

**CHRISTOPHER STREET WEST ASSOCIATION, INC.**  
(A California not-for-profit organization)

FINANCIAL STATEMENTS

DECEMBER 31, 2006

As audited by

**Jose E. Bueno**  
Certified Public Accountant

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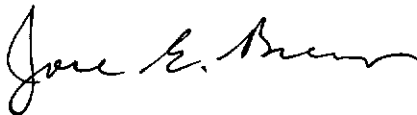
To the Board of Directors  
**Christopher Street West Association, Inc.**  
Los Angeles, California

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of financial position of Christopher Street West Association, Inc. (a California not-for-profit organization) ("CSW") as of December 31, 2006, and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of CSW's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 CSW's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Christopher Street West Association, Inc. as of December 31, 2006 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



October 28, 2007  
Los Angeles, California

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
(A California not-for-profit organization)  
STATEMENT OF FINANCIAL POSITION  
December 31, 2006

ASSETS

Current assets

Cash in bank	\$ 292,005
Investment in stock	31,604
Accounts receivable	11,874
Prepaid expenses	12,147
	347,630

Fixed assets

Property and equipment	394,958
Less: accumulated depreciation	(134,752)
	260,206

Other assets

Security deposits	2,329
	\$ 610,165

LIABILITIES

Current liabilities

Accounts payable	\$ 2,232
Accrued expenses payable	2,457
Accrued interest payable	4,200
Current portion of deferred rental revenue	5,182
	14,071

Long term liabilities

Note payable	280,000
Deferred rental revenue	121,786
	401,786

NET ASSETS

Unrestricted	194,308
	\$ 610,165

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
(A California not-for-profit organization)  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year ended December 31, 2006

SUPPORT AND REVENUES	
Festival admission	\$ 505,476
Sponsorship	334,225
Beverage and merchandise sales	291,889
Exhibitor	215,811
Other	21,340
	<u>1,368,741</u>
EXPENSES	
Program	1,005,866
Administrative	210,391
Fundraising	27,073
	<u>1,243,330</u>
Increase in unrestricted net assets	\$ 125,411
Unrestricted net assets, beginning of the year	<u>68,897</u>
Unrestricted net assets, end of the year	<u>\$ 194,308</u>

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
(A California not-for-profit organization)  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2006

	Program	Administrative	Fundraising	Total
Advertising	\$ 110,425			\$ 110,425
Automotive	22,032			22,032
Bank and other charges		6,094		6,094
Beverage	81,242			81,242
Board of directors meetings		116		116
Commissions	2,136			2,136
Communications	15,032	2,969	326	18,327
Community working grants	34,096			34,096
Contract labor	242,137	6,317		248,454
Depreciation	1,736	4,680		6,416
Hospitality	20,881	15,284	5,208	41,373
Insurance	33,664	11,267		44,931
Interest		8,400		8,400
Law enforcement, security and medical	98,260			98,260
Miscellaneous	1,318	1,171	51	2,540
Office and supplies	43,877	7,772		51,649
Parade	26,054			26,054
Postage	48	1,221		1,269
Printing	1,596	86		1,682
Production	2,971			2,971
Professional fees	46,270	28,528		74,798
Rental	195,929	46,487	2,069	244,485
Taxes, licenses and dues	613	2,526		3,139
Telephone	1,215	11,148		12,363
Travel	6,139	22,428	19,419	47,986
Wages and benefits	18,195	33,897		52,092
	<u>\$ 1,005,866</u>	<u>\$ 210,391</u>	<u>\$ 27,073</u>	<u>\$ 1,243,330</u>

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
(A California not-for-profit organization)  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2006

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in unrestricted net assets	\$ 125,411
Depreciation	6,416
Unrealized gain in investment in stocks	(1,870)
Decrease in accrued expenses payable	(1,795)
Increase in accounts payable	2,232
Decrease in prepaid expenses	3,522
Decrease in accounts receivable	20,685
	<u>154,601</u>
 <b>CASH FLOWS USED FOR FINANCING ACTIVITIES</b>	
Decrease in deferred rental revenue	(5,182)
	<u>(5,182)</u>
 <b>CASH FLOWS USED FOR INVESTING ACTIVITIES</b>	
Dividends income reinvested in investment in stock	(1,940)
	<u>(1,940)</u>
Net increase in cash during the year	147,479
Cash, beginning of the year	144,526
	<u>292,005</u>
Cash, end of the year	\$ 292,005
	<u>292,005</u>
 <b>Donations in kind</b>	
	\$ 127,925
	<u>127,925</u>

