

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2012 AND 2011

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

July 17, 2012

Board of Directors
The Pride Foundation
Seattle, Washington

We have audited the accompanying statements of financial position of The Pride Foundation as of March 31, 2012 and 2011, and the related statements of activities, 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, 2012 and 2011, 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 287,506	\$ 135,087
Promises to give - current	165,259	181,117
Accounts receivable	-	48,150
Non-endowed investments	148,695	183,485
Other assets	44,084	57,722
Total Current Assets	<u>645,544</u>	<u>605,561</u>
Furniture and Equipment, net of accumulated depreciation of \$87,938 and \$62,688	109,390	131,928
Promises To Give - long-term	40,500	64,250
Endowment Investments	24,614,150	24,232,646
Marketable Securities Held for Others	27,497,951	32,948,668
Assets Held in Trust	1,153,000	1,184,286
	<u>\$ 54,060,535</u>	<u>\$ 59,167,339</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of credit	\$ -	\$ 8,000
Grants payable to others	84,663	100,465
Accounts payable and accrued expenses	65,555	44,785
Deferred revenue	2,500	5,000
Total Current Liabilities	<u>152,718</u>	<u>158,250</u>
Bequest Funds Held for Others	<u>27,497,951</u>	<u>32,948,668</u>
Total Liabilities	<u>27,650,669</u>	<u>33,106,918</u>
Net Assets		
Unrestricted	254,718	338,629
Temporarily restricted	1,923,640	1,550,690
Permanently restricted	24,231,508	24,171,102
Total Net Assets	<u>26,409,866</u>	<u>26,060,421</u>
	<u>\$ 54,060,535</u>	<u>\$ 59,167,339</u>

See notes to financial statements.

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Contributions	\$ 507,003	\$ 570,623	\$ 91,692	\$ 1,169,318	\$ 612,057	\$ 492,489	\$ 79,464	\$ 1,184,010
Bequests and memorials	187,140			187,140	8,543			8,543
In-kind donations	12,315			12,315	162,036			162,036
Interest and dividends, net	25	382,990		383,015	27,031	398,976		426,007
Fund administrative fees and other revenue	313,930			313,930	407,489			407,489
Net assets released from restrictions	1,834,834	(1,834,834)	-	-	1,457,370	(1,457,370)	-	-
Total Public Support, Revenue, and Other Support	2,855,247	(881,221)	91,692	2,065,718	2,674,526	(565,905)	79,464	2,188,085
Expenses								
Program services	2,376,386			2,376,386	1,995,661			1,995,661
Management and general	196,549			196,549	178,159			178,159
Fundraising	375,305			375,305	402,574			402,574
Total Expenses	2,948,240			2,948,240	2,576,394			2,576,394
Change in Net Assets Before Gains and Losses	(92,993)	(881,221)	91,692	(882,522)	98,132	(565,905)	79,464	(388,309)
Gains and Losses								
(Loss) gain on assets held in trust	-	-	(31,286)	(31,286)	-	-	75,462	75,462
Gain on marketable securities	9,082	1,254,171	-	1,263,253	100,228	1,494,308	-	1,594,536
Total Gains and Losses	9,082	1,254,171	(31,286)	1,231,967	100,228	1,494,308	75,462	1,669,998
Total Change in Net Assets	(83,911)	372,950	60,406	349,445	198,360	928,403	154,926	1,281,689
Net Assets - beginning of year	338,629	1,550,690	24,171,102	26,060,421	140,269	622,287	24,016,176	24,778,732
Net Assets - end of year	\$ 254,718	\$ 1,923,640	\$24,231,508	\$26,409,866	\$ 338,629	\$ 1,550,690	\$24,171,102	\$26,060,421

