Aggregate maturities required on capital lease obligations are as follows:

<i>Years ended June 30,</i>	Amount
2013	\$ 84,023
2014	84,023
Less: portion representing interest	(10,863)
Total	\$ 157,183

Operating Leases

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

The Center executed a lease agreement effective on March 25, 2011 to lease an approximately 32,000 square foot building on approximately 47,000 square feet of land in Los Angeles, California. The term is five years and six months and commenced on April 1, 2011 and will end on September 30, 2016. The base rent is \$56,000 per month plus taxes and insurance of \$8,000 per month. The first six months of the lease included free base rent. The fixed rental adjustment of the base rent is set to increase 3% annually, effective April 1, 2012. The Center estimates that taxes and insurance will also increase at a rate of 3% annually. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accrued expenses and other current liabilities in the accompanying statement 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. At June 30, 2012, the deferred rent included in accrued expenses and other liabilities is \$518,011.

At June 30, 2012, the estimated future minimum rental payments under these leases are as follows:

<i>Years ending June 30,</i>	Amount
2013	\$ 873,085
2014	820,879
2015	845,513
2016	870,878
2017	222,579
	\$ 3,632,934

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Rent expense is as follows:

<i>Years ending June 30,</i>	2012	2011
Rent expense	\$ 1,021,427	\$ 478,422
Sublease rental income	(99,081)	(104,052)
Rent expense, net	\$ 922,346	\$ 374,370

Employment Agreements

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

Litigation

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

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

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On April 16, 2008, a judge denied the plaintiffs' motion requesting that a class be certified. The plaintiffs appealed that order. On May 26, 2010, the Court of Appeal reversed that ruling and ordered that the class be certified. On December 17, 2010, the new judge assigned to the case made an order regarding the form of the notice to be sent to the patients informing them of the certification of the class and their option to "opt out" from participating in the class. The Center appealed that ruling. In April 2011, the Court of Appeal issued a writ declining to order that the class proceed on an opt-in basis, but instead directing the Superior Court to vacate its order that the Center disclose the patients' names and other identifying information to plaintiffs' counsel, and directing disclosure only to a court-appointed third-party administrator for the purpose of giving class notice. The administrator gave Notice of Pendency of Class Action by mail in August, 2011. The Notice required any putative class member desiring to opt out of the class to do so by November 10, 2011. On September 25, 2012, the Superior Court granted defendant's motion for summary adjudication of claims of unnamed class members. On November 27, 2012, plaintiffs filed a petition for writ of mandate in the Court of Appeal challenging the Order granting defendant's motion for summary adjudication. The petition remains pending before the Court of Appeal.

The Center believes it is premature to provide an evaluation of the likelihood of an unfavorable outcome and an estimate of the amount or range of potential loss. Under the current Order, the amount of potential loss will depend, in part, on the number of patients who will participate in the class. As such, the Center's financial statements do not reflect any liabilities for settlement of this claim as the amount or range of loss, if any, cannot be determined at this time. The outcome of this litigation could have a material effect on the financial statements, if not fully covered by insurance.

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

Contingencies

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

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Financial Statements

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.

13. 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, 2012 and 2011.

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, 2012, the Center holds assets totaling \$419,228, which are recorded in other assets and a corresponding liability in accrued expenses and other liabilities in the accompanying statements of financial position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

14. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions at June 30, 2012 and 2011:

	2012	2011
Pledge receivable and other contributions	\$ 1,863,110	\$ 1,407,377
Charitable remainder trusts	1,181,938	1,177,423
Temporarily restricted net assets	\$ 3,045,048	\$ 2,584,800

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Financial Statements

Net assets of \$1,097,357 and \$917,380 were released from donor restrictions in 2012 and 2011, respectively, by incurring expenses related to specific programs which satisfied the restricted purposes.

Permanently Restricted Net Assets

At June 30, 2012 and 2011, permanently restricted net assets of \$3,702,252 and \$3,722,550, 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.

15. Allocation of Joint Costs

The Center conducted activities that include requests for contributions, as well as program, management and general components. Those activities included a special event. The costs of conducting those activities included \$2,405,638 and \$2,399,542 of joint costs for the years ended June 30, 2012 and 2011, respectively, which are not specifically attributable to particular components of the activities (joint costs).

These joint costs were allocated as follows:

<i>Years ended June 30,</i>	2012	2011
Fundraising	\$ 2,023,209	\$ 2,051,514
Health/Education/Prevention Program	382,429	348,028
Total	\$ 2,405,638	\$ 2,399,542

16. 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.

