

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2010 AND 2009

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

July 20, 2010

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, 2010 and 2009, and the related statements of activities, 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, 2010 and 2009, 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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 196,755	\$ 190,735
Promises to give - current	151,505	244,011
Non-endowed investments	188,310	131,223
Other assets	34,593	47,395
Total Current Assets	571,163	613,364
Furniture and Equipment, net of accumulated depreciation of \$49,073 and \$67,240	46,146	16,942
Promises To Give - long-term	66,358	40,367
Endowment Investments	23,076,677	18,120,593
Marketable Securities Held for Others	38,176,769	43,637,212
Assets Held in Trust	1,108,824	897,720
	\$ 63,045,937	\$ 63,326,198
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of credit	\$ -	\$ 105,000
Grants payable to others	41,329	104,446
Accounts payable and accrued expenses	49,107	55,176
Deferred revenue	-	15,000
Total Current Liabilities	90,436	279,622
Bequest Funds Held for Others	38,176,769	43,637,212
Total Liabilities	38,267,205	43,916,834
Net Assets		
Unrestricted	140,269	(4,188,497)
Temporarily restricted	622,287	680,126
Permanently restricted	24,016,176	22,917,735
Total Net Assets	24,778,732	19,409,364
	\$ 63,045,937	\$ 63,326,198

See notes to financial statements.

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Contributions	\$ 828,607	\$ 716,480	\$ 887,337	\$ 2,432,424	\$ 794,033	\$ 422,280	\$ 747,365	\$ 1,963,678
In-kind donations	45,377			45,377	10,084			10,084
Interest and dividends	508,026			508,026	671,207			671,207
Fund administrative fees and other revenue	425,750			425,750	452,927			452,927
Net assets released from restrictions	1,001,412	(1,001,412)	-	-	393,864	(393,864)	-	-
Total Public Support, Revenue, and Other Support	2,809,172	(284,932)	887,337	3,411,577	2,322,115	28,416	747,365	3,097,896
Expenses								
Program services	2,158,648			2,158,648	1,815,099			1,815,099
Management and general	239,274			239,274	293,614			293,614
Fundraising	261,445			261,445	303,259			303,259
Total Expenses	2,659,367			2,659,367	2,411,972			2,411,972
Change in Net Assets Before Gains and Losses	149,805	(284,932)	887,337	752,210	(89,857)	28,416	747,365	685,924
Gains and Losses								
Gain (loss) on assets held in trust	-	-	211,104	211,104	-	-	(342,387)	(342,387)
Gain (loss) on marketable securities	4,178,961	227,093	-	4,406,054	(4,495,149)	(130,109)	-	(4,625,258)
Total Gains and Losses	4,178,961	227,093	211,104	4,617,158	(4,495,149)	(130,109)	(342,387)	(4,967,645)
Donor Clarification of Restriction	-	-	-	-	(64,092)	(263,774)	327,866	-
Total Change in Net Assets	4,328,766	(57,839)	1,098,441	5,369,368	(4,649,098)	(365,467)	732,844	(4,281,721)
Net Assets - beginning of year	(4,188,497)	680,126	22,917,735	19,409,364	460,601	1,045,593	22,184,891	23,691,085
Net Assets - end of year	\$ 140,269	\$ 622,287	\$24,016,176	\$24,778,732	\$ (4,188,497)	\$ 680,126	\$22,917,735	\$19,409,364

