

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2008 AND 2007

THE PRIDE FOUNDATION  
FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2008 AND 2007

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## INDEPENDENT AUDITOR'S REPORT

July 15, 2008

Board of Directors  
The Pride Foundation  
Seattle, Washington

We have audited the accompanying statements of financial position of The Pride Foundation (a nonprofit corporation) as of March 31, 2008 and 2007, and the related statements of unrestricted activities, changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Pride Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pride Foundation as of March 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Jacobson Jarvis & Co, PLLC

THE PRIDE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,665,100	\$ 220,099
Marketable securities	19,541,083	2,472,983
Promises to give - current	330,025	390,544
Bequest receivable - current	-	12,478,386
Bequest receivable held for others - current	-	30,156,099
Other assets	43,311	38,682
Total Current Assets	<u>22,579,519</u>	<u>45,756,793</u>
Furniture and Equipment, net of accumulated depreciation of \$60,922 and \$97,258	18,434	17,248
Promises To Give - long-term	56,712	59,455
Bequest Receivable - long-term	-	1,386,702
Bequest Receivable Held for Others - long-term	-	3,351,197
Marketable Securities Held for Others	46,121,792	-
Assets Held in Trust	<u>1,240,107</u>	<u>1,283,547</u>
	<u>\$70,016,564</u>	<u>\$51,854,942</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Grants payable to others	\$ 116,993	\$ 85,453
Accounts payable and accrued expenses	49,194	28,230
Deferred revenue	37,500	-
Total Current Liabilities	<u>203,687</u>	<u>113,683</u>
Bequest Funds Held for Others	<u>46,121,792</u>	<u>33,507,296</u>
Total Liabilities	<u>46,325,479</u>	<u>33,620,979</u>
Net Assets		
Unrestricted	460,601	595,309
Temporarily restricted	1,045,593	766,205
Permanently restricted	<u>22,184,891</u>	<u>16,872,449</u>
Total Net Assets	<u>23,691,085</u>	<u>18,233,963</u>
	<u>\$70,016,564</u>	<u>\$51,854,942</u>

# THE PRIDE FOUNDATION

## STATEMENTS OF UNRESTRICTED ACTIVITIES

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Public Support and Revenue		
Unrestricted Public Support		
Contributions	\$ 1,050,368	\$ 1,090,362
In-kind donations	<u>12,533</u>	<u>10,668</u>
Total Unrestricted Public Support	<u>1,062,901</u>	<u>1,101,030</u>
Revenue		
Gain on marketable securities	30,227	64,041
Interest and dividends	344,097	52,455
Fund administrative fees and other revenue	<u>133,403</u>	<u>19,186</u>
Total Revenue	<u>507,727</u>	<u>135,682</u>
Total Unrestricted Public Support and Revenue	1,570,628	1,236,712
Net Assets Released from Program Restrictions	<u>399,913</u>	<u>354,688</u>
Total Unrestricted Public Support, Revenue, and Other Support	<u>1,970,541</u>	<u>1,591,400</u>
Expenses		
Program services	1,610,771	1,414,534
Management and general	214,447	158,880
Fundraising	<u>280,031</u>	<u>290,316</u>
Total Expenses	<u>2,105,249</u>	<u>1,863,730</u>
Change in Unrestricted Net Assets	<u>\$ (134,708)</u>	<u>\$ (272,330)</u>

THE PRIDE FOUNDATION

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2008 AND 2007

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenue, and Other Support								
Unrestricted public support and revenue	\$ 1,570,628			\$ 1,570,628	\$ 1,236,712			\$ 1,236,712
Restricted public support and revenue								
Contributions		\$ 603,179	\$ 5,355,882	5,959,061		\$ 443,882	\$13,857,713	14,301,595
Gain (loss) on assets held in trust		-	(43,440)	(43,440)		-	44,269	44,269
Gain on marketable securities		76,122	-	76,122		27,609	-	27,609
Net assets released from restrictions	399,913	(399,913)	-	-	354,688	(354,688)	-	-
Total Public Support, Revenue, and Other Support	1,970,541	279,388	5,312,442	7,562,371	1,591,400	116,803	13,901,982	15,610,185
Expenses	2,105,249			2,105,249	1,863,730			1,863,730
Changes in Net Assets	(134,708)	279,388	5,312,442	5,457,122	(272,330)	116,803	13,901,982	13,746,455
Net Assets - beginning of year	595,309	766,205	16,872,449	18,233,963	867,639	649,402	2,970,467	4,487,508
Net Assets - end of year	\$ 460,601	\$ 1,045,593	\$22,184,891	\$23,691,085	\$ 595,309	\$ 766,205	\$16,872,449	\$18,233,963