17. Subsequent Events

On September 28, 2012, the Center was notified that it was awarded \$200,000 for its Transitional Living Program which funds a 24-bed, 18-months transitional living services for homeless youths ages 18-21, with a focus on the needs of lesbian, gay, bisexual and transgender youth. The budget period is September 29, 2012 through September 30, 2013 and the award was received from the Department of Health and Human Services, Administration for Children and Families. The project period is from September 29, 2012 through September 30, 2017, with a potential budget of \$1,000,000 over the project period. This award is subject to the availability of funds and satisfactory progress on the project.

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Financial Statements

The County of Los Angeles in conjunction with the State of California is implementing a Low Income Health Plan ("LIHP") as part of the State's 1115 Medicaid Waiver "Bridge to Health Care Reform". The decision was made by Federal authorities that all current Ryan White HIV/AIDS Program clients who are eligible for the LIHP must be enrolled in the LIHP program, as under current law, the Ryan White HIV/AIDS Program must serve as the payer of last resort. Effective July 1, 2012, the Center started screening Ryan White clients for their eligibility to participate in the LIHP during at their annual financial screening. As of the date of this report, there is great uncertainty regarding the impact of this implementation on the financial operations of the Center, and the Center cannot determine the impact at this time of this uncertainty.

The Center evaluated subsequent events through December 21, 2012, which is when these financial statements were available to be issued. The Center is not aware of any additional significant subsequent events that would have a material impact on its financial statements.

Supplemental Information

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

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 Administration on Aging					
Direct Programs					
LGBT Aging in Place Initiative	90AP2650/02	09/30/10 - 09/29/11	93.048	\$ 367,978	\$ 81,713
LGBT Aging in Place Initiative	90AP2650/03	09/30/11 - 09/29/12	93.048	359,867	272,957
Subtotal - 93.048					\$ 354,670
US Department of Health and Human Services Children and Families Financial Assistance Award (FAA)					
Direct Programs					
Initiative to Reduce Long-Term Foster Care	90CT0154-01	09/30/10 - 09/29/11	93.648	\$ 1,717,745	\$ 173,497
Initiative to Reduce Long-Term Foster Care	90CT0154-02	09/30/11 - 09/29/12	93.648	2,572,663	1,718,072
Subtotal - 93.648					\$ 1,891,569
Centers for Disease Control and Prevention					
Direct Program					
Many Men, Many Voices	5U65PS002400-02	07/01/11 - 06/30/12	93.939	\$ 143,858	\$ 143,858
CRCS	5U65PS002400-02	07/01/11 - 06/30/12	93.939	82,877	82,877
Safety Counts	5U65PS002400-02	07/01/11 - 06/30/12	93.939	134,674	134,674
Expanded HIV Testing	1U65PS003576-01	09/01/11 - 09/29/12	93.939	67,858	39,128
Mpowerment	1U65PS003576-01	09/01/11 - 09/29/12	93.939	141,067	81,856
CRCS/ CLEAR	1U65PS003576-01	09/01/11 - 09/29/12	93.939	123,808	50,280
Subtotal - 93.939					\$ 532,673
Total Major Programs (A)					\$ 2,778,912

L.A. Gay & Lesbian Center
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Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 Housing & Urban Development					
Passed Through City of Los Angeles AIDS Coordinator's Office					
Community Development					
Block Grants/Entitlement Grants - AIDS Prevention Services	C-119178	04/01/11 - 03/31/12	14.218	\$ 48,025	\$ 39,233
Community Development					
Block Grants/Entitlement Grants - AIDS Prevention Services	C-119078	04/01/12 - 03/31/13	14.218	48,025	13,156
Subtotal -14.218					\$ 52,389
US Department of Housing & Urban Development					
Direct Programs					
Supportive Housing Program	CA0484B9D001003	02/01/11 - 01/31/12	14.235	\$ 367,493	\$ 221,626
Supportive Housing Program	CA0484B9D001104	02/01/12 - 01/31/13	14.235	367,493	146,695
Subtotal - 14.235					\$ 368,321
Total US Department of Housing and Urban Development					\$ 420,710
US Department of Justice					
Office on Violence Against Women					
Direct Programs					
Culturally Linguistically Specific Services Program	2009-UW-AX-0019	10/01/09 -12/31/11	16.016	\$ 300,000	\$ 65,839
Subtotal - 16.016					\$ 65,839
US Department of Justice					
Office on Violence Against Women					
Direct Programs					
Legal Assistance for Victims	2005-WL-AX-0079	07/01/05 - 10/31/11	16.524	\$ 1,035,824	\$ 73,410
Legal Assistance for Victims	2011-WL-AX-0052	10/01/11 - 09/30/13	16.524	400,000	108,355
Subtotal - 16.524					\$ 181,765
US Department of Justice					
Office of Victims Crimes					
Passed Through State of California Emergency Management Agency					
Victims of Crimes Act	UV10011497	10/01/10 - 09/30/11	16.575	\$ 125,000	\$ 42,793
Victims of Crimes Act	UV11021497	10/01/11 - 09/30/12	16.575	125,000	92,127
Subtotal - 16.575					\$ 134,920
Total US Department of Justice					\$ 382,524