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,179,495	\$ 955,642
Cash received from investments	383,015	569,038
Fund administrative fees and other cash receipts	313,930	369,489
Cash paid to grantees and scholars	(1,087,976)	(943,117)
Cash paid to employees	(1,120,509)	(781,629)
Cash paid to vendors	(635,793)	(862,862)
Interest paid	<u>(1,527)</u>	<u>(10)</u>
Net Cash Used by Operating Activities	<u>(969,365)</u>	<u>(693,449)</u>
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(9,214)	(11,587)
Purchases of marketable securities	(2,776,319)	(5,245,736)
Sales of marketable securities	<u>3,823,625</u>	<u>5,805,598</u>
Net Cash Provided by Investing Activities	<u>1,038,092</u>	<u>548,275</u>
Cash Flows from Financing Activities		
Net borrowing (payments) on line of credit	(8,000)	8,000
Cash received from endowment contributions	<u>91,692</u>	<u>79,464</u>
Net Cash Provided by Financing Activities	<u>83,692</u>	<u>87,464</u>
Change in Cash and Cash Equivalents	152,419	(57,710)
Cash and Cash Equivalents - beginning of year	<u>135,087</u>	<u>192,797</u>
Cash and Cash Equivalents - end of year	<u>\$ 287,506</u>	<u>\$ 135,087</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Changes in Net Assets to		
Cash Flows from Operating Activities		
Change in net assets	\$ 349,445	\$ 1,281,689
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	31,752	13,614
Gain on marketable securities	(1,263,253)	(1,594,536)
Loss (gain) on assets held in trust	31,286	(75,462)
Donated securities	(130,767)	(112,512)
Donated property and equipment	-	(97,809)
Gain on disposal of assets	-	(38,000)
Public support restricted to endowment	(91,692)	(79,464)
Decrease (increase) in		
Promises to give	87,758	(27,654)
Marketable securities held for others	5,450,717	5,228,101
Other assets	13,638	(23,129)
(Decrease) increase in		
Grants payable to others	(15,802)	59,136
Accounts payable and accrued expenses	20,770	(4,322)
Bequest funds held for others	(5,450,717)	(5,228,101)
Deferred revenue	<u>(2,500)</u>	<u>5,000</u>
Net Cash Used by Operating Activities	<u>\$ (969,365)</u>	<u>\$ (693,449)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Pride Foundation (the Foundation) is a nonprofit corporation that inspires a culture of giving with the hopes of connecting and strengthening Northwest organizations, leaders, and students who are building lesbian, gay, bisexual, transgender, and queer (LGBTQ) equality. Through scholarships, grants, advocacy, and community leadership, Pride Foundation donors and volunteers are helping us transform our communities and culture. Pride Foundation's regional headquarters are located in Seattle, Washington, with offices in Anchorage, Alaska; Boise, Idaho; Missoula, Montana; Eugene, Oregon; and Spokane, Washington. The organization is governed by a 25-person Board of Directors and maintains a staff of 17.

Pride Foundation Scholarship Program supports education and leadership development to lesbian, gay, bisexual, transgender, queer, and straight-ally students of any age or sexual orientation from Alaska, Idaho, Montana, Oregon, and Washington who are pursuing post-secondary education (including community college, public or private colleges and universities, trade apprenticeships, or certificate programs). LGBTQ students often do not have access to traditional means of support from families. Our scholarships have the power to make a huge financial and emotional impact on their lives. During the year ended March 31, 2012, Pride Foundation awarded scholarships, with a total value of \$352,000 to 100 students for post-secondary education.

Pride Foundation funds organizations, small and large, as they strengthen and serve the lesbian, gay, bisexual, and transgender community. Often we hear that our grant is the first an organization ever received. Other times we are funding more established organizations, which are starting to serve the LGBTQ community. We are honored to put our community's resources to work supporting organizations we know are making a difference for LGBTQ equality. During the year ended March 31, 2012, Pride Foundation awarded cash grants, totaling \$711,340, to 281 non-profit organizations.

Pride Foundation uses its endowment for more than grants and scholarships; we also use our portfolio as leverage to bring equality to the companies in which we invest. To date we have worked with eleven companies to update their non-discrimination policies to include sexual orientation and/or gender identity and expression. These changes have meant better protections for over 2.9 million workers worldwide.

