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OUTRIGHT ACTION INTERNATIONAL, CORP.

Audited Financial Statements and Single Audit Report

June 30, 2022

OUTRIGHT ACTION INTERNATIONAL, CORP.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of OutRight Action International, Corp. ("Outright"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Outright as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Outright and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Outright's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control of Outright. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of Outright to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Outright as of and for the year ended June 30, 2021, were audited by other auditors whose report dated March 24, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects with the audited financial statements from which it was derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date March 27, 2023, on our consideration of Outright's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Outright's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outright's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Sax CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
March 27, 2023

OUTRIGHT ACTION INTERNATIONAL, CORP.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)

	6/30/22	6/30/21
Assets		
Cash and cash equivalents	\$20,252,274	\$16,735,809
Investments (Note 3)	1,041,222	1,020,039
Contributions receivable (Note 4)	2,924,700	1,114,425
Government grants receivable	312,221	257,158
Other receivables	41,116	32,895
Prepaid sub-grant expenses	682,046	502,853
Prepaid expenses	191,587	29,835
Fixed assets, net (Note 5)	54,671	6,754
Security deposits	68,333	68,333
Cash restricted for endowment fund (Note 6)	18,354	18,354
	\$25,586,524	\$19,786,455
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$389,862	\$289,709
Deferred revenue	935,833	1,155,971
Deferred rent	21,838	0
Total liabilities	1,347,533	1,445,680
Net assets:		
Without donor restrictions:		
Board designated (Note 2b)		
Operating reserve	3,275,697	2,230,000
Vision Fund	12,700,000	10,500,000
Total board designated	15,975,697	12,730,000
Undesignated	2,698,956	1,521,832
Total without donor restrictions	18,674,653	14,251,832
With donor restrictions (Note 7)	5,564,338	4,088,943
Total net assets	24,238,991	18,340,775
Total liabilities and net assets	\$25,586,524	\$19,786,455

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, 2022
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/22	Total 6/30/21
Public support and revenue:				
Contributions	\$5,593,777	\$7,683,116	\$13,276,893	\$18,439,888
Government grants	1,945,576		1,945,576	745,165
Paycheck Protection Program grant			0	175,275
Special events (Note 8)	310,754		310,754	0
Net investment return (Note 3)	1,836		1,836	1,521
Other income	1,802		1,802	3,222
Net assets released from restrictions	6,207,721	(6,207,721)	0	0
Total public support and revenue	<u>14,061,466</u>	<u>1,475,395</u>	<u>15,536,861</u>	<u>19,365,071</u>
Expenses:				
Program services:				
Africa	1,969,513		1,969,513	1,052,473
Asia	1,709,558		1,709,558	1,171,918
Caribbean	546,320		546,320	317,717
Middle East	1,149,373		1,149,373	445,905
Research	683,201		683,201	328,460
UN General	1,957,318		1,957,318	478,952
Total program services	<u>8,015,283</u>	<u>0</u>	<u>8,015,283</u>	<u>3,795,425</u>
Supporting services:				
Management and general	695,870		695,870	471,970
Fundraising	927,492		927,492	683,453
Total expenses	<u>9,638,645</u>	<u>0</u>	<u>9,638,645</u>	<u>4,950,848</u>
Change in net assets	4,422,821	1,475,395	5,898,216	14,414,223
Net assets - beginning of year	<u>14,251,832</u>	<u>4,088,943</u>	<u>18,340,775</u>	<u>3,926,552</u>
Net assets - end of year	<u><u>\$18,674,653</u></u>	<u><u>\$5,564,338</u></u>	<u><u>\$24,238,991</u></u>	<u><u>\$18,340,775</u></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, 2022
(With comparative totals for the year ended June 30, 2021)