**L.A. Gay & Lesbian Center
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**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012**

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 (Continued)					
US Department of Health and Human Services National Institutes of Health Passed Through University of California, Los Angeles					
Center for HIV Identification, Prevention and Treatment Services	1182 G NA266	05/27/11 - 01/31/12	93.242	\$ 17,587	\$ 16,890
Center for HIV Identification, Prevention and Treatment Services	1182 G PA306	02/01/12 - 12/31/12	93.242	12,413	7,282
Subtotal - 93.242					\$ 24,172
US Department of Health and Human Services Substance Abuse and Mental Health Services Administration Passed Through University of California, Los Angeles					
Community Trauma Treatment for Runaway & Homeless Youth	000431A	09/30/10 - 09/29/11	93.243	\$ 20,000	\$ 4,856
Community Trauma Treatment for Runaway & Homeless Youth	000517	09/30/11 - 09/29/12	93.243	22,500	16,672
Substance Abuse & HIV Prevention Project for Homeless Youth	000471A1	09/30/10 - 09/29/11	93.243	15,000	5,161
Substance Abuse & HIV Prevention Project for Homeless Youth	000522	09/30/11 - 09/29/12	93.243	15,000	11,167
Subtotal - 93.243					\$ 37,856
US Department of Health and Human Services National Institutes of Health Passed Through University of California, Los Angeles - Dept of Epidemiology					
Transmission behavior in Partnerships of Newly HIV Infected So. Californians	1935 G JB114 02	06/01/11 - 05/31/12	93.279	\$ 99,510	\$ 95,746
Transmission behavior in Partnerships of Newly HIV Infected So. Californians	1935 G JB114 02	06/01/12 - 05/31/13	93.279	63,912	11,588
Subtotal - 93.279					\$ 107,334
US Department of Health and Human Services Passed through Los Angeles County Division of HIV and SHP Programs HIV/AIDS Nonoccupational Human Immunodeficiency Virus Post-Exposure Prophylaxis Services					
	PH002112-2	03/01/12 - 02/28/13	93.523	\$ 412,891	\$ 119,688
Subtotal - 93.523					\$ 119,688
US Department of Health and Human Services Administration for Children and Families Direct Programs Street Outreach Program					
	90Y00170/01	09/30/11 - 09/29/12	93.557	\$ 100,000	\$ 61,790
Subtotal - 93.557					\$ 61,790

