

OUTMemphis

AUDITED FINANCIAL STATEMENTS

December 31, 2016

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December 31, 2016

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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, 2016, 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, 2016, 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.

June 16, 2017

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

STATEMENTS OF FINANCIAL POSITION

OUTMemphis
December 31, 2016

ASSETS

Current assets	
Cash - unrestricted	\$ 119,034
Cash - restricted	88,609
Accounts receivable - net	<u>24,162</u>
Total current assets	<u>231,805</u>
Property and equipment	
Land	10,975
Building and improvements	81,000
Furniture, equipment, and vehicles	<u>12,303</u>
Total property and equipment	104,278
Less accumulated depreciation	<u>(32,392)</u>
Property and equipment - net	<u>71,886</u>
Total assets	<u>\$ 303,691</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long term debt	\$ 2,914
Accounts payable	12,737
Payroll taxes payable	<u>4,573</u>
Total current liabilities	<u>20,224</u>
Long term debt	
Note payable, less current maturities	<u>55,083</u>

NET ASSETS

Unrestricted	139,775
Temporarily restricted	<u>88,609</u>
Total net assets	<u>228,384</u>
Total liabilities and net assets	<u>\$ 303,691</u>

STATEMENTS OF ACTIVITIES

OUTMemphis

Year Ended December 31, 2016

REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Total
Revenue			
Outflux admissions	\$ 9,423	\$ -	\$ 9,423
Grant income - trusts and foundations	19,235	17,000	36,235
Grant income - federal	91,146	-	91,146
Grant income - local government	-	8,000	8,000
Capital campaign	-	46,335	46,335
Investment income	1,355	-	1,355
Gain/(Loss) on asset sales	1,000	-	1,000
Other revenue	8,739	-	8,739
Total revenue	<u>130,898</u>	<u>71,335</u>	<u>202,233</u>
Support			
Contributions	107,695	16,670	124,365
In kind contributions	21,783	-	21,783
Total contributions	<u>129,478</u>	<u>16,670</u>	<u>146,148</u>
Fundraising			
Special events revenue	38,955	-	38,955
Less: costs of direct benefits to donors	(33,072)	-	(33,072)
Net special events revenue	5,883	-	5,883
Total support	<u>135,361</u>	<u>16,670</u>	<u>152,031</u>
Net assets released from restriction	92,899	(92,899)	-
Total revenue and support	<u>359,158</u>	<u>(4,894)</u>	<u>354,264</u>
EXPENSES AND LOSSES			
Program services			
Youth services	59,738	-	59,738
Metamorphosis Youth Services	5,916	-	5,916
Outflux	13,978	-	13,978
HIV	115,000	-	115,000
Other	127,819	-	127,819
Total program expenses	<u>322,451</u>	<u>-</u>	<u>322,451</u>
Supporting services			
Management	32,318	-	32,318
Fundraising	21,156	-	21,156
Total supporting services	<u>53,474</u>	<u>-</u>	<u>53,474</u>
Total expenses	<u>375,925</u>	<u>-</u>	<u>375,925</u>
Change in net assets - operations	(16,767)	(4,894)	(21,661)
Net assets at beginning of year	156,542	93,503	250,045
Net assets at end of year	<u>\$ 139,775</u>	<u>\$ 88,609</u>	<u>\$ 228,384</u>

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

STATEMENTS OF CASH FLOWS

OUTMemphis

Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ (21,661)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,056
(Gain) loss on disposal of assets	(1,000)
Change in operating assets and liabilities	
Accounts receivable	(1,553)
Accounts payable	(1,178)
Accrued and withheld payroll taxes	<u>1,183</u>
Net cash used by operating activities	<u>(21,153)</u>
Cash flows from investing activities	
Proceeds from disposal of assets	4,000
Property and equipment purchases	<u>(3,036)</u>
Net cash provided by investing activities	<u>964</u>
Cash flows from financing activities	
Repayment of long-term debt	(2,748)
Change in temporarily restricted net assets	<u>4,894</u>
Net cash provided by financing activities	<u>2,146</u>
Net decrease in cash and cash equivalents	(18,043)
Cash and cash equivalents at beginning of year	<u>137,077</u>
Cash and cash equivalents at end of year	<u>\$ 119,034</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 4,614</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

