

OUTMemphis
AUDITED FINANCIAL STATEMENTS
December 31, 2018

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December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
OUTMemphis
Memphis, Tennessee

We have audited the accompanying financial statements of OUTMemphis (OM), a nonprofit corporation, which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OM as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 8, 2019

A handwritten signature in black ink that reads "Fleet Firm".

STATEMENTS OF FINANCIAL POSITION

OUTMemphis
December 31, 2018

ASSETS

Current assets	
Cash - unrestricted	\$ 76,586
Cash - restricted	475,173
Prepaid deposit	378
Accounts receivable - net	<u>65,579</u>
Total current assets	<u>617,716</u>
 Property and equipment	
Land	10,975
Building and improvements	81,000
Furniture, equipment, and vehicles	<u>16,303</u>
Total property and equipment	108,278
Less accumulated depreciation	<u>(38,609)</u>
Property and equipment - net	<u>69,669</u>
 Total assets	<u>\$ 687,385</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long term debt	\$ 3,257
Accounts payable	10,396
Payroll taxes payable	<u>8,105</u>
Total current liabilities	<u>21,758</u>
 Long term debt	
Note payable, less current maturities	<u>48,745</u>

NET ASSETS

Without donor restrictions	141,709
With donor restrictions	<u>475,173</u>
Total net assets	<u>616,882</u>
 Total liabilities and net assets	<u>\$ 687,385</u>

STATEMENTS OF ACTIVITIES

OUTMemphis

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue			
Outflux admissions	\$ 7,300	\$ -	\$ 7,300
Grant income - trusts and foundations	15,335	227,000	242,335
Grant income - federal	207,959	-	207,959
Capital campaign	-	12,500	12,500
Investment income	4,269	-	4,269
Other revenue	10,697	-	10,697
Total revenue	<u>245,560</u>	<u>239,500</u>	<u>485,060</u>
Support			
Contributions	98,286	60,195	158,481
In kind contributions	13,788	-	13,788
Total contributions	<u>112,074</u>	<u>60,195</u>	<u>172,269</u>
Fundraising			
Special events revenue	34,272	-	34,272
Less: costs of direct benefits to donors	(27,005)	-	(27,005)
Net special events revenue	<u>7,267</u>	<u>-</u>	<u>7,267</u>
Total support	<u>119,341</u>	<u>60,195</u>	<u>179,536</u>
Net assets released from restriction	<u>238,919</u>	<u>(238,919)</u>	<u>-</u>
Total revenue and support	<u>603,820</u>	<u>60,776</u>	<u>664,596</u>
EXPENSES AND LOSSES			
Program services			
Youth services	65,798	-	65,798
Metamorphosis Youth Services	102,000	-	102,000
Outflux	17,106	-	17,106
HIV	143,343	-	143,343
Bluff City Sports Association	14,939	-	14,939
Other	183,533	-	183,533
Total program expenses	<u>526,719</u>	<u>-</u>	<u>526,719</u>
Supporting services			
Management	65,982	-	65,982
Fundraising	26,792	-	26,792
Total supporting services	<u>92,774</u>	<u>-</u>	<u>92,774</u>
Total expenses	<u>619,493</u>	<u>-</u>	<u>619,493</u>
Change in net assets - operations	(15,673)	60,776	45,103
Net assets at beginning of year	<u>157,382</u>	<u>414,397</u>	<u>571,779</u>
Net assets at end of year	<u>\$ 141,709</u>	<u>\$ 475,173</u>	<u>\$ 616,882</u>

See independent auditor's report and notes to financial statements.

STATEMENTS OF CASH FLOWS

OUTMemphis

Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 45,103
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,109
Change in operating assets and liabilities	
Accounts receivable	(41,160)
Prepaid expenses	3,622
Accounts payable	<u>(7,111)</u>
Net cash provided by operating activities	<u>3,563</u>
Cash flows from investing activities	
Property and equipment purchases	<u>(4,000)</u>
Net cash used by investing activities	<u>(4,000)</u>
Cash flows from financing activities	
Repayment of long-term debt	(3,081)
Change in temporarily restricted net assets	<u>(60,776)</u>
Net cash used by financing activities	<u>(63,857)</u>
Net decrease in cash and cash equivalents	(64,294)
Cash and cash equivalents at beginning of year	<u>140,880</u>
Cash and cash equivalents at end of year	<u>\$ 76,586</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 3,681</u>

See independent auditor's report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