In each Pride Foundation community, a steering committee of a core group of volunteers with visionary ideas supports their regional LGBTQ and allied community. They raise funds, support one another in leadership development, strengthen community relationships and respond to the needs of the local community. During the year ended March 31, 2012, Pride Foundation provided training and technical assistance on fundraising, grant-making, leadership development, etc. to 350 non-profits and 900 individuals in the Northwest.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pride Foundation Fellowship Program seeks to cultivate leaders and strengthen the Pacific Northwest LGBTQ community. This fellowship experience provides an opportunity for professional development and an introduction to the work of community leadership organizations. We match six exceptional Pride Foundation Scholarship recipients and other LGBTQ and ally students with Pride Foundation grantees and other organizations committed to LGBTQ equality.

Basis of presentation

The Foundation reports 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 as follows:

	<u>2012</u>	<u>2011</u>
Earnings from Endowment	\$ 887,300	\$ 738,704
Scholarships	517,431	431,538
Grants	496,593	363,948
Racial equity	9,000	15,000
Advocacy	13,316	1,500
	<u>\$ 1,923,640</u>	<u>\$ 1,550,690</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.

Fair value measurement

In accordance with Financial Accounting Standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial Accounting Standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. The types of instruments which would generally be included in Level 1 include money market funds, equity securities, debt securities and mutual funds.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar items; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. The types of instruments which would generally be included in Level 2 include unlisted derivative financial instruments and real estate holdings.

Level 3: Pricing inputs are unobservable for the item and include situations where there is little, if any, market activity for the item. Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The types of items which would generally be included in Level 3 include equity securities issued by private entities and long term promises to give.

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.

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.

Marketable securities

Donated marketable securities are reflected as contributions at their fair value at date of donation.

Investments, both endowment and non-endowed, consist of the following at March 31:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 872,908	\$ 799,853
Government and agency bonds	3,638,094	5,596,558
Corporate bonds	2,091,274	862,235
Equities	14,785,862	14,996,489
Foreign assets	2,759,152	-
Other fixed income	615,555	-
Mutual funds	-	2,160,996
	<u>\$ 24,762,845</u>	<u>\$ 24,416,131</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable securities held for others consist of the following at March 31:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 685,642	\$ 208,934
Government and agency bonds	25,058,974	32,739,734
Corporate bonds	<u>1,753,335</u>	<u>-</u>
	<u>\$ 27,497,951</u>	<u>\$ 32,948,668</u>

Promises to give

In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received. Promises to give are initially recorded at their estimated collectible value. Any differences are recorded as contributions at the time of receipt. The fair value of promises to give is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Furniture and equipment

Furniture and equipment are stated at cost or, if donated, at fair 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, 2012 and 2011, are reported as liabilities.

Bequest funds held for others

The asset account "Marketable Securities Held for Others" and the liability account "Bequest Funds Held for Others" represent the fair 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.

In-kind goods and services

Contributed materials have been recorded on the basis of rates that otherwise would have been paid for similar goods. 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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. The Foundation receives more than 20,000 volunteer hours per year.

Revocable 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

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 reported in the statements of activities 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.

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 activities. 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, 2012 and 2011, the costs of conducting those activities included a total of \$24,254 and \$12,530 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>2012</u>	<u>2011</u>
Program services	\$ 12,127	\$ 6,265
Fundraising	12,127	6,265
	<u>\$ 24,254</u>	<u>\$ 12,530</u>

Advertising

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

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassification

Certain accounts in the March 31, 2011 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended March 31, 2011.

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2012 are due as follows:

Receivable in less than one year	\$ 165,259
Receivable in one to five years	<u>40,500</u>
Net unconditional promises to give	<u>\$ 205,759</u>

Standard calculations for discounts on long-term promises to give produced amounts that the Foundation felt were immaterial, and therefore are not recorded. The Foundation believes that promises to give are fully collectible. As of March 31, 2012, 22% of the promises to give are due from one donor.

NOTE C - ASSETS HELD IN TRUST

The Foundation is named as remainderman in three 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. Based on the terms of the agreements for two of the trusts, a noncurrent asset has been recognized at the present value of the expected future cash flow payments, one discounted at a rate of 3% and the other discounted at a rate of 1.41%. These expected cash flows represent the Foundation's share of the fair value of the trust principal at 2022. For the third trust a noncurrent asset has been recognized at the fair value of the trust at March 31, 2012. No present value of the expected future cash flow payments has been calculated.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE C - ASSETS HELD IN TRUST (Continued)

Based on the terms of the agreement, and the estimated average investment rate of return of 5%, the entire investment balance represents the estimated charitable portion. Changes in the value of these assets have been reported in the Statement of Activities as increases in permanently restricted net assets.

