

OUTRIGHT ACTION INTERNATIONAL, CORP.

Audited Financial Statements

June 30, 2018

INDEPENDENT AUDITOR'S 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. ("OAI"), which comprise the statement of financial position as of June 30, 2018, 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.

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 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.

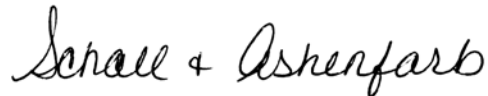
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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.

Report on Summarized Comparative Information

We have previously audited the OAI's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

February 14, 2019

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018

(With comparative totals at June 30, 2017)

	6/30/18	6/30/17
Assets		
Cash and cash equivalents	\$323,633	\$831,275
Investment (Note 3)	529,356	598,250
Other receivables	221,147	237,579
Contributions receivable, net (Note 4)	1,014,770	1,152,620
Government grants and contracts receivable	60,658	58,489
Prepaid sub-grant expenses	0	57,926
Prepaid expenses	31,060	40,637
Property and equipment, net (Note 5)	8,901	8,993
Security deposits	31,311	31,311
Cash restricted for endowment fund (Note 7)	18,354	18,354
	\$2,239,190	\$3,035,434
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$170,004	\$130,357
Deferred revenue	63,155	63,895
Total liabilities	233,159	194,252
Net assets:		
Unrestricted:		
Board designated - general program	516,000	622,000
Undesignated	732,500	509,975
Total unrestricted net assets	1,248,500	1,131,975
Temporarily restricted (Note 6)	739,177	1,690,853
Permanently restricted (Note 7)	18,354	18,354
Total net assets	2,006,031	2,841,182
Total liabilities and net assets	\$2,239,190	\$3,035,434

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

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/18</u>	<u>Total 6/30/17</u>
Public support and revenue:					
Contributions	\$1,366,529	\$408,506		\$1,775,035	\$2,752,649
Government grants and contracts	318,870			318,870	409,032
Special events (net of expenses with a direct benefit to donors) (Note 10)	254,284			254,284	179,149
Net investment losses (Note 3)	(1,398)			(1,398)	(2,730)
Other income	68,770			68,770	26,851
Net assets released from restrictions	1,360,182	(1,360,182)		0	0
Total public support and revenue	3,367,237	(951,676)	0	2,415,561	3,364,951
Expenses:					
Program services:					
Africa	126,352			126,352	232,968
Asia	1,263,228			1,263,228	1,016,581
Latin America	120,956			120,956	180,077
Middle East	194,180			194,180	246,942
Research	217,530			217,530	0
UN General	473,319			473,319	318,462
Total program services	2,395,565	0	0	2,395,565	1,995,030
Supporting services:					
Management and general	388,745			388,745	366,585
Fundraising	466,402			466,402	329,333
Total expenses	3,250,712	0	0	3,250,712	2,690,948
Change in net assets	116,525	(951,676)	0	(835,151)	674,003
Net assets - beginning of year	1,131,975	1,690,853	18,354	2,841,182	2,167,179
Net assets - end of year	<u>\$1,248,500</u>	<u>\$739,177</u>	<u>\$18,354</u>	<u>\$2,006,031</u>	<u>\$2,841,182</u>