See notes to financial statements.

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2008 AND 2007

	2008			2007		
	Management and			Management and		
	Program Services	General	Fundraising	Program Services	General	Fundraising
Salaries	\$ 415,754	\$ 93,822	\$ 89,414	\$ 326,080	\$ 81,733	\$ 96,116
Payroll taxes	29,988	6,785	6,251	25,064	5,988	7,434
Employee benefits	61,658	13,187	12,169	49,115	10,997	13,923
Total Salaries and Related Expenses	507,400	113,794	107,834	400,259	98,718	117,473
Grants to others	768,192	-	-	706,280	-	-
Occupancy	92,052	16,477	17,126	76,395	13,763	28,152
Professional services	21,737	2,466	77,958	51,672	2,539	62,112
Bank and investment fees	14,596	60,444	4,971	5,094	23,605	6,038
Dues, conferences, and training	75,114	115	1,267	62,228	686	4,597
Events and catering	47,922	9,608	11,420	38,848	6,651	18,260
Copying and printing	27,075	160	20,304	24,229	2,190	24,817
Postage	18,072	1,618	11,393	13,441	945	8,482
Supplies and equipment	13,071	1,860	2,167	11,857	1,856	2,978
Telephone	11,182	827	883	10,039	656	1,727
In-kind expense	2,655	2,752	7,126	2,963	3,380	4,325
Bad debt expense	-	-	12,392	-	-	7,798
Advertising and promotion	5,053	746	3,190	3,825	107	945
Depreciation	4,695	804	1,614	5,552	1,062	2,136
Insurance	1,955	2,776	386	1,852	2,722	476
Total Expenses	\$1,610,771	\$ 214,447	\$ 280,031	\$1,414,534	\$ 158,880	\$ 290,316
			\$2,105,249			\$1,863,730

See notes to financial statements.

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 1,192,914	\$ 1,362,734
Cash received from investments	344,097	52,455
Other cash receipts	133,403	19,186
Cash paid to grantees	(736,652)	(814,886)
Cash paid to employees	(723,240)	(615,112)
Cash paid to vendors	(589,650)	(534,843)
Interest paid	(578)	(7,501)
Net Cash Used by Operating Activities	<u>(379,706)</u>	<u>(537,967)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture and equipment	(8,299)	(7,140)
Purchases of marketable securities	(18,592,230)	(812,433)
Sales of marketable securities	1,894,804	1,385,915
Net Cash (Used) Provided by Investing Activities	<u>(16,705,725)</u>	<u>566,342</u>
<b>Cash Flows from Financing Activities</b>		
Net repayments on line of credit	-	(80,000)
Cash received from endowment contributions	19,530,432	125
Net Cash Provided (Used) by Financing Activities	<u>19,530,432</u>	<u>(79,875)</u>
Change in Cash and Cash Equivalents	2,445,001	(51,500)
Cash and Cash Equivalents - beginning of year	<u>220,099</u>	<u>271,599</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,665,100</u>	<u>\$ 220,099</u>



THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Reconciliation of Changes in Net Assets to</b>		
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 5,457,122	\$13,746,455
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	7,113	8,750
Gain on marketable securities	(106,349)	(91,650)
Loss (gain) on assets held in trust	43,440	(44,269)
Donated securities	(264,325)	(721,713)
Public support restricted to endowment	(50,030)	(125)
Decrease (increase) in		
Promises to give	63,262	549,905
Bequest receivable	(5,615,314)	(13,865,088)
Bequest receivable - held for others	33,507,296	(33,507,296)
Marketable securities - held for others	(46,121,792)	-
Other assets	(4,629)	3,664
Increase (decrease) in		
Grants payable to others, net of amounts paid by third parties	31,540	(108,606)
Accounts payable and accrued expenses	20,964	(15,290)
Bequest funds held for others	12,614,496	33,507,296
Deferred revenue	37,500	-
Net Cash Used by Operating Activities	<u>\$ (379,706)</u>	<u>\$ (537,967)</u>