L.A. Gay & Lesbian Center
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Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 (Continued)					
US Department of Health and Human Services Administration for Children and Families Passed Through State of California Emergency Management Agency Equality in Prevention and Services for Domestic Abuse Program	GL11011497	07/1/11 - 06/30/12	93.671	\$ 42,000	\$ 42,000
Subtotal - 93.671					\$ 42,000
US Department of Health and Human Services National Institutes of Health Passed through Health Research Association, Inc.	HRA Project #924880 PHRE Project #2324.002	09/01/10 - 08/31/11	93.701	\$ 260,571	\$ 17,946
Subtotal - 93.701					\$ 17,946
US Department of Health and Human Services National Institutes of Health Passed through University of California, Los Angeles - Dept of Epidemiology Multicenter AIDS Cohort Study (MACS)	1935GKD215	04/01/11 - 03/31/12	93.855	\$ 281,908	\$ 204,766
Multicenter AIDS Cohort Study (MACS)	1935GKD215	04/01/12 - 03/31/13	93.855	280,751	71,592
Subtotal - 93.855					\$ 276,358
US Department of Health and Human Services Health Resources and Services Administration Passed through Los Angeles County Office of AIDS Programs and Policy HIV/AIDS Mental Health, Psychotherapy Services	H210803, Schedule 13	03/01/11 - 02/29/12	93.914	\$ 105,473	\$ 71,787
HIV/AIDS Mental Health, Psychotherapy Services	H210803, Schedule 14	03/01/12 - 02/28/13	93.914	105,473	22,336
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 74	03/01/11 - 02/29/12	93.914	3,104,276	2,039,978
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 74A	01/13/12 - 02/29/12	93.914	388,097	388,097
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 78	03/01/12 - 02/28/13	93.914	3,104,276	885,670
HIV/AIDS Medical Outpatient Service/ Specialty Referrals	H209013, Schedule 76	03/01/11 - 02/29/12	93.914	28,800	22,132
HIV/AIDS Mental Health Services, Psychiatry	H209013, Schedule 77	03/01/11 - 02/29/12	93.914	129,620	82,412
HIV/AIDS Mental Health Services, Psychiatry	H209013, Schedule 81	03/01/12 - 02/28/13	93.914	129,620	20,867
Subtotal - 93.914					\$ 3,533,279
US Department of Health and Human Services Health Resources and Services Administration Direct Programs Early Intervention with Respect to HIV Disease	5 H76HA00158-20-00	01/01/11 - 12/31/11	93.918	\$ 786,729	\$ 369,333
Early Intervention with Respect to HIV Disease	5 H76HA00158-21-00	01/01/12 - 12/31/12	93.918	815,094	346,949
Subtotal - 93.918					\$ 716,282

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 (Continued)					
Centers for Disease Control and Prevention					
Passed through Los Angeles County Division of HIV and SHP Programs					
HIV Testing Unit Counseling, Testing, and Referral Services in Mobile Testing Unit (MTU Fee-for-Service)	PH000826, Schedule 06	01/01/10 - 07/31/11	93.940	\$ 121,869	\$ 3,479
HIV Counseling, Testing and Referral Services in Mobile Testing Unit (Pay for Performance)	PH000826-1, Schedule 08	08/01/11 - 12/31/11	93.940	33,333	5,523
HIV Counseling, Testing and Referral Services in Mobile Testing Unit (Pay for Performance)	PH000826-1, Schedule 10	01/01/12 - 12/31/12	93.940	80,000	20,714
HIV Counseling, Testing, and Referral Services in Storefront	PH000821, Schedule 03	01/01/11 - 07/31/11	93.940	220,000	19,389
HIV Counseling, Testing, and Referral Services in Storefront	PH000821-1, Schedule 04	08/01/11 - 12/31/11	93.940	55,000	50,990
HIV Counseling, Testing, and Referral Services in Storefront	PH000821-1, Schedule 06	01/01/12 - 12/31/12	93.940	132,000	65,281
HIV Counseling, Testing, and Referral Services in Storefront (Pay for Performance)	PH000821-1, Schedule 05	08/01/11 - 12/31/11	93.940	36,667	29,042
HIV Counseling, Testing, and Referral Services in Storefront (Pay for Performance)	PH000821-1, Schedule 07	01/01/12 - 12/31/12	93.940	88,000	13,539
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit (MTU Cost Reimbursement)	PH000826, Schedule 05	01/01/11 - 07/31/11	93.940	78,131	2,432
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit	PH000826-1, Schedule 07	08/01/11 - 12/31/11	93.940	50,000	49,478
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit	PH000826-1, Schedule 09	01/01/12 - 12/31/12	93.940	120,000	57,542
HIV/AIDS Health Education/Risk Reduction Prevention Services	PH001044, Schedule 03	07/01/11 - 06/30/12	93.940	180,000	161,441
Routine HIV Testing in Clinical Setting Services	PH000834, Schedule 03	01/01/11 - 06/30/11	93.940	75,000	1,342
Routine HIV Testing in Clinical Setting Services	PH000834-1, Schedule 04	07/01/11 - 12/31/11	93.940	37,500	37,500
Routine HIV Testing in Clinical Setting Services	PH000834-1, Schedule 05	01/01/12 - 12/31/12	93.940	75,000	35,245
Subtotal - 93.940					\$ 552,937
US Department of Health and Human Services					
Substance Abuse and Mental Health Services Administration					
Passed Through Los Angeles County					
Substance Abuse Prevention and Control					
Alcohol and Drug Services	PH001355 Schedule A-1	07/01/11 - 12/31/11	93.959	\$ 45,445	\$ 45,445
Alcohol and Drug Services	PH001355 Schedule A-1	07/01/11 - 12/31/11	93.959	33,656	33,656
Alcohol and Drug Services	PH001355 Schedule B-1	07/01/11 - 12/31/11	93.959	40,931	40,931
Alcohol and Drug Services	PH001355 Schedule C-1	07/01/11 - 12/31/11	93.959	47,870	47,870
Subtotal - 93.959					\$ 167,902

