

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2006 AND 2005

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2006 AND 2005

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INDEPENDENT AUDITOR'S REPORT

May 26, 2006

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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 271,599 | \$ 335,081 |
| Marketable securities | 2,233,102 | 1,966,580 |
| Promises to give - current | 440,476 | 616,514 |
| Other assets | 42,346 | 43,336 |
| Total Current Assets | 2,987,523 | 2,961,511 |
| Furniture and Equipment, net of accumulated depreciation of \$99,733 and \$87,068 | 18,858 | 24,004 |
| Promises To Give - long-term | 559,428 | 696,090 |
| Assets Held in Trust | 1,239,278 | 1,680,549 |
| | <u>\$ 4,805,087</u> | <u>\$ 5,362,154</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Grants payable to others | \$ 194,059 | \$ 484,797 |
| Accounts payable and accrued expenses | 43,520 | 32,653 |
| Line of credit | 80,000 | - |
| Current portion of capital lease obligation | - | 3,353 |
| Total Current Liabilities | 317,579 | 520,803 |
| Capital Lease Obligation, less current portion above | - | 67 |
| Total Liabilities | 317,579 | 520,870 |
| Net Assets | | |
| Unrestricted | 867,639 | 1,219,510 |
| Temporarily restricted | 649,402 | 730,986 |
| Permanently restricted | 2,970,467 | 2,890,788 |
| Total Net Assets | 4,487,508 | 4,841,284 |
| | <u>\$ 4,805,087</u> | <u>\$ 5,362,154</u> |

THE PRIDE FOUNDATION

STATEMENTS OF UNRESTRICTED ACTIVITIES

YEARS ENDED MARCH 31, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Unrestricted Public Support and Revenue | | |
| Unrestricted Public Support | | |
| Contributions | \$ 1,139,724 | \$ 1,069,227 |
| In-kind donations | 8,899 | 7,259 |
| Total Unrestricted Public Support | <u>1,148,623</u> | <u>1,076,486</u> |
| Revenue | | |
| Gain on marketable securities | 128,245 | 85,603 |
| Interest and dividends | 47,278 | 46,817 |
| Other revenue | 18,851 | 19,030 |
| Total Revenue | <u>194,374</u> | <u>151,450</u> |
| Total Unrestricted Public Support and Revenue | <u>1,342,997</u> | <u>1,227,936</u> |
| Net Assets Released from Restrictions | | |
| Satisfaction of program restrictions | 216,259 | 1,755,010 |
| Satisfaction of time restrictions | 100,000 | 363,090 |
| Total Net Assets Released from Restrictions | <u>316,259</u> | <u>2,118,100</u> |
| Total Unrestricted Public Support, Revenue, and Other Support | <u>1,659,256</u> | <u>3,346,036</u> |
| Expenses | | |
| Program services | 1,575,835 | 1,711,709 |
| Management and general | 135,789 | 118,521 |
| Fundraising | 299,503 | 319,292 |
| Total Expenses | <u>2,011,127</u> | <u>2,149,522</u> |
| Change in Unrestricted Net Assets | <u>\$ (351,871)</u> | <u>\$ 1,196,514</u> |

THE PRIDE FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2006 AND 2005

| | 2006 | | | | 2005 | | | |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | <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 | \$ 1,342,997 | | | \$ 1,342,997 | \$ 1,227,936 | | | \$ 1,227,936 |
| Restricted public support and revenue | | | | | | | | |
| Contributions | | \$ 204,449 | \$ 125 | 204,574 | \$ 620,116 | \$ 125 | | 620,241 |
| Gain (loss) on assets held in trust | | - | 79,554 | 79,554 | - | (47,996) | | (47,996) |
| Gain on marketable securities | | 30,226 | - | 30,226 | 23,897 | - | | 23,897 |
| Net assets released from restrictions | 316,259 | (316,259) | - | - | 2,118,100 | (2,118,100) | - | - |
| Total Public Support, Revenue, and Other Support | 1,659,256 | (81,584) | 79,679 | 1,657,351 | 3,346,036 | (1,474,087) | (47,871) | 1,824,078 |
| Expenses | 2,011,127 | | | 2,011,127 | 2,149,522 | | | 2,149,522 |
| Changes in Net Assets | (351,871) | (81,584) | 79,679 | (353,776) | 1,196,514 | (1,474,087) | (47,871) | (325,444) |
| Net Assets - beginning of year | 1,219,510 | 730,986 | 2,890,788 | 4,841,284 | 22,996 | 2,205,073 | 2,938,659 | 5,166,728 |
| Net Assets - end 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> |