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Pride Foundation (the Foundation) is a nonprofit corporation that connects, inspires and strengthens the Pacific Northwest Lesbian, Gay, Bisexual and Transgender (LGBT) community to pursuit of equality. The Foundation accomplishes this in rural and urban areas by awarding grants and scholarship and cultivating leaders in Washington State, Oregon, Montana, Idaho and Alaska.

#### Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Foundation are classified as follows:

Unrestricted net assets are available without restriction for support of the Foundation's operations.

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets are available as follows:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 582,682	\$ 460,298
Grants	314,773	271,717
Racial Equity	121,105	-
Youth Grants	18,843	22,500
Advocacy	8,190	11,690
	<u>\$ 1,045,593</u>	<u>\$ 766,205</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations or specific purposes. Included in permanently restricted net assets as of March 31, 2008 and 2007 are \$1,240,107 and \$1,283,547, respectively, held in trust as described in Note C.

#### Cash and cash equivalents

The Foundation maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Foundation has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. Cash and cash equivalents are held as follows:

	<u>2008</u>	<u>2007</u>
Checking account	\$ 27,342	\$ 12,296
Money market accounts	2,637,758	207,803
	<u>\$ 2,665,100</u>	<u>\$ 220,099</u>

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Marketable securities

Donated marketable securities are reflected as contributions at their fair market value at date of donation. Marketable securities are stated at fair market value and consist of the following:

	<u>2008</u>	<u>2007</u>
Stocks	\$10,549,312	\$1,569,374
Bonds	8,484,435	903,609
Mutual Funds	<u>507,336</u>	<u>-</u>
	<u>\$19,541,083</u>	<u>\$2,472,983</u>

#### Promises to give and bequests receivable

Promises to give and bequests receivable are shown net of unrealizable amounts. Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation had no conditional promises to give at March 31, 2008 or 2007.

#### Furniture and equipment

Furniture and equipment are stated at cost or, if donated, at fair market value at the date of donation. Furniture and equipment purchases that exceed \$500 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of five to ten years.

#### Grants payable to others

Grants authorized by the Board of Directors, but unpaid at March 31, 2008 and 2007, are reported as liabilities.

#### Bequest funds held for others

The asset accounts "Bequest Receivable - Held for Others" and "Marketable Securities - Held for Others" and the liability account "Bequest Funds Held for Others" represent the fair market value of a portion of a bequest received by the Foundation that is to be paid to specific organizations in proportions determined by the will. Related to this specific bequest, the Foundation's policy is to recognize the estimated fair value of the bequest received and an offsetting liability. The asset and liability will be decreased as payments are made to the named organizations.

#### Donated services

In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise which the Foundation would otherwise need to purchase. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. The Foundation receives more than 16,900 volunteer hours per year.

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Bequests

The Foundation has been named as beneficiary in certain revocable bequests. As the bequests are revocable, they have not been reflected in the financial statements.

#### Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### Advertising

The Foundation uses advertising to promote its program and to fundraise. The cost of advertising is expensed as incurred.

#### Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of unrestricted activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The Foundation achieved some of its program goals with publications that include requests for contributions or other fundraising elements. For the years ended March 31, 2008 and 2007, the costs of conducting those activities included a total of \$31,576 and \$16,576, respectively, of joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows:

	<u>2008</u>	<u>2007</u>
Program services	\$ 15,788	\$ 8,288
Fundraising	<u>15,788</u>	<u>8,288</u>
	<u>\$ 31,576</u>	<u>\$ 16,576</u>

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Federal income taxes

The Internal Revenue Service has recognized the Foundation as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2008 are due as follows:

Receivable in less than one year (net of allowance for uncollectible accounts of \$1,148)	\$ 330,025
Receivable in one to five years (net of allowance for uncollectible accounts of \$1,852)	<u>56,712</u>
Net unconditional promises to give	<u>\$ 386,737</u>

### NOTE C - ASSETS HELD IN TRUST

The Foundation is named as remainderman in certain charitable remainder trust agreements administered by others. The terms of these agreements provide for the disbursement of the trust assets to the Foundation upon the death of the final beneficiary. During the life of the beneficiaries, certain payments are made from trust assets as prescribed in the agreements.