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

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Program Services						Supporting Services			Total Expenses 6/30/18	Total 6/30/17
	Africa	Asia	Latin America	Middle East	Research	U.N. General	Total Program Services	Management and General	Fundraising		
Salaries	\$40,462	\$414,700	\$65,156	\$60,466	\$126,159	\$218,282	\$925,225	\$122,616	\$299,921	\$1,347,762	\$1,103,691
Fringe benefits	6,617	90,802	5,746	9,224	10,333	59,760	182,482	23,840	59,184	265,506	240,455
Total salaries and fringes	<u>47,079</u>	<u>505,502</u>	<u>70,902</u>	<u>69,690</u>	<u>136,492</u>	<u>278,042</u>	<u>1,107,707</u>	<u>146,456</u>	<u>359,105</u>	<u>1,613,268</u>	<u>1,344,146</u>
Travel	33,800	277,840	30,847	36,510	28,030	69,462	476,489		1,554	478,043	295,977
Consultants	25,092	112,912	5,877	53,037	21,250	25,768	243,936	32,721	17,689	294,346	286,441
Accounting							0	175,556		175,556	174,910
Occupancy	5,078	48,160	4,220	6,775	8,125	16,685	89,043	11,800	28,865	129,708	126,585
Direct aid	5,935	201,111	1,377	15,712	2,477	10,389	237,001			237,001	238,568
Printing	231	12,315	221	355	4,203	866	18,191	2,411	5,897	26,499	13,771
Meetings	2,524	46,180	2,597	3,676	5,778	48,904	109,659	2,285	2,283	114,227	45,550
Telecommunications	1,201	12,928	1,057	2,297	2,907	5,170	25,560	3,387	8,287	37,234	42,026
Office and mailing	157	2,043	150	241	1,674	587	4,852	643	1,770	7,265	8,160
Dues, subscriptions, licenses and permits	1,175	13,187	1,125	1,806	2,023	6,402	25,718	1,653	3,842	31,213	30,376
Supplies	275	5,126	263	422	473	1,241	7,800	1,034	2,528	11,362	8,913
Equipment rental and purchase	612	6,119	586	941	1,054	2,293	11,605	969	2,057	14,631	11,144
Banking charges and processing fee	1,696	8,886	787	1,200	1,344	3,036	16,949	1,349	6,393	24,691	28,948
Advertising and promotion	123	1,232	118	189	212	861	2,735	684		3,419	959
Insurance	813	3,062	293	471	527	1,147	6,313	837	2,046	9,196	8,867
Cleaning and maintenance	65	744	63	100	112	245	1,329	176	432	1,937	1,205
Special event expenses									79,271	79,271	82,118
Miscellaneous	204	2,960	193	309	346	1,126	5,138	6,784	802	12,724	6,919
Total other expenses	<u>78,981</u>	<u>754,805</u>	<u>49,774</u>	<u>124,041</u>	<u>80,535</u>	<u>194,182</u>	<u>1,282,318</u>	<u>242,289</u>	<u>163,716</u>	<u>1,688,323</u>	<u>1,411,437</u>
Total expenses before depreciation	126,060	1,260,307	120,676	193,731	217,027	472,224	2,390,025	388,745	522,821	3,301,591	2,755,583
Depreciation	292	2,921	280	449	503	1,095	5,540			5,540	5,772
Total expenses before direct event expenses netted with revenue	126,352	1,263,228	120,956	194,180	217,530	473,319	2,395,565	388,745	522,821	3,307,131	2,761,355
Less: direct special event expenses netted with revenue									(56,419)	(56,419)	(70,407)
Total expenses to statement of activities	<u>\$126,352</u>	<u>\$1,263,228</u>	<u>\$120,956</u>	<u>\$194,180</u>	<u>\$217,530</u>	<u>\$473,319</u>	<u>\$2,395,565</u>	<u>\$388,745</u>	<u>\$466,402</u>	<u>\$3,250,712</u>	<u>\$2,690,948</u>

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

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Cash flows from operating activities:		
Change in net assets	(\$835,151)	\$674,003
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	5,540	5,772
Realized and unrealized loss on investments	2,555	2,924
Donated securities	(232,375)	(241,194)
Changes in assets and liabilities:		
Other receivables	16,432	(85,027)
Contributions receivable	137,850	(400,437)
Government grants and contracts receivable	(2,169)	51,409
Prepaid sub-grant expenses	57,926	61,673
Prepaid expenses	9,577	(24,925)
Security deposits	0	(767)
Accounts payable and accrued expenses	39,647	14,070
Subgrantee advances	0	18,736
Deferred revenue	(740)	(235,952)
Total adjustments	<u>34,243</u>	<u>(833,718)</u>
Net cash used for operating activities	<u>(800,908)</u>	<u>(159,715)</u>
Cash flows from investing activities:		
Purchases of investments	(807,916)	(695,217)
Sales of investments	1,106,629	876,808
Purchase of property and equipment	(5,447)	(6,712)
Net cash provided by investing activities	<u>293,266</u>	<u>174,879</u>
Net (decrease)/increase in cash and cash equivalents	(507,642)	15,164
Cash and cash equivalents - beginning of year	<u>831,275</u>	<u>816,111</u>
Cash and cash equivalents - end of year	<u><u>\$323,633</u></u>	<u><u>\$831,275</u></u>
Supplemental information:		
Total interest and income tax paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

OUTRIGHT ACTION INTERNATIONAL, CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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 monitors and documents the discriminatory and life-threatening conditions LGBTIQ people face to spur action to stop human rights violations when they occur.