**L.A. Gay & Lesbian Center
(a nonprofit California corporation)**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012**

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 (Continued)					
US Department of Health and Human Services Centers for Disease Control and Prevention Passed Through Los Angeles County Department of Public Health STD Screening, Treatment, Case Finding and Educational Services Agreement	H701701-6	07/01/11 - 06/30/12	93.977	\$ 86,753	\$ 86,687
Subtotal - 93.977					\$ 86,687
National Institute for Allergy and Infectious Diseases (NIAID) Passed Through Family Health International Development 360 NIAID HIV Vaccine Research Education Initiative Partnership Program	3727-0104-LAGLC-01	03/01/11 - 05/31/11	93.unknown	\$ 2,850	\$ 2,850
Subtotal - 93.unknown					\$ 2,850
Total US Department of Health and Human Services					\$ 5,747,081
US Department of Homeland Security Federal Emergency Management Administration Passed Through United Way of Greater Los Angeles Emergency Food and Shelter Program (EFSP)	Phase XXIX	11/01/10 - 12/31/11	97.024	\$ 27,898	\$ 4,032
Emergency Food and Shelter Program (EFSP)	Phase XXX	1/1/12-10/31/12	97.024	46,550	2,533
Subtotal - 97.024					\$ 6,565
Total US Department of Homeland Security					\$ 6,565
Total Non-Major Programs (B)					\$ 6,556,880
TOTAL FEDERAL PROGRAMS (A + B)					\$ 9,335,792

**L.A. Gay & Lesbian Center
(a nonprofit California corporation)**

**Federal Awards Audit Report
June 30, 2012**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Federal Awards Audit Report
June 30, 2012

L.A. Gay & Lesbian Center
(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
L.A. Gay & Lesbian Center
Los Angeles, California

We have audited the financial statements of the L.A. Gay & Lesbian Center (the "Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the L.A. Gay & Lesbian Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the L.A. Gay & Lesbian Center's financial statements are free of 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

Los Angeles, California
December 21, 2012



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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
L.A. Gay & Lesbian Center
Los Angeles, California

Compliance

We have audited the L.A. Gay & Lesbian Center's (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the L.A. Gay & Lesbian Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the L.A. Gay & Lesbian Center as of and for the year ended June 30, 2012 and have issued our report thereon dated December 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

Los Angeles, California
December 21, 2012

Schedule of Expenditures of Federal Awards

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

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 Administration on Aging					
Direct Programs					
LGBT Aging in Place Initiative	90AP2650/02	09/30/10 - 09/29/11	93.048	\$ 367,978	\$ 81,713
LGBT Aging in Place Initiative	90AP2650/03	09/30/11 - 09/29/12	93.048	359,867	272,957
Subtotal - 93.048					\$ 354,670
US Department of Health and Human Services Children and Families Financial Assistance Award (FAA)					
Direct Programs					
Initiative to Reduce Long-Term Foster Care	90CT0154-01	09/30/10 - 09/29/11	93.648	\$ 1,717,745	\$ 173,497
Initiative to Reduce Long-Term Foster Care	90CT0154-02	09/30/11 - 09/29/12	93.648	2,572,663	1,718,072
Subtotal - 93.648					\$ 1,891,569
Centers for Disease Control and Prevention					
Direct Program					
Many Men, Many Voices	5U65PS002400-02	07/01/11 - 06/30/12	93.939	\$ 143,858	\$ 143,858
CRCS	5U65PS002400-02	07/01/11 - 06/30/12	93.939	82,877	82,877
Safety Counts	5U65PS002400-02	07/01/11 - 06/30/12	93.939	134,674	134,674
Expanded HIV Testing	1U65PS003576-01	09/01/11 - 09/29/12	93.939	67,858	39,128
Mpowerment	1U65PS003576-01	09/01/11 - 09/29/12	93.939	141,067	81,856
CRCS/CLEAR	1U65PS003576-01	09/01/11 - 09/29/12	93.939	123,808	50,280
Subtotal - 93.939					\$ 532,673
Total Major Programs (A)					\$ 2,778,912