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2010 AND 2009

	2010				2009			
	Management and			Total	Management and			Total
	Program Services	General	Fundraising		Program Services	General	Fundraising	
Salaries	\$ 397,249	\$ 76,438	\$ 86,691	\$ 560,378	\$ 516,434	\$ 99,995	\$ 113,313	\$ 729,742
Payroll taxes	34,080	6,693	8,587	49,360	40,502	8,049	11,891	60,442
Employee benefits	61,316	12,232	15,945	89,493	69,780	14,101	18,028	101,909
Total Salaries and Related Expenses	492,645	95,363	111,223	699,231	626,716	122,145	143,232	892,093
Grants and scholarships	1,234,158	-	-	1,234,158	784,852	-	-	784,852
Professional services	152,172	3,734	57,779	213,685	58,994	10,462	57,639	127,095
Bank and investment fees	25,232	111,240	6,860	143,332	26,040	121,775	2,289	150,104
Occupancy	97,006	15,774	20,772	133,552	99,804	15,179	22,071	137,054
Events and catering	40,714	3,914	13,678	58,306	50,155	11,816	13,015	74,986
Dues, conferences, and training	44,537	178	1,223	45,938	80,958	3,594	5,216	89,768
Copying and printing	15,219	163	17,016	32,398	22,404	539	19,713	42,656
Postage	14,195	1,129	9,350	24,674	16,176	970	12,063	29,209
Supplies and equipment	11,313	1,556	2,360	15,229	14,608	2,081	3,031	19,720
Bad debt expense (unpaid pledges)	-	-	14,070	14,070	-	-	19,430	19,430
In-kind expense	9,265	1,509	3,164	13,938	9,107	174	803	10,084
Telephone	10,354	818	1,098	12,270	12,175	708	1,030	13,913
Depreciation	5,954	1,006	1,807	8,767	4,124	697	1,427	6,248
Advertising and promotion	3,996	286	640	4,922	6,872	702	1,767	9,341
Insurance	1,888	2,604	405	4,897	2,114	2,772	533	5,419
Total Expenses	<u>\$2,158,648</u>	<u>\$ 239,274</u>	<u>\$ 261,445</u>	<u>\$2,659,367</u>	<u>\$1,815,099</u>	<u>\$ 293,614</u>	<u>\$ 303,259</u>	<u>\$2,411,972</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,420,292	\$ 1,179,183
Cash received from investments	508,026	671,207
Other cash receipts	425,750	452,927
Cash paid to grantees and scholars	(1,297,275)	(797,399)
Cash paid to employees	(699,700)	(894,078)
Cash paid to vendors	(679,647)	(730,243)
Interest paid	(2,354)	(3,999)
Net Cash Used by Operating Activities	<u>(324,908)</u>	<u>(122,402)</u>
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(6,532)	(4,756)
Purchases of marketable securities	(11,912,859)	(16,702,459)
Sales of marketable securities	11,467,982	15,836,125
Net Cash Used by Investing Activities	<u>(451,409)</u>	<u>(871,090)</u>
Cash Flows from Financing Activities		
Net (payments) borrowing on line of credit	(105,000)	105,000
Cash received from endowment contributions	887,337	747,365
Net Cash Provided by Financing Activities	<u>782,337</u>	<u>852,365</u>
Change in Cash and Cash Equivalents	6,020	(141,127)
Cash and Cash Equivalents - beginning of year	<u>190,735</u>	<u>331,862</u>
Cash and Cash Equivalents - end of year	<u>\$ 196,755</u>	<u>\$ 190,735</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Changes in Net Assets to		
Cash Flows from Operating Activities		
Changes in net assets	\$ 5,369,368	\$ (4,281,721)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	8,767	6,248
(Gain) loss on marketable securities	(4,406,054)	4,625,258
(Gain) loss on assets held in trust	(211,104)	342,387
Donated securities	(162,240)	(136,419)
Donated property and equipment	(31,439)	-
Public support restricted to endowment	(887,337)	(747,365)
Decrease (increase) in		
Promises to give	66,515	102,359
Marketable securities held for others	5,460,443	2,484,580
Other assets	12,802	(4,084)
(Decrease) increase in		
Grants payable to others, net of amounts paid by third parties	(63,117)	(12,547)
Accounts payable and accrued expenses	(6,069)	5,982
Bequest funds held for others	(5,460,443)	(2,484,580)
Deferred revenue	<u>(15,000)</u>	<u>(22,500)</u>
Net Cash Used by Operating Activities	<u>\$ (324,908)</u>	<u>\$ (122,402)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Pride Foundation (the Foundation) is a nonprofit corporation that inspires a culture of generosity that connects and strengthens Northwest organizations, leaders, and students who are creating lesbian, gay, bisexual, transgender and queer 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 available as follows:

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 302,784	\$ 227,459
Grants	279,751	221,022
Youth Granting	30,716	144,075
Racial Equity	9,036	86,855
Advocacy	-	715
	<u>\$ 622,287</u>	<u>\$ 680,126</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.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2010</u>	<u>2009</u>
Money Market	\$ 155,945	\$ 1,856,192
Stocks	12,702,523	7,328,149
Fixed Income	8,160,319	7,920,865
Mutual Funds	<u>2,246,200</u>	<u>1,146,610</u>
	<u>\$ 23,264,987</u>	<u>\$ 18,251,816</u>

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

	<u>2010</u>	<u>2009</u>
Money Market	\$ 511,697	\$ 2,434,801
Fixed Income	<u>37,665,072</u>	<u>41,202,411</u>
	<u>\$ 38,176,769</u>	<u>\$ 43,637,212</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 shown net of the allowance for uncollectible amounts. 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, 2010 and 2009, 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 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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 20,000 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.

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.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the years ended March 31, 2010 and 2009, the costs of conducting those activities included a total of \$30,176 and \$34,200, 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>2010</u>	<u>2009</u>
Program services	\$ 15,088	\$ 17,100
Fundraising	<u>15,088</u>	<u>17,100</u>
	<u>\$ 30,176</u>	<u>\$ 34,200</u>

Advertising

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

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.

Reclassifications

Certain accounts in the March 31, 2009 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, 2009.

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2010 are due as follows:

Receivable in less than one year	\$ 151,505
Receivable in one to five years	<u>66,358</u>
Net unconditional promises to give	<u>\$ 217,863</u>

Standard calculations for allowance for uncollectible accounts and discounts on long-term pledges produced amounts that the Foundation felt were immaterial, and therefore not recorded.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

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 - 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 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. As of March 31, 2010 and 2009 the fair value of these funds was \$38,176,769 and \$43,637,212.

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 October 2010. 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, 2010) or a floor rate of 5%. There was no balance outstanding on the line of credit at March 31, 2010.

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 two years of service. For the years ended March 31, 2010 and 2009, the Foundation contributed \$25,320 and \$27,362, respectively, to the SEP IRA plan, which is included in employee benefits.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

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:

2011	\$ 98,156
2012	101,808
2013	104,130
2014	108,000
2015	<u>67,500</u>
	<u>\$ 479,594</u>

Rent expense related to this lease was \$95,964 and \$90,632 for the years ended March 31, 2010 and 2009, respectively, and is included in occupancy expense.

NOTE I - CONDITIONAL PROMISE TO GIVE

During the year ended March 31, 2009, the Foundation received a project support grant in the amount of \$370,000 from the Bill and Melinda Gates Foundation towards work with LGBT youth in Washington and Portland. As of March 31, 2010, \$230,000 of this grant has been received. The remaining \$140,000 is a conditional promise to give contingent on the Foundation raising funding from other sources towards the project. As of March 31, 2010, the conditional promise has not been recorded. Amounts from this promise will be recorded as conditions of the grant are met.

NOTE J - ENDOWMENTS

The Foundation's endowment consists of approximately 24 individual funds established for a variety of purposes. Also included are permanently restricted assets held in trust as described in Note C. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Effective July 1, 2009, endowments in Washington State are now governed by the "Uniform Prudent Management of Institutional Funds Act," UPMIFA, as stated in the Revised Code of Washington (RCW) 24.55. This new law superseded RCW 24.44, the "Uniform Management of Institutional Funds Act," which was in place for many prior years.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE J - ENDOWMENTS (Continued)

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.