OAI has been notified by the Internal Revenue Service that it is a 501(c)(3) organization that it is tax 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* – accounts for all activity without donor-imposed restrictions 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 supports the current operations of OAI.

The following summarizes activity of the board designated net assets:

Balance as of 7/1/17	\$622,000
Appropriations for expenditures	(150,000)
Additions	<u>44,000</u>
Balance as of 6/30/18	<u>\$516,000</u>

- *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 73% and 88% of grants and contribution receivables were from three private foundations and one government agency at June 30, 2018 and 2017, respectively.
- 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, 2015 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 February 14, 2019, 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. Prior-Year Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the OIA's financial statements for the year ended June 30, 2017, from which the summarized information was derived.
- r. New Accounting Pronouncement
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 year, 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.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

OAI is in the process of evaluating 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.

All investments were considered to be level 1 securities and consisted of the following:

	<u>6/30/18</u>	<u>6/30/17</u>
Cash and money balances	\$527,209	\$596,258
Equities	<u>2,147</u>	<u>1,992</u>
Total	<u>\$529,356</u>	<u>\$598,250</u>

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

Net investment losses consist of the following:

	<u>6/30/18</u>	<u>6/30/17</u>
Interest and dividends	\$1,332	\$609
Investment fees	(175)	(415)
Unrealized gain/(loss)	3,941	(13)
Realized loss	<u>(6,496)</u>	<u>(2,911)</u>
Total investments losses	<u>(\$1,398)</u>	<u>(\$2,730)</u>

Note 4 - Contributions Receivable

Contributions receivable are due in the following years:

	<u>6/30/18</u>	<u>6/30/17</u>
One year or less	\$899,365	\$705,721
Two to four years	<u>125,000</u>	<u>470,000</u>
	1,024,365	1,175,721
Less: discount to fair value	<u>(9,595)</u>	<u>(23,101)</u>
Total	<u>\$1,014,770</u>	<u>\$1,152,620</u>

Discount rate was computed using an interest rate of 4%, which was the prime rate at the time the contribution was received.

Note 5 - Property and equipment

Property and equipment consist of the following:

	<u>6/30/18</u>	<u>6/30/17</u>
Furniture and equipment	\$119,521	\$114,073
Leasehold improvements	<u>10,918</u>	<u>10,918</u>
	130,439	124,991
Less: accumulated depreciation	<u>(121,538)</u>	<u>(115,998)</u>
Total	<u>\$8,901</u>	<u>\$8,993</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets can be summarized as follows:

	<u>June 30, 2018</u>			
	<u>7/1/17</u>	<u>Contributions</u>	<u>Released</u>	<u>6/30/18</u>
Time restricted	\$790,000	\$100,000	(\$570,000)	\$320,000
Purpose restricted	<u>900,853</u>	<u>308,506</u>	<u>(790,182)</u>	<u>419,177</u>
Total	<u>\$1,690,853</u>	<u>\$408,506</u>	<u>(\$1,360,182)</u>	<u>\$739,177</u>

	<u>June 30, 2017</u>			
	<u>7/1/16</u>	<u>Contributions</u>	<u>Released</u>	<u>6/30/17</u>
Time restricted	\$433,742	\$1,010,000	(\$653,742)	\$790,000
Purpose restricted	<u>861,059</u>	<u>492,296</u>	<u>(452,502)</u>	<u>900,853</u>
Total	<u>\$1,294,801</u>	<u>\$1,502,296</u>	<u>(\$1,106,244)</u>	<u>\$1,690,853</u>

Note 7 - Permanently Restricted Net Assets

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 maintains the assets of the permanently restricted net assets in its operating account and reflects this as restricted cash 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 are required to be disclosed.

Note 8 - Employee Benefits

OAI sponsors a retirement plan under Section 403(b) of the Internal Revenue Code. 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. OAI made contributions of \$48,066 and \$32,101 to the plan during the years ended June 30, 2018 and 2017, respectively.

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, 2019 \$114,304

The amount of rent expense was \$111,516 and \$106,588 under the current leases for the years ended June 30, 2018 and 2017, respectively.

Note 10 - Special Event

The financial summary of the special events are as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Net proceeds	\$310,703	\$249,556
Less: expenses with a direct benefit to donors	<u>(56,419)</u>	<u>(70,407)</u>
	254,284	179,149
Less: other event expenses	<u>(22,852)</u>	<u>(11,711)</u>
Total	<u>\$231,432</u>	<u>\$167,438</u>