	Program Services						Supporting Services			Total Expenses 6/30/22	Total Expenses 6/30/21
	Africa	Asia	Caribbean	Middle East	Research	UN General	Total Program Services	Management and General	Fundraising		
Salaries	\$391,387	\$278,681	\$102,236	\$173,757	\$201,562	\$537,344	\$1,684,967	\$169,902	\$552,100	\$2,406,969	\$1,803,691
Payroll taxes and benefits	68,940	88,883	18,358	56,649	22,967	111,724	367,521	36,496	115,883	519,900	446,663
Total salaries, payroll taxes and benefits	<u>460,327</u>	<u>367,564</u>	<u>120,594</u>	<u>230,406</u>	<u>224,529</u>	<u>649,068</u>	<u>2,052,488</u>	<u>206,398</u>	<u>667,983</u>	<u>2,926,869</u>	<u>2,250,354</u>
Travel	23,058	53,112	3,762	57,614	24,326	15,300	177,172			177,172	28,053
Consultants	180,429	132,018	82,743	150,065	68,157	157,363	770,775	159,305	59,092	989,172	412,185
Accounting							0	263,762		263,762	187,330
Occupancy	33,100	28,557	8,997	18,902	11,256	32,189	133,001	24,372	46,962	204,335	36,737
Direct aid	1,161,785	1,050,997	305,972	631,949	321,900	986,552	4,459,155			4,459,155	1,709,058
Printing	1,404	724	232	486	341	1,003	4,190	422	1,373	5,985	14,638
Meetings	34,166	4,660	1,384	10,406	1,951	39,314	91,881	1,915	1,914	95,710	38,359
Telecommunications	1,168	2,217	241	987	651	1,823	7,087	713	2,322	10,122	11,362
Office and mailing	4,287	3,716	1,208	2,478	1,476	4,220	17,385	1,743	5,669	24,797	5,266
Dues, subscriptions, licenses and permits	21,740	18,685	5,926	12,778	7,985	23,140	90,254	7,441	24,181	121,876	94,254
Supplies	1,779	1,903	494	1,039	618	1,769	7,602	767	2,491	10,860	1,785
Equipment rental and purchase	21,580	19,892	7,656	12,591	10,198	21,442	93,359	16,244	822	110,425	20,148
Advertising and promotion	2,423	2,104	673	1,414	960	2,408	9,982	2,495		12,477	3,218
Insurance	1,413	891	285	599	356	1,019	4,563	460	1,495	6,518	9,125
Event expenses							0		253,808	253,808	0
Depreciation	988	858	274	577	343	982	4,022	406	1,318	5,746	6,398
Other expenses	19,866	21,660	5,879	17,082	8,154	19,726	92,367	9,427	34,763	136,557	122,578
Total expenses	<u>1,969,513</u>	<u>1,709,558</u>	<u>546,320</u>	<u>1,149,373</u>	<u>683,201</u>	<u>1,957,318</u>	<u>8,015,283</u>	<u>695,870</u>	<u>1,104,193</u>	<u>9,815,346</u>	<u>4,950,848</u>
Less: direct special event expenses							0		(176,701)	(176,701)	0
Total expenses for statement of activities	<u>\$1,969,513</u>	<u>\$1,709,558</u>	<u>\$546,320</u>	<u>\$1,149,373</u>	<u>\$683,201</u>	<u>\$1,957,318</u>	<u>\$8,015,283</u>	<u>\$695,870</u>	<u>\$927,492</u>	<u>\$9,638,645</u>	<u>\$4,950,848</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, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$5,898,216	\$14,414,223
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,746	6,398
Net realized and unrealized loss on investments	3,390	75
Donated securities	(22,219)	(22,114)
Paycheck Protection Program loan forgiveness	0	(175,275)
Changes in assets and liabilities:		
Contributions receivable	(1,810,275)	(165,035)
Government grants receivable	(55,063)	(139,851)
Other receivables	(8,221)	21,932
Prepaid sub-grant expenses	(179,193)	(269,046)
Prepaid expenses	(161,752)	18,256
Security deposits	0	(40,099)
Accounts payable and accrued expenses	100,153	133,494
Deferred revenue	(220,138)	(6,622)
Deferred rent	21,838	0
Total adjustments	<u>(2,325,734)</u>	<u>(637,887)</u>
Net cash provided by operating activities	<u>3,572,482</u>	<u>13,776,336</u>
Cash flows from investing activities:		
Purchases of investments	(23,228)	(22,052)
Sales of investments	20,874	22,113
Net transfers from cash	0	(250,000)
Purchase of fixed assets	(53,663)	0
Net cash used for investing activities	<u>(56,017)</u>	<u>(249,939)</u>
Net increase in cash, cash equivalents and restricted cash	3,516,465	13,526,397
Cash, cash equivalents and restricted cash - beginning of year	<u>16,754,163</u>	<u>3,227,766</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$20,270,628</u></u>	<u><u>\$16,754,163</u></u>
Cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$20,252,274	\$16,735,809
Cash restricted for endowment fund	18,354	18,354
Total cash, cash equivalents and restricted cash	<u><u>\$20,270,628</u></u>	<u><u>\$16,754,163</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, 2022

Note 1 - Nature of Entity

OutRight Action International, Corp. (“Outright”), 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.

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

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

Outright 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.

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

Outright has been notified by the Internal Revenue Service that it is a 501(c)(3) organization that 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 Outright 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

Outright is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. They are reflected on the financial statements as without donor restrictions.

