

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2007 AND 2006

THE PRIDE FOUNDATION  
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YEARS ENDED MARCH 31, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

August 23, 2007

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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 220,099	\$ 271,599
Marketable securities	2,472,983	2,233,102
Promises to give - current	390,544	440,476
Bequest receivable - current	12,478,386	-
Bequest receivable held for others - current	30,156,099	-
Other assets	<u>38,682</u>	<u>42,346</u>
Total Current Assets	45,756,793	2,987,523
Furniture and Equipment, net of accumulated depreciation of \$97,258 and \$99,733	17,248	18,858
Promises To Give - long-term	59,455	559,428
Bequest Receivable - long-term	1,386,702	-
Bequest Receivable Held for Others - long-term	3,351,197	-
Assets Held in Trust	<u>1,283,547</u>	<u>1,239,278</u>
	<u>\$51,854,942</u>	<u>\$ 4,805,087</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Grants payable to others	\$ 85,453	\$ 194,059
Accounts payable and accrued expenses	28,230	43,520
Line of credit	-	80,000
Total Current Liabilities	<u>113,683</u>	<u>317,579</u>
Bequest Funds Held for Others	<u>33,507,296</u>	-
Total Liabilities	<u>33,620,979</u>	<u>317,579</u>
Net Assets		
Unrestricted	595,309	867,639
Temporarily restricted	766,205	649,402
Permanently restricted	<u>16,872,449</u>	<u>2,970,467</u>
Total Net Assets	<u>18,233,963</u>	<u>4,487,508</u>
	<u>\$51,854,942</u>	<u>\$ 4,805,087</u>

THE PRIDE FOUNDATION

STATEMENTS OF UNRESTRICTED ACTIVITIES

YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Unrestricted Public Support and Revenue		
Unrestricted Public Support		
Contributions	\$ 1,090,362	\$ 1,139,724
In-kind donations	10,668	8,899
Total Unrestricted Public Support	<u>1,101,030</u>	<u>1,148,623</u>
Revenue		
Gain on marketable securities	64,041	128,245
Interest and dividends	52,455	47,278
Other revenue	19,186	18,851
Total Revenue	<u>135,682</u>	<u>194,374</u>
Total Unrestricted Public Support and Revenue	<u>1,236,712</u>	<u>1,342,997</u>
Net Assets Released from Restrictions		
Satisfaction of program restrictions	354,688	216,259
Satisfaction of time restrictions	-	100,000
Total Net Assets Released from Restrictions	<u>354,688</u>	<u>316,259</u>
Total Unrestricted Public Support, Revenue, and Other Support	<u>1,591,400</u>	<u>1,659,256</u>
Expenses		
Program services	1,414,534	1,575,835
Management and general	158,880	135,789
Fundraising	290,316	299,503
Total Expenses	<u>1,863,730</u>	<u>2,011,127</u>
Change in Unrestricted Net Assets	<u>\$ (272,330)</u>	<u>\$ (351,871)</u>

THE PRIDE FOUNDATION

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2007 AND 2006

	2007				2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenue, and Other Support								
Unrestricted public support and revenue	\$ 1,236,712			\$ 1,236,712	\$ 1,342,997			\$ 1,342,997
Restricted public support and revenue								
Contributions		\$ 443,882	\$13,857,713	14,301,595	\$ 204,449	\$ 125		204,574
Gain on assets held in trust		-	44,269	44,269		-	79,554	79,554
Gain on marketable securities		27,609	-	27,609		30,226	-	30,226
Net assets released from restrictions	<u>354,688</u>	<u>(354,688)</u>	<u>-</u>	<u>-</u>	<u>316,259</u>	<u>(316,259)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	1,591,400	116,803	13,901,982	15,610,185	1,659,256	(81,584)	79,679	1,657,351
Expenses	<u>1,863,730</u>			<u>1,863,730</u>	<u>2,011,127</u>			<u>2,011,127</u>
Changes in Net Assets	(272,330)	116,803	13,901,982	13,746,455	(351,871)	(81,584)	79,679	(353,776)
Net Assets - beginning of year	<u>867,639</u>	<u>649,402</u>	<u>2,970,467</u>	<u>4,487,508</u>	<u>1,219,510</u>	<u>730,986</u>	<u>2,890,788</u>	<u>4,841,284</u>
Net Assets - end of year	<u>\$ 595,309</u>	<u>\$ 766,205</u>	<u>\$16,872,449</u>	<u>\$18,233,963</u>	<u>\$ 867,639</u>	<u>\$ 649,402</u>	<u>\$ 2,970,467</u>	<u>\$ 4,487,508</u>

