

OUTRIGHT ACTION INTERNATIONAL, CORP.

Audited Financial Statements

June 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
OutRight Action International, Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of OutRight Action International, Corp., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

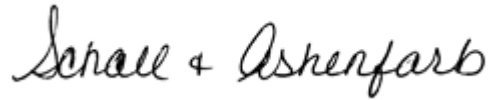
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 organization'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 organization'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 the OutRight Action International, Corp. as of June 30, 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.

A handwritten signature in cursive script that reads "Schall & Ashenfarb". The signature is contained within a thin black rectangular border.

Schall & Ashenfarb
Certified Public Accountants, LLC

April 25, 2017

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016

Assets

Cash and cash equivalents	\$816,111
Investment - restricted cash (Note 3)	560,307
Other receivables	152,552
Contributions receivable, net (Note 4)	752,183
Government grants and contracts receivable	109,898
Prepaid sub-grant expenses	119,599
Prepaid expenses	15,712
Property and equipment, net (Note 5)	8,053
Security deposits	30,544
Cash restricted for permanently restricted endowment fund (Note 7)	18,354
Total assets	\$2,583,313

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$116,287
Deferred revenue	299,847
Total liabilities	416,134
Net assets:	
Unrestricted:	
Board designated - general program	580,000
Undesignated	274,024
Total unrestricted net assets	854,024
Temporarily restricted (Note 6)	1,294,801
Permanently restricted (Note 7)	18,354
Total net assets	2,167,179
Total liabilities and net assets	\$2,583,313

The attached notes and auditors' report are an integral part of these financial statements.

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$866,567	\$1,397,884		\$2,264,451
Government grants and contracts	630,292			630,292
Special events (net of expenses with a direct benefit to donors) (Note 10)	274,531	30,686		305,217
Investment loss	(2,566)			(2,566)
Foreign currency translation adjustment	(6,870)			(6,870)
Other income	14,622			14,622
Net assets released from restrictions	1,046,063	(1,046,063)		0
	<u>2,822,639</u>	<u>382,507</u>	<u>0</u>	<u>3,205,146</u>
Total public support and revenue				
Expenses:				
Program services:				
Africa	204,047			204,047
Asia	783,664			783,664
Latin America	229,346			229,346
Middle East	504,859			504,859
U.N. General	442,224			442,224
Total program services	<u>2,164,140</u>	<u>0</u>	<u>0</u>	<u>2,164,140</u>
Supporting services:				
Management and general	366,474			366,474
Fundraising	414,436			414,436
	<u>2,945,050</u>	<u>0</u>	<u>0</u>	<u>2,945,050</u>
Total expenses				
Change in net assets	(122,411)	382,507	0	260,096
Net assets - beginning of year	<u>976,435</u>	<u>912,294</u>	<u>18,354</u>	<u>1,907,083</u>
Net assets - end of year	<u>\$854,024</u>	<u>\$1,294,801</u>	<u>\$18,354</u>	<u>\$2,167,179</u>

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OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Total Program Services	Supporting Services		Total Expenses
	Africa	Asia	Latin America	Middle East	U.N. General		Management and General	Fundraising	
Salaries	\$86,240	\$258,226	\$102,729	\$216,609	\$109,309	\$773,113	\$113,898	\$225,752	\$1,112,763
Fringe benefits	14,939	62,286	15,162	33,007	21,748	147,142	20,006	46,206	213,354
Total salaries and fringes	<u>101,179</u>	<u>320,512</u>	<u>117,891</u>	<u>249,616</u>	<u>131,057</u>	<u>920,255</u>	<u>133,904</u>	<u>271,958</u>	<u>1,326,117</u>
Travel	52,350	138,597	48,932	52,284	107,041	399,204		1,048	400,252
Consultants	15,134	99,839	31,422	97,365	136,402	380,162	26,824	25,488	432,474
Accounting						0	169,461		169,461
Occupancy	8,680	31,585	8,455	22,078	16,305	87,103	12,832	25,434	125,369
Direct aid	8,161	112,253	5,091	34,865	102	160,472			160,472
Printing	2,015	11,094	2,242	9,000	4,302	28,653	4,221	8,367	41,241
Meetings	2,187	18,757	2,190	9,283	20,972	53,389	1,112	1,112	55,613
Telecommunications	3,020	8,453	2,774	6,032	5,551	25,830	3,806	7,543	37,179
Office and mailing	352	1,496	396	969	924	4,137	599	1,186	5,922
Dues, subscriptions, licenses and permits	2,934	11,763	3,053	7,290	6,615	31,655	2,856	5,660	40,171
Supplies	860	6,250	1,110	2,261	2,520	13,001	1,769	3,506	18,276
Equipment rental and purchase	2,464	5,747	1,612	3,549	3,108	16,480	1,514	2,172	20,166
Banking charges and processing fee	2,439	7,546	2,112	4,549	3,342	19,988	2,848	5,644	28,480
Advertising and promotion	34	132	39	1,255	74	1,534	383		1,917
Insurance	926	2,085	610	1,343	1,177	6,141	905	1,793	8,839
Cleaning and maintenance	147	2,018	165	364	317	3,011	444	880	4,335
Special event indirect expenses						0		50,480	50,480
Miscellaneous	387	2,548	377	830	727	4,869	2,996	2,165	10,030
Total other expenses	<u>102,090</u>	<u>460,163</u>	<u>110,580</u>	<u>253,317</u>	<u>309,479</u>	<u>1,235,629</u>	<u>232,570</u>	<u>142,478</u>	<u>1,610,677</u>
Total expenses before depreciation	203,269	780,675	228,471	502,933	440,536	2,155,884	366,474	414,436	2,936,794
Depreciation	778	2,989	875	1,926	1,688	8,256			8,256
Total expenses	<u>\$204,047</u>	<u>\$783,664</u>	<u>\$229,346</u>	<u>\$504,859</u>	<u>\$442,224</u>	<u>\$2,164,140</u>	<u>\$366,474</u>	<u>\$414,436</u>	<u>\$2,945,050</u>

