

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2016 AND 2015



Pride
Foundation

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

July 19, 2016

Board of Directors
The Pride Foundation
Seattle, Washington

We have audited the accompanying financial statements of The Pride Foundation (a nonprofit corporation), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of The Pride Foundation as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

THE PRIDE FOUNDATION
STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 885,417	\$ 705,213
Promises to give - current	44,650	72,187
Note receivable - current	2,298	-
Other receivables	387	860
Non-endowed investments	107,495	124,815
Other assets	46,322	55,074
Total Current Assets	1,086,569	958,149
Furniture and Equipment, net of accumulated depreciation of \$170,669 and \$160,684	1,490	21,784
Note Receivable, less current portion above	65,348	-
Endowment Investments	26,360,037	26,621,037
Marketable Securities Held for Others	3,197,110	9,239,649
Assets Held in Trust	1,198,158	1,294,709
	<u>\$ 31,908,712</u>	<u>\$ 38,135,328</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Grants payable to others	\$ 148,796	\$ 199,072
Accounts payable and accrued expenses	62,805	83,440
Total Current Liabilities	211,601	282,512
Grants Payable to Others - long-term	-	75,000
Bequest Funds Held for Others	3,197,110	9,239,649
Total Liabilities	<u>3,408,711</u>	<u>9,597,161</u>
Net Assets		
Unrestricted	159,746	4,275
Temporarily restricted	3,578,818	3,928,106
Permanently restricted	24,761,437	24,605,786
Total Net Assets	<u>28,500,001</u>	<u>28,538,167</u>
	<u>\$ 31,908,712</u>	<u>\$ 38,135,328</u>

See notes to financial statements.

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Contributions	\$ 535,659	\$ 959,336	\$ 26,452	\$ 1,521,447	\$ 491,418	\$ 813,571	\$ 86,196	\$ 1,391,185
Bequests	-	169,756	225,750	395,506	-	-	-	-
In-kind donations	19,718			19,718	28,115			28,115
Interest and dividends, net	-	470,504		470,504	-	439,733		439,733
Fund administrative fees and other revenue	112,044			112,044	137,198			137,198
Net assets released from purpose restrictions	2,573,599	(2,573,599)		-	2,225,991	(2,225,991)		-
Total Public Support, Revenue, and Other Support	3,241,020	(974,003)	252,202	2,519,219	2,882,722	(972,687)	86,196	1,996,231
Expenses								
Program services	2,606,549			2,606,549	2,447,732			2,447,732
Management and general	195,785			195,785	199,169			199,169
Fundraising	281,113			281,113	319,268			319,268
Total Expenses	3,083,447			3,083,447	2,966,169			2,966,169
Change in Net Assets Before Gains and Losses	157,573	(974,003)	252,202	(564,228)	(83,447)	(972,687)	86,196	(969,938)
Gains and Losses								
(Loss) gain on assets held in trust	-	-	(96,551)	(96,551)	-	-	25,767	25,767
(Loss) gain on marketable securities	(2,102)	624,715	-	622,613	(2,444)	1,234,167	-	1,231,723
Total Gains and Losses	(2,102)	624,715	(96,551)	526,062	(2,444)	1,234,167	25,767	1,257,490
Total Change in Net Assets	155,471	(349,288)	155,651	(38,166)	(85,891)	261,480	111,963	287,552
Net Assets - beginning of year	4,275	3,928,106	24,605,786	28,538,167	90,166	3,666,626	24,493,823	28,250,615
Net Assets - end of year	\$ 159,746	\$ 3,578,818	\$ 24,761,437	\$ 28,500,001	\$ 4,275	\$ 3,928,106	\$ 24,605,786	\$ 28,538,167