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2007 AND 2006

	2007				2006			
	Program Services	Management and		Total	Program Services	Management and		Total
		General	Fundraising			General	Fundraising	
Salaries	\$ 326,080	\$ 81,733	\$ 96,116	\$ 503,929	\$ 283,817	\$ 73,798	\$ 115,769	\$ 473,384
Payroll taxes	25,064	5,988	7,434	38,486	24,300	5,959	9,769	40,028
Employee benefits	49,115	10,997	13,923	74,035	43,353	10,573	16,805	70,731
Total Salaries and Related Expenses	400,259	98,718	117,473	616,450	351,470	90,330	142,343	584,143
Grants to others	706,280	-	-	706,280	908,432	-	-	908,432
Occupancy	76,395	13,763	28,152	118,310	76,485	13,736	27,846	118,067
Professional services	51,672	2,539	62,112	116,323	41,791	2,455	56,867	101,113
Dues, conferences, and training	62,228	686	4,597	67,511	56,043	696	6,892	63,631
Events and catering	38,848	6,651	18,260	63,759	43,839	7,273	13,160	64,272
Copying and printing	24,229	2,190	24,817	51,236	25,674	1,306	19,331	46,311
Bank and investment fees	5,094	23,605	6,038	34,737	6,744	11,869	5,689	24,302
Postage	13,441	945	8,482	22,868	12,954	1,002	9,178	23,134
Supplies and equipment	11,857	1,856	2,978	16,691	7,081	741	1,778	9,600
Telephone	10,039	656	1,727	12,422	7,329	658	1,997	9,984
In-kind expense	2,963	3,380	4,325	10,668	1,723	1,400	5,776	8,899
Depreciation	5,552	1,062	2,136	8,750	8,069	1,358	3,238	12,665
Bad debt expense	-	-	7,798	7,798	-	-	-	-
Insurance	1,852	2,722	476	5,050	1,713	2,645	607	4,965
Advertising and promotion	3,825	107	945	4,877	26,488	320	4,801	31,609
Total Expenses	<u>\$1,414,534</u>	<u>\$ 158,880</u>	<u>\$ 290,316</u>	<u>\$1,863,730</u>	<u>\$1,575,835</u>	<u>\$ 135,789</u>	<u>\$ 299,503</u>	<u>\$2,011,127</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 1,362,734	\$ 1,395,319
Cash received from investments	52,455	47,278
Other cash receipts	19,186	18,851
Cash paid to grantees	(814,886)	(937,143)
Cash paid to employees	(615,112)	(582,497)
Cash paid to vendors	(534,843)	(484,755)
Interest paid	(7,501)	(2,022)
Net Cash Used by Operating Activities	<u>(537,967)</u>	<u>(544,969)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture and equipment	(7,140)	(7,519)
Purchases of marketable securities	(812,433)	(1,872,542)
Sales of marketable securities	1,385,915	2,127,107
Net Cash Provided by Investing Activities	<u>566,342</u>	<u>247,046</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligation	-	(3,420)
Net (repayments) borrowings on line of credit	(80,000)	80,000
Cash received from endowment contributions	125	157,861
Net Cash (Used) Provided by Financing Activities	<u>(79,875)</u>	<u>234,441</u>
Change in Cash and Cash Equivalents	(51,500)	(63,482)
Cash and Cash Equivalents - beginning of year	<u>271,599</u>	<u>335,081</u>
Cash and Cash Equivalents - end of year	<u>\$ 220,099</u>	<u>\$ 271,599</u>



THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Reconciliation of Changes in Net Assets to</b>		
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 13,746,455	\$ (353,776)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	8,750	12,665
Gain on marketable securities	(91,650)	(158,471)
Gain on assets held in trust	(44,269)	(79,554)
Donated securities	(721,713)	(362,616)
Public support restricted to endowment	(125)	(125)
Receipt of trust assets	-	101,062
Decrease (increase) in		
Promises to give	549,905	312,700
Bequest receivable	(13,865,088)	-
Bequest receivable - held for others	(33,507,296)	-
Other assets	3,664	990
(Decrease) increase in		
Grants payable to others, net of amounts paid by third parties	(108,606)	(28,711)
Accounts payable and accrued expenses	(15,290)	10,867
Bequest funds held for others	<u>33,507,296</u>	<u>-</u>
Net Cash Used by Operating Activities	<u>\$ (537,967)</u>	<u>\$ (544,969)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Pride Foundation (the Foundation) is a nonprofit corporation working to strengthen our lesbian, gay, transgender, and bisexual community today, and build an endowment fund for tomorrow. The Foundation funds a wide range of projects primarily in Washington State, extending to the four neighboring states of 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>2007</u>	<u>2006</u>
Scholarships	\$ 460,298	\$ 385,810
Grants	271,717	246,216
Youth Grants	22,500	-
Advocacy	<u>11,690</u>	<u>17,376</u>
Total temporarily restricted net assets	<u>\$ 766,205</u>	<u>\$ 649,402</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, 2007 and 2006 are \$1,283,547 and \$1,239,278, respectively, held in trust as described in Note C.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2007</u>	<u>2006</u>
Checking account	\$ 12,296	\$ 158,938
Savings account	-	10,604
Money market accounts	<u>207,803</u>	<u>102,057</u>
	<u>\$ 220,099</u>	<u>\$ 271,599</u>

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>2007</u>	<u>2006</u>
Stocks	\$1,569,374	\$1,616,523
Bonds	<u>903,609</u>	<u>616,579</u>
	<u>\$2,472,983</u>	<u>\$2,233,102</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, 2007 or 2006.

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, 2007 and 2006, are reported as liabilities.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bequest funds held for others

The asset account "Bequest Receivable - Held for Others" and the liability account "Bequest Funds Held for Others" represent the estimated 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 7,500 volunteer hours per year.

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.

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.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 and 2006, the costs of conducting those activities included a total of \$16,576 and \$13,246, 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>2007</u>	<u>2006</u>
Program services	\$ 8,288	\$ 6,623
Fundraising	<u>8,288</u>	<u>6,623</u>
	<u>\$ 16,576</u>	<u>\$ 13,246</u>

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2007 are due as follows:

Receivable in less than one year (net of allowance for uncollectible accounts of \$3,195)	\$ 390,544
Receivable in one to five years (net of allowance for uncollectible accounts of \$3,282)	<u>62,362</u>
Total unconditional promises to give	452,906
Less discounts to net present value at 2%	<u>(2,907)</u>
Net unconditional promises to give	<u>\$ 449,999</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.

## THE PRIDE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

#### 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 sixteen other member agencies. As an agent, the Foundation processed \$34,616 and \$27,500 of member agencies' receipts and disbursements for the years ended March 31, 2007 and 2006, respectively. These receipts are recorded as a receivable and as an offsetting obligation to the respective member agencies when pledged.

#### NOTE E - BEQUEST

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

The Foundation is also the beneficiary of an estimated \$33,507,296 which is to be invested by the Foundation and 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 at least reasonably possible that actual future receipts will differ from these estimates due to several variables including estate taxes and fees, market fluctuation, and valuation of payments to others named in the will. For the year ended March 31, 2007, 91% of the Foundation's public support and revenue was from this bequest. This number is exceptional and unusual based on a 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 2007. Bank advances on the line of credit are payable on demand and carry interest at one percentage point over the prime rate (9.25% at March 31, 2007). There was no balance outstanding on the line of credit at March 31, 2007.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

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, 2007 and 2006, the Foundation contributed \$22,753 and \$20,063, 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:

2008	\$	87,432
2009		<u>54,645</u>
	\$	<u>142,077</u>

Rent expense related to this lease was \$86,432 and \$89,022 for the years ended March 31, 2007 and 2006, respectively, and is included in occupancy expense.