

**OUTMemphis**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2017**

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*OUTMemphis*  
*December 31, 2017*

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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, 2017, 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, 2017, 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.

July 12, 2018

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

## STATEMENTS OF FINANCIAL POSITION

*OUTMemphis*  
*December 31, 2017*

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### ASSETS

Current assets	
Cash - unrestricted	\$ 140,880
Cash - restricted	414,397
Prepaid deposit	4,000
Accounts receivable - net	<u>24,419</u>
Total current assets	<u>583,696</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>(35,501)</u>
Property and equipment - net	<u>68,777</u>
 Total assets	<u>\$ 652,473</u>

### LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long term debt	\$ 3,081
Accounts payable	19,470
Payroll taxes payable	<u>6,141</u>
Total current liabilities	<u>28,692</u>
 Long term debt	
Note payable, less current maturities	<u>52,002</u>

### NET ASSETS

Unrestricted	157,382
Temporarily restricted	<u>414,397</u>
Total net assets	<u>571,779</u>
 Total liabilities and net assets	<u>\$ 652,473</u>

## STATEMENTS OF ACTIVITIES

*OUTMemphis*

*Year Ended December 31, 2017*

<b>REVENUE AND SUPPORT</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Outflix admissions	\$ 11,402	\$ -	\$ 11,402
Grant income - trusts and foundations	22,621	147,500	170,121
Grant income - federal	196,952	-	196,952
Capital campaign	-	266,500	266,500
Investment income	1,869	-	1,869
Other revenue	8,346	-	8,346
Total revenue	<u>241,190</u>	<u>414,000</u>	<u>655,190</u>
Support			
Contributions	122,366	7,314	129,680
In kind contributions	28,120	-	28,120
Total contributions	<u>150,486</u>	<u>7,314</u>	<u>157,800</u>
Fundraising			
Special events revenue	48,999	-	48,999
Less: costs of direct benefits to donors	<u>(36,004)</u>	<u>-</u>	<u>(36,004)</u>
Net special events revenue	12,995	-	12,995
Total support	<u>163,481</u>	<u>7,314</u>	<u>170,795</u>
Net assets released from restriction	95,526	(95,526)	-
Total revenue and support	<u>500,197</u>	<u>325,788</u>	<u>825,985</u>
<b>EXPENSES AND LOSSES</b>			
Program services			
Youth services	55,552	-	55,552
Metamorphosis Youth Services	67,546	-	67,546
Outflix	19,825	-	19,825
HIV	127,341	-	127,341
Bluff City Sports Association	8,533	-	8,533
Other	149,211	-	149,211
Total program expenses	<u>428,008</u>	<u>-</u>	<u>428,008</u>
Supporting services			
Management	32,835	-	32,835
Fundraising	21,747	-	21,747
Total supporting services	<u>54,582</u>	<u>-</u>	<u>54,582</u>
Total expenses	<u>482,590</u>	<u>-</u>	<u>482,590</u>
Change in net assets - operations	17,607	325,788	343,395
Net assets at beginning of year	<u>139,775</u>	<u>88,609</u>	<u>228,384</u>
Net assets at end of year	<u>\$ 157,382</u>	<u>\$ 414,397</u>	<u>\$ 571,779</u>

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

## STATEMENTS OF CASH FLOWS

*OUTMemphis*

*Year Ended December 31, 2017*

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Cash flows from operating activities	
Change in net assets	\$ 343,395
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,109
Change in operating assets and liabilities	
Accounts receivable	(257)
Prepaid expenses	(4,000)
Accounts payable	6,733
Accrued and withheld payroll taxes	<u>1,568</u>
Net cash provided by operating activities	<u>350,548</u>
Cash flows from investing activities	
Cash flows from financing activities	
Repayment of long-term debt	(2,914)
Change in temporarily restricted net assets	<u>(325,788)</u>
Net cash used by financing activities	<u>(328,702)</u>
Net increase in cash and cash equivalents	21,846
Cash and cash equivalents at beginning of year	<u>119,034</u>
Cash and cash equivalents at end of year	<u>\$ 140,880</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 4,537</u>