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 Housing & Urban Development					
Passed Through City of Los Angeles AIDS Coordinator's Office					
Community Development					
Block Grants/Entitlement Grants - AIDS Prevention Services	C-119178	04/01/11 - 03/31/12	14.218	\$ 48,025	\$ 39,233
Community Development					
Block Grants/Entitlement Grants - AIDS Prevention Services	C-119078	04/01/12 - 03/31/13	14.218	48,025	13,156
Subtotal -14.218					\$ 52,389
US Department of Housing & Urban Development					
Direct Programs					
Supportive Housing Program	CA0484B9D001003	02/01/11 - 01/31/12	14.235	\$ 367,493	\$ 221,626
Supportive Housing Program	CA0484B9D001104	02/01/12 - 01/31/13	14.235	367,493	146,695
Subtotal - 14.235					\$ 368,321
Total US Department of Housing and Urban Development					\$ 420,710
US Department of Justice					
Office on Violence Against Women					
Direct Programs					
Culturally Linguistically Specific Services Program	2009-UW-AX-0019	10/01/09 -12/31/11	16.016	\$ 300,000	\$ 65,839
Subtotal - 16.016					\$ 65,839
US Department of Justice					
Office on Violence Against Women					
Direct Programs					
Legal Assistance for Victims	2005-WL-AX-0079	07/01/05 - 10/31/11	16.524	\$ 1,035,824	\$ 73,410
Legal Assistance for Victims	2011-WL-AX-0052	10/01/11 - 09/30/13	16.524	400,000	108,355
Subtotal - 16.524					\$ 181,765
US Department of Justice					
Office of Victims Crimes					
Passed Through State of California Emergency Management Agency					
Victims of Crimes Act	UV10011497	10/01/10 - 09/30/11	16.575	\$ 125,000	\$ 42,793
Victims of Crimes Act	UV11021497	10/01/11 - 09/30/12	16.575	125,000	92,127
Subtotal - 16.575					\$ 134,920
Total US Department of Justice					\$ 382,524

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 (Continued)					
US Department of Health and Human Services National Institutes of Health Passed Through University of California, Los Angeles					
Center for HIV Identification, Prevention and Treatment Services	1182 G NA266	05/27/11 - 01/31/12	93.242	\$ 17,587	\$ 16,890
Center for HIV Identification, Prevention and Treatment Services	1182 G PA306	02/01/12 - 12/31/12	93.242	12,413	7,282
Subtotal - 93.242					\$ 24,172
US Department of Health and Human Services Substance Abuse and Mental Health Services Administration Passed Through University of California, Los Angeles					
Community Trauma Treatment for Runaway & Homeless Youth	000431A	09/30/10 - 09/29/11	93.243	\$ 20,000	\$ 4,856
Community Trauma Treatment for Runaway & Homeless Youth	000517	09/30/11 - 09/29/12	93.243	22,500	16,672
Substance Abuse & HIV Prevention Project for Homeless Youth	000471A1	09/30/10 - 09/29/11	93.243	15,000	5,161
Substance Abuse & HIV Prevention Project for Homeless Youth	000522	09/30/11 - 09/29/12	93.243	15,000	11,167
Subtotal - 93.243					\$ 37,856
US Department of Health and Human Services National Institutes of Health Passed Through University of California, Los Angeles - Dept of Epidemiology					
Transmission behavior in Partnerships of Newly HIV Infected So. Californians	1935 G JB114 02	06/01/11 - 05/31/12	93.279	\$ 99,510	\$ 95,746
Transmission behavior in Partnerships of Newly HIV Infected So. Californians	1935 G JB114 02	06/01/12 - 05/31/13	93.279	63,912	11,588
Subtotal - 93.279					\$ 107,334
US Department of Health and Human Services Passed through Los Angeles County Division of HIV and SHP Programs HIV/AIDS Nonoccupational Human Immunodeficiency Virus Post-Exposure Prophylaxis Services					
	PH002112-2	03/01/12 - 02/28/13	93.523	\$ 412,891	\$ 119,688
Subtotal - 93.523					\$ 119,688
US Department of Health and Human Services Administration for Children and Families Direct Programs Street Outreach Program					
	90Y00170/01	09/30/11 - 09/29/12	93.557	\$ 100,000	\$ 61,790
Subtotal - 93.557					\$ 61,790