Board-designated net assets include resources that have been designated by the Board of Directors to function as 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 Outright. Additionally, the board established the Vision Fund, which is intended to fund special opportunities, investments in infrastructure and one-time initiatives.

The following summarizes activity of the board designated net assets:

	<u>6/30/22</u>	<u>6/30/21</u>
Balance beginning of year	\$12,730,000	\$760,000
Additions	<u>3,245,697</u>	<u>11,970,000</u>
Balance end of year	<u>\$15,975,697</u>	<u>\$12,730,000</u>

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

Outright follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 606 for recognizing revenue from contracts with customers. Outright analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Outright follows FASB ASC 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Outright’s government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Unconditional promises to give that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value which is calculated using risk adjusted present value techniques. Long-term promises to give are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations.

Management has reviewed the collectability of all receivables, factoring in judgement about the creditworthiness and age of the receivable, as well as historical experience. Based on that evaluation, management has determined that no reserve for doubtful accounts is warranted.

d. 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.

e. Concentration of Credit Risk

Financial instruments, which potentially subject Outright to a 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 Outright. At year end and at certain times throughout the year, Outright 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 69% of grants and contributions receivables were from a small number of private foundations and government agencies at June 30, 2022 and 2021.

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. Fixed Assets

Outright 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 lives of the respective assets as follows:

Computers and equipment - 5 years

Furniture and fixtures – 7 years

In-kind equipment – 3 years

Leasehold improvements – for the life of the lease

i. 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.

j. 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.

k. Functional Allocation of Expenses

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.

The following costs are allocated by time and effort:

- Salaries
- Payroll taxes and benefits
- Occupancy
- Printing
- Telecommunications
- Office and mailing
- Supplies
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. Advertising Costs

Advertising costs are expensed as incurred.

m. Accounting for Uncertainty of Income Taxes

Outright does not believe its financial statements include any uncertain tax positions. Tax filings for the period ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

n. 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 Outright's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

o. New Accounting Pronouncement

FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Outright is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Investments and Fair Value Measurements

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 Outright 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>6/30/22</u>	<u>6/30/21</u>
Cash and money balances	\$1,038,877	\$1,017,694
Equities	<u>2,345</u>	<u>2,345</u>
Total	<u>\$1,041,222</u>	<u>\$1,020,039</u>

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

Net investment return consists of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Interest and dividends	\$5,226	\$1,596
Unrealized (loss)/gain	(153)	277
Realized loss	<u>(3,237)</u>	<u>(352)</u>
Total investment return	<u>\$1,836</u>	<u>\$1,521</u>

Note 4 - Contributions Receivable

Contributions receivable is expected in the following periods:

Year ending:	June 30, 2023	\$2,559,700
	June 30, 2024	<u>365,000</u>
Total		<u>\$2,924,700</u>

Due to its immaterial nature, a discount to present value has not been recorded.

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Furniture and equipment	\$190,469	\$136,806
Leasehold improvements	<u>10,918</u>	<u>10,918</u>
	201,387	147,724
Less: accumulated depreciation	<u>(146,716)</u>	<u>(140,970)</u>
Total fixed assets, net	<u>\$54,671</u>	<u>\$6,754</u>

Note 6 - Net Assets With Donor Restrictions - Endowment

Outright's endowment in the amount of \$18,354 consist of the funds raised by a group of concerned individuals in the early years of the organization to help to sustain the future of Outright.

Outright maintains endowment 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 7 - Net Assets With Donor Restrictions

Net assets were released from restriction for the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Program restrictions:		
Asia	\$0	\$97,975
Caribbean	174,464	78,397
Research	2,185	15,000
UN General	192,100	27,900
Emergency Fund	2,749,047	1,405,083
Ukraine	1,236,027	0
Other programs	<u>203,918</u>	<u>290,196</u>
Total program restrictions	4,557,741	1,914,551
Time	<u>1,649,980</u>	<u>1,101,783</u>
Total	<u>\$6,207,721</u>	<u>\$3,016,334</u>

Net assets were restricted by donors for the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Program restrictions		
Africa	\$100,000	\$100,000
Asia	2,315	2,315
Caribbean	37,239	211,703
Research	72,815	75,000
UN General	1,025,000	92,100
Emergency Fund	245,004	2,491,860
Ukraine	1,892,247	0
Other programs	<u>816,344</u>	<u>482,611</u>
Total program restrictions	4,190,964	3,455,589
Time	1,355,020	615,000
Endowment (Note 6)	<u>18,354</u>	<u>18,354</u>
Total	<u>\$5,564,338</u>	<u>\$4,088,943</u>

Note 8 - Special Events

During the year ended June 30, 2021, Outright's main fundraising event was not held due to the COVID-19 pandemic. Outright did hold an annual gala in 2022. The financial summary of the special event is as follows:

	<u>6/30/22</u>
Net proceeds	\$487,455
Less: expenses with a direct benefit to donors	<u>(176,701)</u>
	310,754
Less: other event expenses	<u>(77,107)</u>
Total	<u>\$233,647</u>

Note 9 - Commitments and Contingencies

In October 2020, Outright entered into a ten-year lease at a new, New York City location. Rental payments began in July of 2021. Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent.