## STATEMENT OF FUNCTIONAL EXPENSES

*OUTMemphis*

*Year Ended December 31, 2017*

	Youth Services	Metamorphosis Youth Services	Outflux	HIV Services	Bluff City Sports Association	Other	Subtotal	Management	Fundraising	Total
Salaries - staff	\$ 45,737	\$ 18,909	\$ -	\$ 66,641	\$ -	\$ 91,758	\$ 223,045	\$ 6,084	\$ 11,154	\$ 240,283
Employee benefits and taxes	3,055	1,437	-	6,924	-	17,107	28,523	412	719	29,654
Total compensation and benefits	48,792	20,346	-	73,565	-	108,865	251,568	6,496	11,873	269,937
Supplies	1,799	223	608	18,678	354	1,051	22,713	3,980	436	27,129
Food expense	2,701	-	945	8,608	861	942	14,057	546	-	14,603
Office expense	601	580	1,989	2,466	-	4,493	10,129	353	4,480	14,962
Rent, parking, and other occupancy expense	-	-	-	-	-	7,425	7,425	-	-	7,425
Utilities	-	100	-	-	-	3,843	3,943	-	-	3,943
Interest expense	-	-	-	-	-	3,160	3,160	1,377	-	4,537
Repairs and maintenance	-	-	-	-	-	4,730	4,730	1,455	-	6,185
Travel, training, and meetings	1,197	45,522	1,940	4,763	1,294	1,980	56,696	3,170	93	59,959
Insurance expense	-	-	-	-	1,939	-	1,939	1,044	-	2,983
Dues and subscriptions	-	10	-	-	4,085	-	4,095	782	-	4,877
Computer expenses	196	-	232	143	-	2,338	2,909	1,387	687	4,983
Advertising	266	-	200	14,144	-	800	15,410	-	75	15,485
Venue rental	-	-	3,800	3,274	-	-	7,074	-	-	7,074
Taxes and licenses	-	665	200	150	-	28	1,043	157	200	1,400
Bank and credit card fees	-	-	446	-	-	-	446	179	3,903	4,528
Screening fees	-	-	8,775	-	-	-	8,775	-	-	8,775
Counseling subsidies	-	-	-	-	-	4,910	4,910	-	-	4,910
Grant and contract expense	-	-	-	1,250	-	4,500	5,750	-	-	5,750
Professional fees	-	100	690	300	-	146	1,236	8,800	-	10,036
Depreciation expense	-	-	-	-	-	-	-	3,109	-	3,109
<b>Total expenses</b>	<b>\$ 55,552</b>	<b>\$ 67,546</b>	<b>\$ 19,825</b>	<b>\$ 127,341</b>	<b>\$ 8,533</b>	<b>\$ 149,211</b>	<b>\$ 428,008</b>	<b>\$ 32,835</b>	<b>\$ 21,747</b>	<b>\$ 482,590</b>

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

## NOTES TO FINANCIAL STATEMENTS

*OUTMemphis*  
*December 31, 2017*

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### 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 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, 2017*

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### 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, 2017*

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### 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 \$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, 2017*

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### 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, 2017 and July 12, 2018, 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	\$ 330,903
Building	3,166
HIV Services	66,206
Youth Services	6,357
Transgender Services	493
Bluff City Sports Association	<u>7,272</u>
	<u>\$ 414,397</u>

## NOTES TO FINANCIAL STATEMENTS

*OUT*Memphis  
December 31, 2017

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### 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.

\$ 55,083

Less: current portion

3,081

\$ 52,002

The following schedule outlines principal amounts due on the mortgage:

2018	\$	3,081
2019		3,257
2020		<u>48,745</u>
	\$	<u>55,083</u>

## NOTES TO FINANCIAL STATEMENTS

*OUT*Memphis  
December 31, 2017

### 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, 2017 of \$32,834 and the budget through June 30, 2018 is \$55,001.

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, 2018. The amount presented as the budget amount includes a remaining budget through February 29, 2017 of \$3,989 and the budget through February 28, 2018 is \$33,000.

OM has entered into an arrangement with Shelby County to provide services for the PrEP Services for HIV Prevention program through September 30, 2018. The amount presented as the budget amount includes a remaining budget through September 30, 2017 of \$53,000 and the budget through September 30, 2018 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, 2017. The budget amount for 2017 is \$10,631.

OM has entered into an arrangement with the United States Department of Housing and Urban Development through June 30, 2018, to provide services under the Continuum of Care grant. The budget amount for 2017 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	\$87,835	\$ 36,999	\$ 108,000	\$ 10,630	\$ 90,000
Grant receipts	48,998	22,233	63,760	11,011	50,950
Grant expenditures	48,998	22,233	63,760	11,011	50,950
Budget amount - expired	6,612	-	426	(380)	-
Remaining budget amount	30,425	14,756	43,814	-	39,050

*Continued*

## **NOTES TO FINANCIAL STATEMENTS**

*OUTMemphis*  
*December 31, 2017*

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### **5. CAPITAL CAMPAIGN**

OM started a capital campaign for building of the Metamorphosis Center. At December 31, 2017, there is \$330,903 in the fund.

### **6. COMMITMENTS AND CONTINGENCIES**

OM entered into an employment agreement with its executive director in November 2017. The contract is effective January 1, 2018, and 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, 2017, this severance payment is computed at \$15,000.