

MEMPHIS GAY AND LESBIAN COMMUNITY CENTER

AUDITED FINANCIAL STATEMENTS

December 31, 2015

TABLE OF CONTENTS

Memphis Gay and Lesbian Community Center
December 31, 2015

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6-10



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Memphis Gay and Lesbian Community Center
Memphis, Tennessee

We have audited the accompanying financial statements of Memphis Gay and Lesbian Community Center (MGLCC), a nonprofit corporation, which comprise the statements of financial position as of December 31, 2015, 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 MGLCC as of December 31, 2015, 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.

May 25, 2016

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

STATEMENTS OF FINANCIAL POSITION

Memphis Gay and Lesbian Community Center
December 31, 2015

ASSETS

Current assets	
Cash - unrestricted	\$ 137,077
Cash - restricted	93,503
Accounts receivable - net	<u>22,609</u>
Total current assets	<u>253,189</u>
Property and equipment	
Land	12,000
Building and improvements	81,000
Furniture, equipment, and vehicles	<u>11,242</u>
Total property and equipment	104,242
Less accumulated depreciation	<u>(29,336)</u>
Property and equipment - net	<u>74,906</u>
Total assets	<u>\$ 328,095</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long term debt	\$ 2,748
Accounts payable	13,915
Payroll taxes payable	<u>3,390</u>
Total current liabilities	<u>20,053</u>
Long term debt	
Note payable, less current maturities	<u>57,997</u>

NET ASSETS

Unrestricted	156,542
Temporarily restricted	<u>93,503</u>
Total net assets	<u>250,045</u>
Total liabilities and net assets	<u>\$ 328,095</u>

STATEMENTS OF ACTIVITIES

Memphis Gay and Lesbian Community Center
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Revenue			
Outflux admissions	\$ 8,691	\$ -	\$ 8,691
Grant income - trusts and foundations	-	82,563	82,563
Grant income - federal	-	26,640	26,640
Capital campaign	-	37,575	37,575
Investment income	1,090	-	1,090
Other revenue	3,173	-	3,173
Total revenue	<u>12,954</u>	<u>146,778</u>	<u>159,732</u>
Support			
Contributions	123,849	-	123,849
In kind contributions	25,134	-	25,134
Total contributions	<u>148,983</u>	<u>-</u>	<u>148,983</u>
Fundraising			
Special events revenue	26,994	-	26,994
Less: costs of direct benefits to donors	(24,379)	-	(24,379)
Net special events revenue	2,615	-	2,615
Total support	<u>151,598</u>	<u>-</u>	<u>151,598</u>
Net assets released from restriction	102,116	(102,116)	-
Total revenue and support	<u>266,668</u>	<u>44,662</u>	<u>311,330</u>
EXPENSES AND LOSSES			
Program services			
Youth services	47,288	-	47,288
Outflux	21,502	-	21,502
HIV	50,921	-	50,921
Other	87,676	-	87,676
Total program expenses	<u>207,387</u>	<u>-</u>	<u>207,387</u>
Supporting services			
Management	74,046	-	74,046
Fundraising	24,285	-	24,285
Total supporting services	<u>98,331</u>	<u>-</u>	<u>98,331</u>
Total expenses	<u>305,718</u>	<u>-</u>	<u>305,718</u>
Change in net assets - operations	(39,050)	44,662	5,612
Net assets at beginning of year	<u>195,592</u>	<u>48,841</u>	<u>244,433</u>
Net assets at end of year	<u>\$ 156,542</u>	<u>\$ 93,503</u>	<u>\$ 250,045</u>

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

STATEMENTS OF CASH FLOWS

Memphis Gay and Lesbian Community Center
Year Ended December 31, 2015

Cash flows from operating activities	
Change in net assets	\$ 5,612
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	2,897
Change in operating assets and liabilities	
Accounts receivable	(19,186)
Accounts payable	365
Accrued and withheld payroll taxes	<u>1,163</u>
Net cash used by operating activities	<u>(9,149)</u>
Cash flows from investing activities	
Property and equipment purchases	<u>(3,000)</u>
Net cash used by investing activities	<u>(3,000)</u>
Cash flows from financing activities	
Repayment of long-term debt	(2,242)
Change in temporarily restricted net assets	<u>(44,662)</u>
Net cash used by financing activities	<u>(46,904)</u>
Net decrease in cash and cash equivalents	(59,053)
Cash and cash equivalents at beginning of year	<u>196,130</u>
Cash and cash equivalents at end of year	<u>\$ 137,077</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 4,765</u>