The amount of rent expense was \$185,838 and \$16,714 for the years ended June 30, 2022 and 2021, respectively.

Future annual minimum rent payments are as follows:

Year ending:	June 30, 2023	\$168,100
	June 30, 2024	172,302
	June 30, 2025	176,610
	June 30, 2026	181,025
	June 30, 2027	189,551
Thereafter		<u>806,791</u>
Total		<u>\$1,694,379</u>

Note 10 - Employee Benefits

Outright 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. Outright may make a discretionary non-elective contribution. Outright made contributions of \$97,522 and \$74,535 to the plan during the years ended June 30, 2022 and 2021, respectively.

Note 11 - Availability and Liquidity

Financial assets are available within one year of the date of the statement of financial position for general expenditure as follows:

Cash and cash equivalents	\$20,252,274	
Investments	1,041,222	
Contributions receivable	2,924,700	
Government grants receivable	312,221	
Other receivables	<u>41,116</u>	
Total financial assets		\$24,571,533
Less amounts not available for general expenditures:		
Board-designated net assets	(15,975,697)	
Purpose restricted net assets	(4,190,964)	
Long-term time restricted net assets	<u>(1,355,020)</u>	
		<u>(21,521,681)</u>
Financial assets available to meet cash needs for for general expenditures within one year		<u>\$3,049,852</u>

As indicated in Note 2b, Outright has a board designated reserve, which is kept in a separate investment account. While these assets are not considered available for general expenditures by management, they can be made available if the need arises.

Note 12 - Subsequent Events

Subsequent events have been evaluated through March 27, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

**OUTRIGHT ACTION INTERNATIONAL, CORP.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-through Number	Federal AL #	Federal Expenditures	Expenditures to Sub-Recipients
<u>U.S. Department of State:</u>				
International Programs to Support Democracy, Human Rights, and Labor	SLMAQM20GR2165	19.345	\$247,291	\$121,275
International Programs to Support Democracy, Human Rights, and Labor	SLMAQM21GR3073	19.345	136,711	14,482
International Programs to Support Democracy, Human Rights, and Labor	SLMAQM18GR2112	19.345	110,961	
International Programs to Support Democracy, Human Rights, and Labor	SLMAQM21GR3090	19.345	56,540	
International Programs to Support Democracy, Human Rights, and Labor passed through Freedom House Inc.	18-DOS130-04	19.345	240,764	208,527
International Programs to Support Democracy, Human Rights, and Labor passed through Services and Advocacy for Gay, Lesbian, Bisexual and Transgenders Elders, Inc.	SLMAQM21GR3217	19.345	70,217	25,180
Total U.S. Department of State / Federal Expenditures			\$862,484 *	\$369,464

*Indicates a major program.

OUTRIGHT ACTION INTERNATIONAL, CORP.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of OutRight Action International, Corp., (“Outright”) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Outright, it is not intended to and does not present the financial position, changes in net assets or cash flows of Outright.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB’s *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

Outright has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS.**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of OutRight Action International, Corp. ("Outright") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Outright's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Outright's internal control. Accordingly, we do not express an opinion on the effectiveness of Outright's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Outright's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Sax CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
March 27, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited OutRight Action International, Corp. (“Outright”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Outright’s major federal programs for the year ended June 30, 2022. Outright’s major federal programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Outright complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Outright and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Outright’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Outright's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Outright's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Outright's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Outright's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Outright's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Outright's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Say CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
March 27, 2023

**OUTRIGHT ACTION INTERNATIONAL, CORP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	UNMODIFIED
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies identified Not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies identified Not considered to be material weaknesses?	___ Yes <u>X</u> No

Type of auditor’s report issued on compliance for major programs:	UNMODIFIED
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)?	___ Yes <u>X</u> No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
<u>19.345</u>	<u>International Programs to Support Democracy, Human Rights and Labor</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No

**OUTRIGHT ACTION INTERNATIONAL, CORP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None