### NOTE D - AGENCY TRANSACTIONS

The Foundation acts as an agent for nonprofit member agencies with respect to several federated workplace giving campaigns. Workplace giving campaigns allow the donor to designate the funds directly to the Foundation or select any of the fifteen other member agencies. As an agent, the Foundation processed \$25,889 and \$34,616 of member agencies' receipts and disbursements for the years ended March 31, 2008 and 2007, respectively. These receipts are recorded as a receivable and as an offsetting obligation to the respective member agencies when pledged.

## THE PRIDE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### YEARS ENDED MARCH 31, 2008 AND 2007

##### NOTE E - BEQUEST

During the year ended March 31, 2007 the Foundation received notification of being named as a beneficiary of an irrevocable bequest. At March 31, 2007 the Foundation estimated their portion of the bequest at \$13,865,088, which is included in bequest receivable and permanently restricted contributions at and for the year ended March 31, 2007.

During the year ended March 31, 2008 the Foundation received \$19,176,533 related to their portion of the bequest, which paid the entire bequest receivable and represents \$5,311,445 in permanently restricted contributions.

The Foundation also received \$46,343,288 which has been invested by the Foundation and is being paid out to specific organizations in percentages identified in the will. Distributions of one-thirty second of the fair market value of the fund determined at date of receipt are to be allocated to the named organizations and paid on a quarterly basis. These funds for others have been recorded as an asset and a liability as the Foundation has no discretion as to their use, except in very limited circumstances as outlined in the will.

It is likely that the Foundation will receive one additional distribution from the bequest, the estimate of which the Foundation believes is immaterial. It is at least reasonably possible that actual future receipts will differ from these estimates due to several variables including estate taxes and fees and market fluctuation. For the year ended March 31, 2008, 74% of the Foundation's public support and revenue was from this bequest. This number is exceptional and unusual based on this very large estate gift.

##### NOTE F - FUNDRAISING EXPENSES

In order to accomplish the Foundation's mission of strengthening the lesbian, gay, transgender, and bisexual community by issuing grants for projects and providing scholarships, a significant amount of time must be spent raising the grant and scholarship money. The Foundation also focuses fundraising efforts on building its endowment so that it can continue to provide grants in the future. As a result of these efforts and because of the nature of the organization, the proportion of fundraising expenses may be higher than for other not-for-profit organizations.

##### NOTE G - LINE OF CREDIT

The Foundation has a \$200,000 revolving line of credit expiring September 2008. Bank advances on the line of credit are payable on demand and carry interest at one percentage point over the prime rate (6.25% at March 31, 2008). There was no balance outstanding on the line of credit at March 31, 2008.

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

### NOTE H - TAX DEFERRED ANNUITY PLANS

The Foundation offers a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to make elective deferrals under the plan. The Foundation also contributes an amount equal to 5% of each employee's gross wages to a SEP IRA plan after completion of two years of service. For the years ended March 31, 2008 and 2007, the Foundation contributed \$25,785 and \$22,753, respectively, to the SEP IRA plan, which is included in employee benefits.

### NOTE I - LEASE OBLIGATION

The Foundation leases certain office space under a non-cancelable operating lease with a term of greater than one year. The future minimum payments under this lease are as follows:

2009	\$ 90,632
2010	95,964
2011	98,156
2012	101,808
2013	104,130
2014	67,500
	<u>\$ 558,190</u>

Rent expense related to this lease was \$86,432 and \$86,432 for the years ended March 31, 2008 and 2007, respectively, and is included in occupancy expense.