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
(A California not-for-profit organization)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

ORGANIZATION

Christopher Street West Association, Inc. (CSW) is a California non-profit organization which has been granted exempt status under section 501(c)(3) of the Internal Revenue Code. Incorporated in 1976, its purpose is to promote the goals of human rights, education, outreach and better understanding of the gay and lesbian community. CSW produces the annual Greater Los Angeles LGBT Pride Celebration hosted by the independent City of West Hollywood. CSW operates out of an office located in Los Angeles, California.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of not-for-profit Organizations. Under SFAS No. 117, CSW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently restricted net assets are contributions which have donor-imposed restrictions that stipulate that resources be maintained permanently but permit the organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets. CSW had no permanently restricted net assets as of December 31, 2006

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support and revenue depending on the existence and/or nature of any donor restrictions. Contributions containing temporary restrictions that are met in the same year they are received are reported as unrestricted contributions.

Donations-in-kind

In-kind donations – such as cost of transportation, advertising, materials and products - for the Pride Celebration are recorded at fair market value at the time they are received. None of the donors expect economic benefits in return for their contribution. Such contributions are reported in support and revenues. The related event expenses are reported accordingly.

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Volunteer Services

CSW receives significant amount of donated services from unpaid volunteers who assist in organizing and producing the LGBT Pride Celebration. These services have not been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

OTHER ACCOUNTING POLICIES AND FINANCIAL STATEMENT DISCLOSURES

Cash and cash equivalents:

CSW considers all demand deposits and highly liquid investment with a maturity of three months or less, including money market funds, certificates of deposit and Treasury bills, to be cash equivalents.

Investment in stock:

Investments are recorded at fair market value and consist of mutual funds. Changes in the fair market value are reflected in the Statement of Activities.

Property and equipment:

Property and equipment is stated at cost. A provision is made for depreciation by the declining balance method over the estimated useful life of the furniture and equipment. The straight-line method is used to depreciate the building. Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals, and replacement that increase the property's useful life and exceed \$2,500 are capitalized. Estimated useful lives are as follows:

Furniture and equipment	5 – 7 years
Building	31.5 years

Functional expenses:

CSW allocates its expenses on a functional basis among its various program and supporting services and reports these allocations on the Statement of Functional Expenses. Expenses that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses and supporting services that are common to several functions are allocated on the basis of time studies.

Income taxes:

CSW is tax exempt organization under the Internal Revenue Service Code Section 501(c)(3). Therefore, CSW is subject to federal and state taxes only on unrelated business income earned. There was no income from such activities during the year ended December 31, 2006.

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

1. Property and Equipment

Components of property and equipment include

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	200,000	-	200,000
Building	147,415	(81,900)	65,515
Equipment	47,545	(43,153)	4,392
	<u>\$ 394,960</u>	<u>\$ (125,053)</u>	<u>\$ 269,907</u>

2. Notes Payable and Deferred Rental Revenue

During July 1991 CSW entered into a lease agreement wherein CSW received a one-time rent payment in advance, until the year 2031, in the amount of \$207,288. The deferred revenue generated by this transaction is being amortized over the 40-year life of the lease agreement.

In a memorandum of that real estate lease, CSW became committed to repay a \$280,000 note payable to the Department of Housing and Community Development which was originally payable by the lessee. The note bears interest at 3% per annum and requires annual interest-only payments until the principal becomes due in July, 2025.

3. Accrued Interest Payable and Receivable

The note payable describe above stipulates payment of interest only in the amount of \$8,400 per year. During the year, CSW made \$8,400 payments for all interest payable as of June 30, 2006.

At year's end, CSW's certificate of deposit with a value of \$280,000 has accrued interest income of \$4,842.

4. Lease Commitments

CSW conducts its operations from a facility that is currently under a month-to-month lease agreement. These amounts have not been included in the minimum lease payments listed below. In addition, CSW has an operating lease for postage equipment that is under an agreement that is renewed every three months.

It also leases certain office under five-year non-cancelable leases. CSW's obligations under capital leases are not material and have not been included in its Statement of Financial Position.

CHRISTOPHER STREET WEST ASSOCIATION, INC.  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Future obligations of CSW's long-term leases as of December 31, 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2007	6,099
2008	3,637
2009	3,637
2010	3,637
2011	1,212
	<u>\$ 21,976</u>

Rental expenses for 2006 are \$244,760

5. Concentrations

Amounts maintained at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2006, CSW's uninsured cash balance totaled \$77,896