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 (Continued)					
US Department of Health and Human Services Administration for Children and Families Passed Through State of California Emergency Management Agency Equality in Prevention and Services for Domestic Abuse Program	GL11011497	07/1/11 - 06/30/12	93.671	\$ 42,000	\$ 42,000
Subtotal - 93.671					\$ 42,000
US Department of Health and Human Services National Institutes of Health Passed through Health Research Association, Inc.	HRA Project #924880 PHRE Project #2324.002	09/01/10 - 08/31/11	93.701	\$ 260,571	\$ 17,946
Subtotal - 93.701					\$ 17,946
US Department of Health and Human Services National Institutes of Health Passed through University of California, Los Angeles - Dept of Epidemiology Multicenter AIDS Cohort Study (MACS)	1935GKD215	04/01/11 - 03/31/12	93.855	\$ 281,908	\$ 204,766
Multicenter AIDS Cohort Study (MACS)	1935GKD215	04/01/12 - 03/31/13	93.855	280,751	71,592
Subtotal - 93.855					\$ 276,358
US Department of Health and Human Services Health Resources and Services Administration Passed through Los Angeles County Office of AIDS Programs and Policy HIV/AIDS Mental Health, Psychotherapy Services	H210803, Schedule 13	03/01/11 - 02/29/12	93.914	\$ 105,473	\$ 71,787
HIV/AIDS Mental Health, Psychotherapy Services	H210803, Schedule 14	03/01/12 - 02/28/13	93.914	105,473	22,336
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 74	03/01/11 - 02/29/12	93.914	3,104,276	2,039,978
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 74A	01/13/12 - 02/29/12	93.914	388,097	388,097
HIV/AIDS Ambulatory Medical Outpatient Service	H209013, Schedule 78	03/01/12 - 02/28/13	93.914	3,104,276	885,670
HIV/AIDS Medical Outpatient Service/ Specialty Referrals	H209013, Schedule 76	03/01/11 - 02/29/12	93.914	28,800	22,132
HIV/AIDS Mental Health Services, Psychiatry	H209013, Schedule 77	03/01/11 - 02/29/12	93.914	129,620	82,412
HIV/AIDS Mental Health Services, Psychiatry	H209013, Schedule 81	03/01/12 - 02/28/13	93.914	129,620	20,867
Subtotal - 93.914					\$ 3,533,279
US Department of Health and Human Services Health Resources and Services Administration Direct Programs Early Intervention with Respect to HIV Disease	5 H76HA00158-20-00	01/01/11 - 12/31/11	93.918	\$ 786,729	\$ 369,333
Early Intervention with Respect to HIV Disease	5 H76HA00158-21-00	01/01/12 - 12/31/12	93.918	815,094	346,949
Subtotal - 93.918					\$ 716,282

L.A. Gay & Lesbian Center
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Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