The attached notes and auditors' report are an integral part of these financial statements.

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Change in net assets	\$260,096
Adjustments to reconcile changes in net assets to net cash used for operating activities:	
Depreciation	8,256
Realized and unrealized loss on investments	4,807
Donated securities	(327,340)
Changes in assets and liabilities:	
Other receivables	(131,195)
Contributions receivable	(220,282)
Government grants and contracts receivable	(5,182)
Prepaid sub-grant expenses	(119,599)
Prepaid expenses	10,783
Security deposits	1,895
Accounts payable and accrued expenses	(71,665)
Subgrantee advances	(15,009)
Deferred revenue	128,834
Total adjustments	<u>(735,697)</u>
Net cash used for operating activities	<u>(475,601)</u>
Cash flows from investing activities:	
Purchases of investments	(348,680)
Sales of investments	638,765
Purchase of property and equipment	(4,464)
Net cash provided by investing activities	<u>285,621</u>
Net decrease in cash and cash equivalents	(189,980)
Cash and cash equivalents - beginning of year	<u>1,006,091</u>
Cash and cash equivalents - end of year	<u><u>\$816,111</u></u>
Supplemental information:	
Total interest and income tax paid	<u><u>\$0</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

OUTRIGHT ACTION INTERNATIONAL, CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Nature of Entity

OutRight Action International, Corp. ("OAI"), formerly The International Gay and Lesbian Human Rights Commission, Inc., was incorporated in 1991 as a U.S. based not-for-profit organization headquartered in New York City with an office in Johannesburg, South Africa.

OAI works at the international, regional and national levels to research, defend, and advance human rights for LGBTIQ people around the world.

OAI partners directly with thousands of activists throughout the Global South to produce reliable data on the experiences of LGBTIQ people around the world and to develop effective advocacy and capacity building for LGBTIQ rights.

OAI provides training to partners and activists to develop their skills and expertise, for example, to combat homophobia and transphobia or to respond to violence based on sexual orientation, gender identity or gender expression.

OAI vigilantly monitor and document the discriminatory and life-threatening conditions LGBTIQ people face to spur action to stop human rights violations when they occur.

For Federal income tax purposes, OAI is classified as a 501(c)(3) organization and is exempt under Section 509(a)(1) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of OAI have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

As a not-for-profit organization, OAI is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of OAI.

The board-designated net assets include resources that have been designated by the Board of Directors to function as endowments and consist of amounts held in a reserve for operating contingences. Any portion of these funds may be expended upon approval of the board of directors. Investment income from these net assets supports the current operations of

OAI. The balance in board-designated net assets was \$580,000 as of June 30, 2016.

- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Cash and Cash Equivalents

All liquid investments that are not restricted or held by the investment custodian and have an initial maturity of three months or less are considered cash and cash equivalents.

d. Foreign Currency Translation Adjustment

The functional currency of OAI for its operations in South Africa is the Rand. The translation of the Rand into U.S. dollars is performed at the statement of financial position date using currency exchange rates. The resulting gains or losses from foreign currency translation adjustments are included in the statement of activities.

e. Concentration of Credit Risk

Financial instruments, which potentially subject OAI to concentration of credit risk, consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of OAI. At year end and at certain times throughout the year, OAI had uninsured balances; however, no losses have been suffered due to the failure of any of these institutions.

f. Concentration of Grants and Contributions Receivables

Approximately 84% of grants and contribution receivables are from two private foundations and one government agency.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are recognized in the statement of activities.