OUTMemphis

Year Ended December 31, 2016

	Metamorphosis			HIV Services	Other	Subtotal	Management	Fundraising	Total
	Youth Services	Youth Services	Outflux						
Salaries - staff	\$ 41,995	\$ -	\$ -	\$ 63,509	\$ 87,693	\$ 193,197	\$ 6,210	\$ 11,385	\$ 210,792
Employee benefits and taxes	4,532	-	-	8,799	12,432	25,763	501	918	27,182
Total compensation and benefits	46,527	-	-	72,308	100,125	218,960	6,711	12,303	237,974
Supplies	4,807	615	402	18,977	2,345	27,146	2,456	16	29,618
Food expense	1,547	-	-	6,790	1,644	9,981	285	-	10,266
Office expense	436	38	1,637	2,066	3,185	7,362	157	4,642	12,161
Rent, parking, and other occupancy expense	3,660	400	-	-	2,810	6,870	-	-	6,870
Utilities	-	-	-	-	3,609	3,609	328	-	3,937
Interest expense	-	-	-	-	3,327	3,327	1,287	-	4,614
Repairs and maintenance	600	-	-	-	4,077	4,677	2,198	-	6,875
Travel, training, and meetings	1,957	-	-	7,362	701	10,020	1,829	403	12,252
Insurance expense	-	-	-	-	-	-	1,000	-	1,000
Dues and subscriptions	10	10	-	-	-	20	922	-	942
Computer expenses	-	-	515	-	2,093	2,608	1,938	539	5,085
Advertising	-	-	100	545	186	831	1,150	-	1,981
Venue rental	-	3,260	3,260	-	-	6,520	-	-	6,520
Taxes and licenses	49	836	-	-	-	885	400	-	1,285
Bank and credit card fees	145	407	714	-	17	1,283	101	3,253	4,637
Screening fees	-	-	7,350	-	-	7,350	-	-	7,350
Grant and contract expense	-	-	-	-	3,500	3,500	-	-	3,500
Professional fees	-	350	-	6,952	200	7,502	8,500	-	16,002
Depreciation expense	-	-	-	-	-	-	3,056	-	3,056
Total expenses	<u>\$ 59,738</u>	<u>\$ 5,916</u>	<u>\$ 13,978</u>	<u>\$ 115,000</u>	<u>\$ 127,819</u>	<u>\$ 322,451</u>	<u>\$ 32,318</u>	<u>\$ 21,156</u>	<u>\$ 375,925</u>

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

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2016

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, 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 – 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 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. OM is the go-to agency for media responses at the local, state and national level.

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation

OM prepares its financial statements on the accrual basis of accounting to focus on OM 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 OM. Generally, the donors of these assets permit OM 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 OM 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

OUTMemphis
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Tax Status

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, 2012, remain subject to examination by federal authorities.

Property and Equipment

OM 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, 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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

OM has evaluated events and transactions that occurred between December 31, 2016 and June 16, 2017, 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:

Metamorphosis Project	\$ 61,105
Building	5,594
HIV Services	10,791
Youth Services	7,815
Transgender Services	304
Bluff City Sports Association	3,000
	<u>\$ 88,609</u>

Continued

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2016

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.

\$ 57,997

Less: current portion

2,914

\$ 55,083

The following schedule outlines principal amounts due on the mortgage:

2017	\$ 2,914
2018	3,081
2019	3,257
2020	<u>48,745</u>
	<u>\$ 57,997</u>

NOTES TO FINANCIAL STATEMENTS

OUTMemphis
December 31, 2016

4. 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, 2020. The amount presented as the budget amount includes a remaining budget through June 30, 2016 of \$40,293 and the budget through June 30, 2017 if \$55,001.

Additionally, 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, 2017. The amount presented as the budget amount includes a remaining budget through February 29, 2016 of \$8,568 and the budget through February 28, 2017 if \$20,000.

The details of these grant activities are as follows:

	<u>Lebonheur</u>	<u>Ryan White</u>
Budget amount	\$95,294	\$ 28,568
Grant receipts	55,237	24,579
Grant expenditures	55,237	24,579
Budget amount - expired	7,223	-
Remaining budget amount	32,834	3,989

CAPITAL CAMPAIGN

During the 2015 OM started a capital campaign. The initial funds raised were used to obtain a feasibility study for building a new center. At year end, there is \$61,105 in the fund.

5. COMMITMENTS AND CONTINGENCIES

OM 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, 2016, this severance payment is computed at \$12,938.