NOTE D - BEQUEST

During the year ended March 31, 2007 the Foundation received notification of being named as a beneficiary of an irrevocable bequest. As a result, the Foundation received a total of \$48,001,848 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 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 Marketable Securities Held for Others, an asset, and Bequest Funds Held for Others, a related liability, as the Foundation has no discretion as to their use, except in very limited circumstances as outlined in the will.

NOTE E - FUNDRAISING EXPENSES

In order to accomplish the Foundation's mission of strengthening the lesbian, gay, transgender, and bisexual community by issuing grants 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 F - LINE OF CREDIT

The Foundation has a \$200,000 revolving line of credit expiring September 2012. Bank advances on the line of credit are payable on demand and carry interest at the greater of one percentage point over the prime rate (3.25% at March 31, 2012) or a floor rate of 5%. There was \$0 and \$8,000 outstanding on the line of credit at March 31, 2012 and 2011, respectively.

NOTE G - 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 one year of service. For the years ended March 31, 2012 and 2011, the Foundation contributed \$30,384 and \$23,444 respectively, to the SEP IRA plan.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE H - LEASE OBLIGATION

The Foundation leases certain office space under a non-cancelable operating lease with a term of greater than one year. Increase in base rent for the period from November 15, 2014 to November 14, 2015 has not yet been determined, but will be based on the U.S. Consumer Price Index. The future established minimum payments under this lease for the years ending March 31 are as follows:

2013	\$	104,130
2014		108,000
2015		<u>67,500</u>
	\$	<u>279,630</u>

Rent expense related to this lease was \$101,807 and \$98,398 for the years ended March 31, 2012 and 2011, respectively, and is included in occupancy expense.

NOTE I - ENDOWMENTS

The Foundation's endowment consists of 27 individual donor-restricted funds established for a variety of purposes. Also included are permanently restricted assets held in trust as described in Note C. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Endowments in Washington State are governed by the "Uniform Prudent Management of Institutional Funds Act," UPMIFA, as stated in the Revised Code of Washington (RCW) 24.55.

The Foundation's Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets.

Endowment Oversight

Investment and Spending Policy

For endowed scholarship and granting funds, the Foundation has a policy of appropriating for distribution each year, 5 percent of its endowment fund's average fair value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. For its general endowment fund, the Foundation has a policy of appropriating for distribution each year, 5 percent of its endowment fund's average fair value over the prior 16 quarters calculated quarterly.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE I - ENDOWMENTS (Continued)

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

During the year ended March 31, 2011, the Board appropriated for the 3 year period ending March 31, 2013, up to an additional 3 percent of the endowment fund's average fair value over the prior 16 quarters calculated quarterly. This additional annual appropriation is being used for regional expansion work and increasing the Foundation's ability to utilize available technologies.

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the approved benchmark while assuming a moderate level of investment risk. The approved benchmark is made up of 42% S&P 500, 6% Russell 2000, 12% Morgan Stanley Capital International EAFE, 35% Barclays Capital US Aggregate, and 5% 3-month US Treasury Bills. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$4,391 and \$12,396 as of March 31, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE I - ENDOWMENTS (Continued)

Endowment Net Assets by Fund Type as of March 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ 135,302	\$ 990,000	\$ 1,125,302
Endowed scholarship funds	(4,391)	517,431	3,977,084	4,490,124
General endowment	-	887,301	18,111,423	18,998,724
	<u>-</u>	<u>887,301</u>	<u>18,111,423</u>	<u>18,998,724</u>
Total funds	<u>\$ (4,391)</u>	<u>\$ 1,540,034</u>	<u>\$ 23,078,507</u>	<u>\$ 24,614,150</u>