STATEMENT OF FUNCTIONAL EXPENSES

Memphis Gay and Lesbian Community Center
Year Ended December 31, 2015

	Youth Services	Outflux	HIV Services	Other	Subtotal	Management	Fundraising	Total
Salaries - staff	\$ 38,280	\$ -	\$ 37,588	\$ 58,672	\$ 134,540	\$ 6,210	\$ 11,385	\$ 152,135
Employee benefits and taxes	3,884	-	4,513	10,197	18,594	2,462	871	21,927
Total compensation and benefits	42,164	-	42,101	68,869	153,134	8,672	12,256	174,062
Supplies	681	406	5,151	680	6,918	1,799	14	8,731
Food expense	1,092	-	212	619	1,923	18	237	2,178
Office expense	34	8,990	819	3,855	13,698	385	5,224	19,307
Utilities	-	-	-	3,751	3,751	-	-	3,751
Interest expense	-	-	-	3,762	3,762	1,003	-	4,765
Repairs and maintenance	-	-	-	3,966	3,966	5,968	-	9,934
Travel, training, and meetings	2,594	-	2,488	173	5,255	1,934	515	7,704
Insurance expense	-	-	-	-	-	1,000	-	1,000
Dues and subscriptions	-	-	-	-	-	225	-	225
Computer expenses	-	84	-	2,001	2,085	734	2,469	5,288
Advertising	-	-	-	-	-	95	-	95
Venue rental	-	3,000	-	-	3,000	-	-	3,000
Taxes and licenses	724	-	150	-	874	869	-	1,743
Bank and credit card fees	(1)	549	-	-	548	(53)	3,570	4,065
Screening fees	-	7,473	-	-	7,473	-	-	7,473
Professional fees	-	1,000	-	-	1,000	48,500	-	49,500
Depreciation expense	-	-	-	-	-	2,897	-	2,897
Total expenses	\$ 47,288	\$ 21,502	\$ 50,921	\$ 87,676	\$ 207,387	\$ 74,046	\$ 24,285	\$ 305,718

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

NOTES TO FINANCIAL STATEMENTS

*Memphis Gay and Lesbian Community Center
December 31, 2015*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Other Matters

Memphis Gay and Lesbian Community Center (MGLCC), 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.

Outflix – Outflix provides the only avenue for Lesbian, Gay, Bisexual, and Transgender (LGBT) 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 LGBT 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.

Other Services – MGLCC 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 LGBT parents with kids; an LGBT Al-Anon group; and others. We also provide education and outreach to a wide variety of organizations including churches, schools, law enforcement facilities, and others. MGLCC is the go-to agency for media responses at the local, state and national level.

NOTES TO FINANCIAL STATEMENTS

*Memphis Gay and Lesbian Community Center
December 31, 2015*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation

MGLCC prepares its financial statements on the accrual basis of accounting to focus on MGLCC as a whole by presenting balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into three classes of net assets - permanently restricted, temporarily restricted, and unrestricted.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MGLCC. Generally, the donors of these assets permit MGLCC to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of MGLCC or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets.

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.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on an appropriate base, (i.e. square feet occupied and number of program employees).

NOTES TO FINANCIAL STATEMENTS

Memphis Gay and Lesbian Community Center
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Tax Status

MGLCC 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.

MGLCC'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, 2011, remain subject to examination by federal authorities.

Property and Equipment

MGLCC capitalizes property and equipment over \$1,000. 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, MGLCC reports expirations of donor restrictions when the donated or acquired assets are placed in service. MGLCC 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

*Memphis Gay and Lesbian Community Center
December 31, 2015*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, MGLCC 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.

Accounts Receivable

Accounts receivable are stated at face value minus any allowance for doubtful accounts. MGLCC provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. MGLCC'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.

Donated Services

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.

Events Occurring after Reporting Date

MGLCC has evaluated events and transactions that occurred between December 31, 2015 and May 25, 2016, which is the date the financials were available to be issued, for possible recognition or disclosure in the financial statements.

2. CASH - RESTRICTED

Cash - Restricted consists of the following deposit amounts restricted by donors and is not available for operating purposes:

Outfrix	\$	350
Metamorphosis Project		2,320
Building		5,679
HIV Services		75,000
Youth Services		10,154
	\$	<u>93,503</u>

NOTES TO FINANCIAL STATEMENTS

Memphis Gay and Lesbian Community Center
December 31, 2015

3. 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.

\$ 60,745

Less: current portion

2,748

\$ 57,997

The following schedule outlines principal amounts due on the mortgage:

2016	\$ 2,748
2017	2,914
2018	3,081
2019	3,257
2020	<u>48,745</u>
	<u>\$ 60,745</u>

NOTES TO FINANCIAL STATEMENTS

Memphis Gay and Lesbian Community Center
December 31, 2015

4. GRANT INCOME – FEDERAL

MGLCC 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, 2020.

Additionally, MGLCC 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 29, 2016.

The details of these grant activities are as follows:

	<u>Lebonheur</u>	<u>Ryan White</u>
Annual budget amount	\$52,795	\$ 23,995
Grant receipts	11,208	15,432
Grant expenditures	11,208	15,432
Remaining budget amount	38,087	8,563

5. CAPITAL CAMPAIGN

During the current year MGLCC started a capital campaign. The initial funds raised were used to obtain a feasibility study for building a new center.

6. COMMITMENTS AND CONTINGENCIES

MGLCC entered into an employment agreement with its executive director on March 2, 2015. The contract runs for three years and is automatically renewed for another three year term if the agreement is not terminated. Upon termination of the agreement except for cause, the executive director is entitled to a severance payment. At December 31, 2015, this severance payment is computed at \$12,938.

7. SUBSEQUENT EVENTS

On May 17, 2016, the Board of Directors of the MGLCC voted to change the name of the organization to OUTMemphis.