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.

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) as well as board-designated funds. 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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE J - ENDOWMENTS (Continued)

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 \$136,270 and \$4,089,880 as of March 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Endowment Net Assets by Fund Type as of March 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ 6,769	\$ 890,000	\$ 896,769
Endowed scholarship funds	(26,573)	302,784	3,929,932	4,206,143
General endowment	(109,697)	-	19,196,244	19,086,547
Total funds	<u>\$ (136,270)</u>	<u>\$ 309,553</u>	<u>\$ 24,016,176</u>	<u>\$ 24,189,459</u>

Changes in Endowment Net Assets For the Year Ended March 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ (4,089,880)</u>	<u>\$ 227,458</u>	<u>\$ 22,917,735</u>	<u>\$ 19,055,313</u>
Investment return:				
Investment income	483,641	20,868	-	504,509
Investment fees	(124,480)	(5,361)	-	(129,841)
Net gains and (losses)	<u>4,200,128</u>	<u>178,547</u>	<u>211,104</u>	<u>4,589,779</u>
Total investment return	4,559,289	194,054	211,104	4,964,447
Contributions	-	7,596	887,337	894,933
Appropriation of endowment assets for expenditure	<u>(605,679)</u>	<u>(119,555)</u>	<u>-</u>	<u>(725,234)</u>
Endowment net assets, end of year	<u>\$ (136,270)</u>	<u>\$ 309,553</u>	<u>\$ 24,016,176</u>	<u>\$ 24,189,459</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE J - ENDOWMENTS (Continued)

Endowment Net Assets by Fund Type as of March 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ -	\$ 40,000	\$ 40,000
Endowed scholarship funds	(734,062)	227,458	3,886,594	3,379,990
General endowment	(3,355,818)	-	18,991,141	15,635,323
Total funds	<u>\$ (4,089,880)</u>	<u>\$ 227,458</u>	<u>\$ 22,917,735</u>	<u>\$ 19,055,313</u>

Changes in Endowment Net Assets For the Year Ended March 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 216,120</u>	<u>\$ 569,579</u>	<u>\$ 22,184,891</u>	<u>\$ 22,970,590</u>
Investment return:				
Investment income	665,928		-	665,928
Investment fees	(105,152)	(5,732)	-	(110,884)
Net gains and (losses)	<u>(4,521,589)</u>	<u>(103,669)</u>	<u>(342,387)</u>	<u>(4,967,645)</u>
Total investment return	(3,960,813)	(109,401)	(342,387)	(4,412,601)
Contributions	-	54,036	747,365	801,401
Appropriation of endowment assets for expenditure	(281,095)	(22,982)	-	(304,077)
Other changes: Donor clarification of restriction	<u>(64,092)</u>	<u>(263,774)</u>	<u>327,866</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (4,089,880)</u>	<u>\$ 227,458</u>	<u>\$ 22,917,735</u>	<u>\$ 19,055,313</u>

NOTE K - FAIR VALUE MEASUREMENTS

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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; 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.

Level 3: 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.

Assets carried at fair value on a recurring basis (at least annually) using level 1 inputs include money market funds, equity securities, debt securities, and mutual funds. The Foundation had no items carried at fair value on a recurring basis using level 2 inputs as of March 31, 2010. The interest in certain charitable remainder trust agreements administered by others was the only asset or liability valued on a recurring basis using level 3 inputs (see Note C). Assets held in trust activity for the years ended March 31 is as follows:

	<u>2010</u>	<u>2009</u>
Fair Value - Beginning of Year	\$ 897,720	\$ 1,240,107
Gain (loss) on assets held in trust	<u>211,104</u>	<u>(342,387)</u>
Fair Value - End of Year	<u>\$ 1,108,824</u>	<u>\$ 897,720</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 L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2010 through July 20, 2010 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, 2010, including the estimates inherent in the processing of financial statements.