OUTMemphis

Year Ended December 31, 2018

	Youth Services	Metamorphosis Youth Services	Outflux	HIV Services	Bluff City Sports Association	Other	Subtotal	Management	Fundraising	Total
Salaries - staff	\$ 55,296	\$ 40,008	\$ -	\$ 93,508	\$ -	\$ 108,133	\$ 296,945	\$ 36,258	\$ 15,683	\$ 348,886
Employee benefits and taxes	4,909	4,311	-	15,968	-	18,740	43,928	5,764	1,462	51,154
Total compensation and benefits	60,205	44,319	-	109,476	-	126,873	340,873	42,022	17,145	400,040
Supplies	1,040	3,037	1,131	12,979	580	9,049	27,816	1,949	174	29,939
Food expense	1,378	20	649	8,666	-	2,268	12,981	115	19	13,115
Office expense	922	466	745	1,099	100	5,150	8,482	1,196	2,802	12,480
Rent, parking, and other occupancy expense	625	-	-	-	-	6,875	7,500	-	-	7,500
Utilities	-	-	-	-	-	3,999	3,999	-	-	3,999
Interest expense	-	-	-	-	-	3,088	3,088	593	-	3,681
Repairs and maintenance	-	-	-	-	-	4,957	4,957	1,813	-	6,770
Travel, training, and meetings	1,528	49,006	1,281	5,311	8,304	4,519	69,949	1,430	173	71,552
Insurance expense	-	-	-	-	495	-	495	850	-	1,345
Dues and subscriptions	-	10	-	-	2,840	75	2,925	1,151	95	4,171
Computer expenses	-	300	116	-	-	2,570	2,986	2,074	811	5,871
Advertising	100	-	100	2,700	1,678	5,000	9,578	375	790	10,743
Venue rental	-	45	4,120	1,742	-	-	5,907	-	-	5,907
Taxes and licenses	-	962	200	-	-	-	1,162	147	240	1,549
Bank and credit card fees	-	2	231	-	-	1	234	-	4,543	4,777
Screening fees	-	-	7,475	-	-	-	7,475	-	-	7,475
Grant and contract expense	-	-	-	1,250	942	4,000	6,192	-	-	6,192
Professional fees	-	3,833	1,058	120	-	2,000	7,011	12,267	-	19,278
Depreciation expense	-	-	-	-	-	3,109	3,109	-	-	3,109
Total expenses	\$ 65,798	\$ 102,000	\$ 17,106	\$ 143,343	\$ 14,939	\$ 183,533	\$ 526,719	\$ 65,982	\$ 26,792	\$ 619,493

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Other Matters

OUTMemphis (OM), a Tennessee not for profit organization, is a community-based service provider in West Tennessee. Principal programs provided include:

Youth Services – Includes social/support groups for 13-17 year olds (Prysm) and 18-25 year olds (Gen Q); advocacy training; emergency services including a food pantry and clothes for homeless and struggling youth; education and outreach to assist schools in making safer spaces for their students.

Metamorphosis Youth Services – The Metamorphosis Project will be the culmination of all the emergency youth services, including housing. The planned building will house the food pantry, and clothes closet, as well as provide space for all support services. In addition, the building will have emergency bedrooms for LGBTQ 18-24 year olds who are experiencing homelessness. The bedrooms will serve as a secure space for residents to sleep for up to 30 days, while staff work to find permanent housing through the Rapid Rehousing component, currently funded by HUD.

Outflix – Outflix provides the only avenue for Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) people in the Mid-South to see themselves on the big screen. We believe it's important to show films that illustrate the variety and depth of experiences that LGBTQ people face. The festival screens features, documentaries and short films from around the world.

HIV Services – Providing HIV testing and counselling services to the Mid-South, including after-hours and on-demand testing; off-site testing and education services at a range of locations; condom distribution and education to sex workers.

Bluff City Sports Association - provide a safe environment for the LGBTQ community and friends of the LGBTQ community to play softball. We work to promote growth of the athletes both on and off the field. We are working to support the Memphis LGBTQ by providing a healthy activity, a safe place in which to socialize and to teach good sportsmanship.

Other Services – OM provides a safe space for a variety of peer-led social/support groups including the only transgender support group in the region; men's and women's potlucks; a women's book club; a group for gay and bi men of color; a group for LGBTQ parents with kids; an LGBTQ AI-Anon group; and others. We also provide education and outreach to a wide variety of organizations including churches, schools, law enforcement facilities, and others. OM is the go-to agency for media responses at the local, state and national level.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

OM uses the accrual basis of accounting that follows the reporting practices as set forth by the accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements of OM have been prepared on the accrual basis of accounting and are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, 'Not-for-profit Entities', and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-For-Profit Entities. ASU 2016-14 requires OM to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Assets accumulated and resources received and expended by OM are either without donor restrictions or restricted by the donor for a specific stipulation. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, OM considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There are no cash equivalents in the current year.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable are stated at face value minus any allowance for doubtful accounts. OM provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. OM's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the estimate of the allowance for doubtful accounts will change.

Property and Equipment

OM capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, OM reports expirations of donor restrictions when the donated or acquired assets are placed in service. OM reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from seven to forty years.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities.

Long-lived assets, including property and equipment having a definite life, are currently reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount should be addressed pursuant to accounting principles generally accepted in the United States of America. According to these principles, impairment is determined by comparing the carrying value of these long-lived assets to management's best estimate of the weighted average future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. No impairment has been recognized in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition

Contributions, including unconditional promises to give (pledges) are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a restriction by the donor expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization records contributions with donor restrictions for which the restriction is met in the same reporting period as contributions without donor restrictions.

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at their estimated value at the date of receipt. Volunteers periodically provide uncompensated non-specialized services such as administrative and operational assistance. The value of these services is immaterial in relation to the financial statements taken as a whole and is not recorded.