Changes in Endowment Net Assets For the Year Ended March 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ (12,396)</u>	<u>\$ 1,258,227</u>	<u>\$ 22,986,815</u>	<u>\$ 24,232,646</u>
Investment return:				
Investment income	3,692	521,991	-	525,683
Investment fees	(1,022)	(144,452)	-	(145,474)
Net gains and (losses)	9,155	1,249,773	-	1,258,928
Total investment return	11,825	1,627,312	-	1,639,137
Contributions	-	11,135	91,692	102,827
Appropriation of endowment assets for expenditure	<u>(3,820)</u>	<u>(1,356,640)</u>	<u>-</u>	<u>(1,360,460)</u>
Endowment net assets, end of year	<u>\$ (4,391)</u>	<u>\$ 1,540,034</u>	<u>\$ 23,078,507</u>	<u>\$ 24,614,150</u>

Endowment Net Assets by Fund Type as of March 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ 87,985	\$ 915,000	\$ 1,002,985
Endowed scholarship funds	(12,396)	431,538	3,960,661	4,379,803
General endowment	-	738,704	18,111,154	18,849,858
	<u>-</u>	<u>738,704</u>	<u>18,111,154</u>	<u>18,849,858</u>
Total funds	<u>\$ (12,396)</u>	<u>\$ 1,258,227</u>	<u>\$ 22,986,815</u>	<u>\$ 24,232,646</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE I - ENDOWMENTS (Continued)

Changes in Endowment Net Assets For the Year Ended March 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (136,269)	\$ 309,553	\$ 22,907,351	\$ 23,080,635
Investment return:				
Investment income	37,226	531,812	-	569,038
Investment fees	(10,195)	(132,836)	-	(143,031)
Net gains and (losses)	<u>100,228</u>	<u>1,494,308</u>	<u>-</u>	<u>1,594,536</u>
Total investment return	127,259	1,893,284	-	2,020,543
Contributions	-	11,070	79,464	90,534
Appropriation of endowment assets for expenditure	<u>(3,386)</u>	<u>(955,680)</u>	<u>-</u>	<u>(959,066)</u>
Endowment net assets, end of year	<u>\$ (12,396)</u>	<u>\$ 1,258,227</u>	<u>\$ 22,986,815</u>	<u>\$ 24,232,646</u>

NOTE J - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of March 31, 2012 and 2011 are as follows:

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
As of March 31, 2012:				
Cash and cash equivalents	\$ 1,558,550	-	-	\$ 1,558,550
Government and agency bonds	28,697,068	-	-	28,697,068
Corporate bonds	3,844,609	-	-	3,844,609
Equities	14,785,862	-	-	14,785,862
Foreign assets	2,759,152	-	-	2,759,152
Other Fixed Income	<u>615,555</u>	<u>-</u>	<u>-</u>	<u>615,555</u>
Investments	<u>52,260,796</u>	<u>-</u>	<u>-</u>	<u>52,260,796</u>
Assets held in trust	<u>-</u>	<u>-</u>	<u>1,153,000</u>	<u>1,153,000</u>
Total Assets shown at Fair Value	<u>\$ 52,260,796</u>	<u>\$ -</u>	<u>\$ 1,153,000</u>	<u>\$ 53,413,796</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

NOTE J - FAIR VALUE MEASUREMENTS (Continued)

	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of March 31, 2011:				
Cash and cash equivalents	\$ 1,008,787	-	-	1,008,787
Government and agency bonds	38,336,292	-	-	38,336,292
Corporate bonds	862,235	-	-	862,235
Equities	14,996,489	-	-	14,996,489
Mutual funds	<u>2,160,996</u>	-	-	<u>2,160,996</u>
Investments	<u>57,364,799</u>	-	-	<u>57,364,799</u>
Assets held in trust	-	-	<u>1,184,286</u>	<u>1,184,286</u>
Total Assets shown at Fair Value	<u>\$ 57,364,799</u>	<u>\$ -</u>	<u>\$ 1,184,286</u>	<u>\$ 58,549,085</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Assets Held in Trust
Fair Value as of April 1, 2010	\$ 1,108,824
Additions:	
Total gains or losses included in change in net assets	<u>75,462</u>
Fair Value as of March 31, 2011	1,184,286
Additions:	
Total gains or losses included in change in net assets	<u>(31,286)</u>
Fair Value as of March 31, 2012	<u>\$ 1,153,000</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2012 through July 17, 2012, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at March 31, 2012, including the estimates inherent in the processing of financial statements.