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,692,288	\$ 1,508,812
Fund administrative fees and other cash receipts	115,212	140,890
Cash paid to grantees and scholars	(1,349,060)	(1,217,394)
Cash paid to employees	(1,096,277)	(919,028)
Cash paid to vendors	<u>(898,249)</u>	<u>(741,823)</u>
Net Cash Used by Operating Activities	<u>(1,536,086)</u>	<u>(1,228,543)</u>
Cash Flows from Investing Activities		
Principal payments from note receivable	919	-
Purchases of marketable securities	(1,094,352)	(6,116,334)
Sales of marketable securities	<u>2,626,086</u>	<u>7,547,003</u>
Net Cash Provided by Investing Activities	<u>1,532,653</u>	<u>1,430,669</u>
Cash Flows Provided by Financing Activities		
Cash received from endowment contributions	<u>183,637</u>	<u>86,196</u>
Change in Cash and Cash Equivalents	180,204	288,322
Cash and Cash Equivalents - beginning of year	<u>705,213</u>	<u>416,891</u>
Cash and Cash Equivalents - end of year	<u>\$ 885,417</u>	<u>\$ 705,213</u>
Noncash investing and financing activities		
Donated note receivable	<u>\$ 68,565</u>	<u>\$ -</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Change in Net Assets to		
Cash Flows from Operating Activities		
Change in net assets	\$ (38,166)	\$ 287,552
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	20,294	31,589
Gain on marketable securities	(622,613)	(1,231,723)
Reinvested interest and dividends	(630,801)	(436,405)
Loss (gain) on assets held in trust	96,551	(25,767)
Public support restricted to endowment	(252,202)	(86,196)
Decrease (increase) in:		
Promises to give	27,537	216,842
Other receivables	473	364
Marketable securities held for others	6,042,539	6,077,519
Other assets	8,752	(12,303)
(Decrease) increase in:		
Grants payable to others	(125,276)	8,202
Accounts payable and accrued expenses	(20,635)	25,802
Bequest funds held for others	(6,042,539)	(6,077,519)
Deferred revenue	-	(6,500)
Net Cash Used by Operating Activities	<u>\$ (1,536,086)</u>	<u>\$ (1,228,543)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Pride Foundation (the Foundation) is a nonprofit corporation that inspires giving to expand opportunities and advance full equality for LGBTQ people across the Northwest. Through scholarships, grants, advocacy, and community leadership, the Foundation donors and volunteers are helping us transform our communities and culture. The Foundation's regional headquarters are located in Seattle, Washington, with offices in Anchorage, Alaska; Boise, Idaho; Helena, Montana; Portland, Oregon; and Spokane, Washington. The Foundation is governed by a 23-person Board of Directors and maintains a staff of 15. Ten staff members are based in the Seattle office and five staff members are based throughout the 5-state region in the other offices identified above.

Scholarships

The Pride Foundation Scholarship Program supports education and leadership development to LGBTQ 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, 2016, the Foundation awarded scholarships, with a total value of \$403,850 to 124 students for post-secondary education.

Grants

The Foundation funds organizations, small and large, as they strengthen and serve the LGBTQ 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, 2016, the Foundation awarded cash grants totaling \$851,450 to 236 non-profit organizations.

Shareholder Advocacy

The 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 25 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 3.3 million workers worldwide.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regional Leadership

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, 2016, the Foundation provided training and technical assistance on fundraising, grant-making, leadership development, et cetera, to 350 non-profits and 900 individuals in the Northwest.

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>2016</u>	<u>2015</u>
Earnings from Endowment	\$ 1,559,608	\$ 1,981,692
Scholarships	980,231	1,005,591
Grants	631,265	710,982
Religious Exemptions	261,309	107,361
Homeless LGBTQ Youth Initiative	65,026	64,000
Advocacy	40,664	49,634
Racial Equity	23,646	3,846
Regional Fellow	17,069	-
StoryCorps	-	5,000
	<u>\$ 3,578,818</u>	<u>\$ 3,928,106</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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

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.

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.

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.

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, 2016 AND 2015

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.

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>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 765,038	\$ 73,840
Government and agency bonds	4,512,891	5,473,698
Corporate bonds	1,623,715	1,543,090
Equities	17,359,335	17,561,790
Foreign equities	1,616,211	1,498,144
Other fixed income	590,342	595,290
	<u>\$ 26,467,532</u>	<u>\$ 26,745,852</u>

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 132,909	\$ 517,691
Government and agency bonds	3,064,201	8,721,958
	<u>\$ 3,197,110</u>	<u>\$ 9,239,649</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. The Foundation believes that promises to give are fully collectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Notes receivable

Notes receivable are stated at net realizable value. Interest income on notes receivable is recognized in the period earned.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,500 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, are reported as liabilities. Grants payable in more than one year are included in long-term liabilities. All grants are payable within five years.

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. 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.

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 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, 2016 AND 2015

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE B - 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. Changes in the value of these assets have been reported in the statement of activities as increases or decreases in permanently restricted net assets.

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, 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. 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. For the third trust a noncurrent asset has been recognized at the fair value of the trust at March 31, 2016. No present value of the expected future cash flow payments has been calculated.

NOTE C - NOTE RECEIVABLE

As part of a bequest, the Foundation was granted all right, title and beneficial interest including the money due and to become due under a Promissory Note secured by personal property. The balance due on the Note at the time of the bequest was \$68,565. Monthly payments of principal and interest are due in the amount of \$525 with interest at 6% per annum. The Note is due and payable in full upon the earlier of the maker's transfer of the collateral or three years after the date of the maker's death. The collateral is a 1989 Fuqua mobile home with detached garage and woodshed. At March 31, 2016, remaining principal balance was \$67,646.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

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 LGBTQ community by issuing grants and providing scholarships, a significant amount of time must be spent raising the grant and scholarship money. 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 March 2017. Bank advances on the line of credit are payable on demand and carry interest at the prime rate (3.5% at March 31, 2016). There was no balance outstanding on the line of credit at March 31, 2016 or 2015.

NOTE G - LEASE OBLIGATION

The Foundation leases certain office space under a non-cancelable operating lease with a term of greater than one year. Rent expense related to this lease was \$111,238 and \$108,951 for the years ended March 31, 2016 and 2015, respectively.