Advertising

OM charges all advertising expenditures to expense as incurred. Advertising costs incurred for the year ended December 31, 2018, were \$10,743.

Income Taxes

OM is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization, which is not a private foundation. Donations to the Agency are deductible by the donor as charitable contributions for federal income tax purposes. Management is not aware of any actions or events that have occurred that might adversely affect the Agency's tax-exempt status.

OM's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively. There are no interest and penalties related to income tax assessments in the current year. Fiscal years ending on or after December 31, 2015, remain subject to examination by federal authorities.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Liquidity

Assets are presented in the accompanying financial statement of position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits, which are allocated based on estimates of time and effort.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

New Accounting Standards

Effective January 1, 2018 OM elected to implement the provisions of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these financial statements has been adjusted accordingly. Net assets as of January 1, 2018 were restated by category with no impact on total as follows:

	ASU 2016-14 Classifications		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net <u>Assets</u>
As previously presented			
Unrestricted	\$ 157,382	\$ -	\$ 157,382
Temporarily restricted	-	414,397	414,397
Permanently restricted	-	-	-
Net assets previously presented	<u>\$ 157,382</u>	<u>\$ -</u>	<u>\$ 157,382</u>

2. LIQUIDITY AND AVAILABILITY

As of December 31, 2018, OM's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

Cash - unrestricted	\$ 76,586
Cash - restricted	475,173
Metamorphosis Project cash included in restricted cash	(396,188)
Accounts receivable - net	<u>65,579</u>
Financial assets available to meet general expenditures within one year	<u>\$ 221,150</u>

OM has certain assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

NOTES TO FINANCIAL STATEMENTS

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3. CASH - RESTRICTED

Cash - Restricted consists of the following deposit amounts restricted by donors and is generally not available for operating purposes except as indicated in footnote 2:

Metamorphosis Project	\$ 396,188
Building	2,466
HIV Services	363
Youth Services	9,826
Transgender Services	1,764
Future salaries and advertising	<u>64,566</u>
	<u>\$ 475,173</u>

4. LONG TERM DEBT

Long term debt consists of the following:

Mortgage payable to Metropolitan Bank, due in 55 monthly installments of \$506 including interest at 5.50% plus a final balloon payment due August 5, 2020, secured by a deed of trust on certain property.

\$ 52,002

Less: current portion

3,257

\$ 48,745

The following schedule outlines principal amounts due on the mortgage:

2019	\$ 3,257
2020	<u>48,745</u>
	<u>\$ 52,002</u>

NOTES TO FINANCIAL STATEMENTS

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5. GRANT INCOME – FEDERAL

OM has entered into an arrangement with Le Bonheur Community Health and Well Being to provide services for the United States Department of Health and Human Services as a subgrantee through June 30, 2018. The amount presented as the budget amount includes a remaining budget through June 30, 2018 of \$30,425.

OM has entered into an arrangement with Shelby County to provide services for the Ryan White program provided by the United States Department of Health and Human Services through February 28, 2019. The amount presented as the budget amount includes a remaining budget through February 28, 2018 of \$14,756 and the budget through February 28, 2019 is \$33,090.

OM has entered into an arrangement with Shelby County to provide services for the PrEP Services for HIV Prevention program through September 30, 2019. The amount presented as the budget amount includes a remaining budget through September 30, 2018 of \$43,814 and the budget through September 30, 2019 is \$55,000.

OM has entered into an arrangement with Shelby County to provide services for the Ryan White I Know program provided by the United States Department of Health and Human Services through December 31, 2018. The budget amount for 2018 is \$12,281.

OM has entered into an arrangement with the United States Department of Housing and Urban Development through June 30, 2019, to provide services under the Continuum of Care grant. The amount presented as the budget amount includes a remaining budget through June 30, 2018 of \$39,050 and the budget through June 30, 2019 is \$90,000.

The details of these grant activities are as follows:

	<u>Lebonheur</u>	<u>Ryan White Outreach</u>	<u>PrEP</u>	<u>Ryan White I Know</u>	<u>Continuum of Care</u>
Budget amount	\$30,425	\$ 47,846	\$ 98,814	\$ 12,281	\$ 129,050
Grant receipts	30,085	32,750	56,496	12,281	76,347
Grant expenditures	30,085	32,750	56,496	12,281	76,347
Budget amount - expired	340	9,519	-	-	1,253
Remaining budget amount	-	5,577	42,318	-	51,449

Continued

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
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6. CAPITAL CAMPAIGN

OM has an ongoing capital campaign for building of the Metamorphosis Center. At December 31, 2018, there is \$396,188 in the fund.

7. SUBSEQUENT EVENTS

OM has evaluated events and transactions that occurred between December 31, 2018 and November 8, 2019, which is the date the financials were available to be issued, for possible recognition or disclosure in the financial statements. The following items require disclosure as follows:

On February 19, 2019, OM entered into a construction contract to build a residential living quarter entitled The Metamorphosis Project. The contract for \$273,953 is anticipated to be completed by January 2020.

In October 2019, OM received a donation consisting of land and a commercial building for use as their corporate offices. The donation will be valued at the estimated fair value of the property at the date of the donation.