h. Pledges Receivable

Pledges expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using risk adjusted present value techniques. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

i. Property and Equipment

OAI capitalizes property and equipment with a cost or fair value exceeding \$2,000 and a useful life of more than one year. Depreciation of property and equipment is

charged on the straight-line method over the estimated useful life of the asset. Property and equipment are depreciated over 3 to 5 years.

j. Contract Revenue/Deferred Revenue

Revenue from government and other contracts is recognized when reimbursable expenses are incurred under the terms of the respective contracts. Contract payments in excess of qualified expenses are accounted for as deferred revenue.

k. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when a pledge is considered unconditional in nature. Contributions are considered available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in the temporarily restricted class of net assets. When a restriction expires (that is, when a stipulated time restriction ends or program restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

l. Donated Services

Contributions of services that create or enhance non-financial assets, or require specialized skills, are performed by those who possess those skills and would typically have been purchased if they had not been donated, are recognized at fair value.

Most services requiring specific expertise are paid for; however, many individuals volunteer their time and perform a variety of tasks to assist with specific assistance programs, campaign solicitation, and various committee assignments. No amounts have been reflected in the financial statements for these types of donated services because they do not meet the criteria for recognition as outlined above.

m. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

o. Accounting for Uncertainty of Income Taxes

OAI does not believe its financial statements include any uncertain tax positions. Tax filing for the period ending June 30, 2013 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 25, 2017,

the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.

q. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 fiscal year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 fiscal year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

OAI has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that OAI has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2016, all investments were considered to be level 1 securities and consisted of the following:

Cash	\$558,319
Equities	<u>1,988</u>
Total	<u>\$560,307</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Investment loss consists of the following:

Interest and dividends	\$2,416
Investment fees	(175)
Unrealized loss	(118)
Realized loss	<u>(4,689)</u>
Total net loss on investments	<u>(\$2,566)</u>

Note 4 - Contributions Receivable

Contributions receivable are due in the following years:

One year or less	\$416,242
Two to four years	375,000
Discount to fair value	<u>(39,059)</u>
Total	<u>\$752,183</u>

Discount rate was computed using an interest rate of 3.75%, which was the prime rate at the time the contribution was received.

Note 5 - Property and equipment

Property and equipment consists as follows:

Furniture and equipment	\$107,361
Leasehold improvements	<u>10,918</u>
	118,279
Less: accumulated depreciation	<u>(110,226)</u>
Total	<u>\$8,053</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>7/1/15</u>	<u>New</u>	<u>Released</u>	<u>6/30/16</u>
Time restricted	\$556,920	\$458,726	(\$581,904)	\$433,742
Purpose restricted	<u>355,374</u>	<u>969,844</u>	<u>(464,159)</u>	<u>861,059</u>
Total	<u>\$912,294</u>	<u>\$1,428,570</u>	<u>(\$1,046,063)</u>	<u>\$1,294,801</u>

Note 7 - Endowments

OAI's endowments consist of the following:

- An unrestricted fund established for board-approved expenditures. This endowment includes funds designated by the board of directors to function as endowment.
- The permanent endowment, in the amount of \$18,354, started in the early years of the organization when a group of concerned individuals raised funds to sustain the future of OAI.

OAI has not segregated the permanent endowment with a separate investment account, and reflects this as a restricted cash line on the statement of financial position. Due to the small amount, no spending policy has been established, nor are there any funds with deficiencies that should be disclosed.

Changes in board-designated endowment can be summarized as follows:

Endowment - beginning of year	\$550,000
Funds designated by the board in FY16	<u>30,000</u>
Endowment net assets - end of year	<u>\$580,000</u>

Note 8 - Employee Benefits

OAI sponsors a 403(b) pension plan through Metropolitan Life. All full-time employees are eligible to participate or make voluntary contributions to the plan on the date of hire. OAI may make a discretionary non-elective contribution. During the year ended June 30, 2016, OAI made contributions to the plan amounting to \$41,030.

Note 9 - Commitments and Contingencies

OAI has a non-cancelable operating lease agreement for its New York City office space which expires in 2020. In addition to the base annual rent, OAI is liable for a prorated portion of the real estate tax.

Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	June 30, 2017	\$107,742
	June 30, 2018	110,974
	June 30, 2019	<u>114,304</u>
Total		<u>\$333,020</u>

The amount of rent expense under the current leases for the year ended June 30, 2016 amounted to \$106,964.

Note 10 - Special Event

During the year ended June 30, 2016, OAI held various special events. The financial summary of the events are as follows:

Net proceeds	\$407,494
Less: expenses with a direct benefit to donors	<u>(102,277)</u>
	305,217
Less: other event expenses	<u>(50,480)</u>
Total	<u>\$254,737</u>