The future established minimum payments under this lease for the years ending March 31 are as follows:

2017	\$	115,118
2018		119,340
2019		122,027
2020		126,504
2021		79,065
		<u>562,054</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

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 one year of service. For the years ended March 31, 2016 and 2015, the Foundation contributed \$36,049 and \$28,999, respectively, to the SEP IRA plan.

NOTE I - ENDOWMENTS

The Foundation's endowment consists of 30 individual donor-restricted funds established for a variety of purposes. As required by financial accounting standards, 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

The Foundation will use the endowment to pursue its mission and, in doing so, will seek an appropriate balance between two goals, providing stable and predictable resources year after year, and maintaining the real value of endowment assets and their revenue stream over the long term.

Consistent with this endowment use philosophy, during times of high opportunity and change, the Foundation may spend a higher amount of the income and gain produced by the endowment. During times of low opportunity and change, the Foundation may spend a lower amount of the income and gain produced by the endowment. Annually, the Foundation will spend no less than 4.5% and no more than 7% of its endowment fund's average fair market value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE I - ENDOWMENTS (Continued)

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.

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 requires the Foundation to retain as a fund of perpetual duration. In accordance with financial accounting standards, deficiencies of this nature are reported in unrestricted net assets. These deficiencies can result from unfavorable market fluctuations. There were no deficiencies as of March 31, 2016 or 2015.

Endowment Net Assets by Fund Type as of March 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ 324,566	\$ 1,148,104	\$ 1,472,670
Endowed scholarship funds	-	980,231	4,235,255	5,215,486
General endowment	-	<u>1,559,608</u>	<u>18,112,273</u>	<u>19,671,881</u>
Total funds	<u>\$ -</u>	<u>\$ 2,864,405</u>	<u>\$ 23,495,632</u>	<u>\$26,360,037</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE I - ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Year Ended March 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,309,960	\$ 23,311,077	\$26,621,037
Investment return:				
Investment income	-	629,821	-	629,821
Investment fees	-	(162,293)	-	(162,293)
Net gains	-	623,597	-	623,597
Total investment return	-	1,091,125	-	1,091,125
Contributions	-	40,593	184,555	225,148
Appropriation of endowment assets for expenditure	-	(1,577,273)	-	(1,577,273)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,864,405</u>	<u>\$ 23,495,632</u>	<u>\$26,360,037</u>

Endowment Net Assets by Fund Type as of March 31, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:				
Endowed granting funds	\$ -	\$ 322,677	\$ 990,000	\$ 1,312,677
Endowed scholarship funds	-	1,005,591	4,208,904	5,214,495
General endowment	-	1,981,692	18,112,173	20,093,865
Total funds	<u>\$ -</u>	<u>\$ 3,309,960</u>	<u>\$ 23,311,077</u>	<u>\$26,621,037</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE I - ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Year Ended March 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,136,998	\$ 23,224,881	\$26,361,879
Investment return:				
Investment income	-	603,425	-	603,425
Investment fees	-	(165,967)	-	(165,967)
Net gains	-	1,227,683	-	1,227,683
Total investment return	-	1,665,141	-	1,665,141
Contributions	-	23,122	86,196	109,318
Appropriation of endowment assets for expenditure	-	(1,515,301)	-	(1,515,301)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,309,960</u>	<u>\$ 23,311,077</u>	<u>\$26,621,037</u>

NOTE J - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of March 31, 2016 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Government and agency bonds	\$ 7,577,092	\$ -	\$ -	\$ 7,577,092
Corporate bonds	1,623,715	-	-	1,623,715
Equities	17,359,335	-	-	17,359,335
Foreign equities	1,616,211	-	-	1,616,211
Other fixed income	590,342	-	-	590,342
Investments	28,766,695	-	-	28,766,695
Assets held in trust	-	-	1,198,158	1,198,158
Total Assets shown at Fair Value	<u>\$ 28,766,695</u>	<u>\$ -</u>	<u>\$ 1,198,158</u>	<u>\$29,964,853</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE J - FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis as of March 31, 2015 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Government and agency bonds	\$ 14,195,656	\$ -	\$ -	\$14,195,656
Corporate bonds	1,543,090	-	-	1,543,090
Equities	17,561,790	-	-	17,561,790
Foreign equities	1,498,144	-	-	1,498,144
Other fixed income	<u>595,290</u>	<u>-</u>	<u>-</u>	<u>595,290</u>
Investments	35,393,970	-	-	35,393,970
Assets held in trust	<u>-</u>	<u>-</u>	<u>1,294,709</u>	<u>1,294,709</u>
Total Assets shown at Fair Value	<u>\$ 35,393,970</u>	<u>\$ -</u>	<u>\$ 1,294,709</u>	<u>\$36,688,679</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, 2014	\$ 1,268,942
Additions:	
Total gains included in change in net assets	<u>25,767</u>
Fair Value as of March 31, 2015	1,294,709
Additions:	
Total losses included in change in net assets	<u>(96,551)</u>
Fair Value as of March 31, 2016	<u>\$ 1,198,158</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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2016 through July 19, 2016, 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, 2016, including the estimates inherent in the processing of financial statements.