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 (Continued)					
Centers for Disease Control and Prevention					
Passed through Los Angeles County Division of HIV and SHP Programs					
HIV Testing Unit Counseling, Testing, and Referral Services in Mobile Testing Unit (MTU Fee-for-Service)	PH000826, Schedule 06	01/01/10 - 07/31/11	93.940	\$ 121,869	\$ 3,479
HIV Counseling, Testing and Referral Services in Mobile Testing Unit (Pay for Performance)	PH000826-1, Schedule 08	08/01/11 - 12/31/11	93.940	33,333	5,523
HIV Counseling, Testing and Referral Services in Mobile Testing Unit (Pay for Performance)	PH000826-1, Schedule 10	01/01/12 - 12/31/12	93.940	80,000	20,714
HIV Counseling, Testing, and Referral Services in Storefront	PH000821, Schedule 03	01/01/11 - 07/31/11	93.940	220,000	19,389
HIV Counseling, Testing, and Referral Services in Storefront	PH000821-1, Schedule 04	08/01/11 - 12/31/11	93.940	55,000	50,990
HIV Counseling, Testing, and Referral Services in Storefront	PH000821-1, Schedule 06	01/01/12 - 12/31/12	93.940	132,000	65,281
HIV Counseling, Testing, and Referral Services in Storefront (Pay for Performance)	PH000821-1, Schedule 05	08/01/11 - 12/31/11	93.940	36,667	29,042
HIV Counseling, Testing, and Referral Services in Storefront (Pay for Performance)	PH000821-1, Schedule 07	01/01/12 - 12/31/12	93.940	88,000	13,539
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit (MTU Cost Reimbursement)	PH000826, Schedule 05	01/01/11 - 07/31/11	93.940	78,131	2,432
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit	PH000826-1, Schedule 07	08/01/11 - 12/31/11	93.940	50,000	49,478
HIV Counseling, Testing, and Referral Services in Mobile Testing Unit	PH000826-1, Schedule 09	01/01/12 - 12/31/12	93.940	120,000	57,542
HIV/AIDS Health Education/Risk Reduction Prevention Services	PH001044, Schedule 03	07/01/11 - 06/30/12	93.940	180,000	161,441
Routine HIV Testing in Clinical Setting Services	PH000834, Schedule 03	01/01/11 - 06/30/11	93.940	75,000	1,342
Routine HIV Testing in Clinical Setting Services	PH000834-1, Schedule 04	07/01/11 - 12/31/11	93.940	37,500	37,500
Routine HIV Testing in Clinical Setting Services	PH000834-1, Schedule 05	01/01/12 - 12/31/12	93.940	75,000	35,245
Subtotal - 93.940					\$ 552,937
US Department of Health and Human Services					
Substance Abuse and Mental Health Services Administration					
Passed Through Los Angeles County					
Substance Abuse Prevention and Control					
Alcohol and Drug Services	PH001355 Schedule A-1	07/01/11 - 12/31/11	93.959	\$ 45,445	\$ 45,445
Alcohol and Drug Services	PH001355 Schedule A-1	07/01/11 - 12/31/11	93.959	33,656	33,656
Alcohol and Drug Services	PH001355 Schedule B-1	07/01/11 - 12/31/11	93.959	40,931	40,931
Alcohol and Drug Services	PH001355 Schedule C-1	07/01/11 - 12/31/11	93.959	47,870	47,870
Subtotal - 93.959					\$ 167,902

**L.A. Gay & Lesbian Center
(a nonprofit California corporation)**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012**

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 (Continued)					
US Department of Health and Human Services Centers for Disease Control and Prevention Passed Through Los Angeles County Department of Public Health STD Screening, Treatment, Case Finding and Educational Services Agreement	H701701-6	07/01/11 - 06/30/12	93.977	\$ 86,753	\$ 86,687
Subtotal - 93.977					\$ 86,687
National Institute for Allergy and Infectious Diseases (NIAID) Passed Through Family Health International Development 360 NIAID HIV Vaccine Research Education Initiative Partnership Program	3727-0104-LAGLC-01	03/01/11 - 05/31/11	93.unknown	\$ 2,850	\$ 2,850
Subtotal - 93.unknown					\$ 2,850
Total US Department of Health and Human Services					\$ 5,747,081
US Department of Homeland Security Federal Emergency Management Administration Passed Through United Way of Greater Los Angeles Emergency Food and Shelter Program (EFSP)	Phase XXIX	11/01/10 - 12/31/11	97.024	\$ 27,898	\$ 4,032
Emergency Food and Shelter Program (EFSP)	Phase XXX	1/1/12-10/31/12	97.024	46,550	2,533
Subtotal - 97.024					\$ 6,565
Total US Department of Homeland Security					\$ 6,565
Total Non-Major Programs (B)					\$ 6,556,880
TOTAL FEDERAL PROGRAMS (A + B)					\$ 9,335,792

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the L.A. Gay & Lesbian Center (the "Center"). The Center's reporting entity is defined in Note 1 of the Notes to Financial Statements of the Center. All federal awards received directly from federal agencies as well as federal awards passed through other governmental units or nonprofit agencies are included in the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards has been prepared under the accrual basis of accounting, and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 3 - Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with the amounts reported in the related federal and state financial reports.

**L.A. Gay & Lesbian Center
(a nonprofit California corporation)**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of Major Programs

	Federal CFDA Number	Federal Expenditures
<i>Name of Federal Program or Cluster:</i>		
LGBT Aging in Place Initiative	93.048	\$ 354,670
Initiative to Reduce Long-Term Foster Care	93.648	\$ 1,891,569
Many Men, Many Voices/CRCs/Mpowerment	93.939	\$ 532,673
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000
Auditee qualified as low-risk auditee?		Yes

L.A. Gay & Lesbian Center
(a nonprofit California corporation)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Schedule of Prior Year Audit Findings

No matters were reported.