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2006 AND 2005

| | 2006 | | | | 2005 | | | |
|-------------------------------------|---------------------|------------------------------|-------------------|--------------------|---------------------|------------------------------|-------------------|--------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries | \$ 283,817 | \$ 73,798 | \$ 115,769 | \$ 473,384 | \$ 274,193 | \$ 68,896 | \$ 124,842 | \$ 467,931 |
| Payroll taxes | 24,300 | 5,959 | 9,769 | 40,028 | 22,736 | 5,875 | 10,691 | 39,302 |
| Employee benefits | 43,353 | 10,573 | 16,805 | 70,731 | 39,001 | 9,197 | 18,480 | 66,678 |
| Total Salaries and Related Expenses | 351,470 | 90,330 | 142,343 | 584,143 | 335,930 | 83,968 | 154,013 | 573,911 |
| Grants to others | 908,432 | - | - | 908,432 | 790,075 | - | - | 790,075 |
| One-time grant to others (Note E) | - | - | - | - | 363,090 | - | - | 363,090 |
| Occupancy | 76,485 | 13,736 | 27,846 | 118,067 | 74,292 | 13,682 | 29,644 | 117,618 |
| Professional services | 41,791 | 2,455 | 56,867 | 101,113 | 26,605 | 2,087 | 56,244 | 84,936 |
| Events and catering | 43,839 | 7,273 | 13,160 | 64,272 | 23,707 | 2,426 | 17,149 | 43,282 |
| Dues, conferences, and training | 56,043 | 696 | 6,892 | 63,631 | 31,509 | 322 | 8,169 | 40,000 |
| Copying and printing | 25,674 | 1,306 | 19,331 | 46,311 | 12,898 | 352 | 18,953 | 32,203 |
| Advertising and promotion | 26,488 | 320 | 4,801 | 31,609 | 4,183 | 425 | 14,387 | 18,995 |
| Bank and investment fees | 6,744 | 11,869 | 5,689 | 24,302 | 6,302 | 8,460 | 4,391 | 19,153 |
| Postage | 12,954 | 1,002 | 9,178 | 23,134 | 15,043 | 1,156 | 20,715 | 36,914 |
| Depreciation | 8,069 | 1,358 | 3,238 | 12,665 | 8,609 | 1,394 | 3,400 | 13,403 |
| Telephone | 7,329 | 658 | 1,997 | 9,984 | 7,865 | 907 | 3,314 | 12,086 |
| Supplies and equipment | 7,081 | 741 | 1,778 | 9,600 | 5,589 | 507 | 2,321 | 8,417 |
| In-kind expense | 1,723 | 1,400 | 5,776 | 8,899 | 4,448 | 54 | 1,753 | 6,255 |
| Insurance | 1,713 | 2,645 | 607 | 4,965 | 1,564 | 2,781 | 655 | 5,000 |
| Bad debt recovery - pledges | - | - | - | - | - | - | (15,816) | (15,816) |
| Total Expenses | <u>\$1,575,835</u> | <u>\$ 135,789</u> | <u>\$ 299,503</u> | <u>\$2,011,127</u> | <u>\$1,711,709</u> | <u>\$ 118,521</u> | <u>\$ 319,292</u> | <u>\$2,149,522</u> |

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Cash received from donors | \$ 1,395,319 | \$ 978,337 |
| Cash received from investments | 47,278 | 46,818 |
| Other cash receipts | 18,851 | 19,030 |
| Cash paid to grantees | (937,143) | (852,977) |
| Cash paid to employees | (582,497) | (572,321) |
| Cash paid to vendors | (484,755) | (387,579) |
| Interest paid | (2,022) | (1,189) |
| Net Cash Used by Operating Activities | <u>(544,969)</u> | <u>(769,881)</u> |
| Cash Flows from Investing Activities | | |
| Purchases of furniture and equipment | (7,519) | (4,931) |
| Purchases of marketable securities | (1,872,542) | (392,978) |
| Sales of marketable securities | <u>2,127,107</u> | <u>1,119,698</u> |
| Net Cash Provided by Investing Activities | <u>247,046</u> | <u>721,789</u> |
| Cash Flows from Financing Activities | | |
| Payments on capital lease obligation | (3,420) | (2,694) |
| Net borrowings on line of credit | 80,000 | - |
| Cash received from endowment contributions | <u>157,861</u> | <u>10,125</u> |
| Net Cash Provided by Financing Activities | <u>234,441</u> | <u>7,431</u> |
| Change in Cash and Cash Equivalents | (63,482) | (40,661) |
| Cash and Cash Equivalents - beginning of year | <u>335,081</u> | <u>375,742</u> |
| Cash and Cash Equivalents - end of year | <u>\$ 271,599</u> | <u>\$ 335,081</u> |

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Reconciliation of Changes in Net Assets to | | |
| Cash Flows from Operating Activities | | |
| Changes in net assets | \$ (353,776) | \$ (325,444) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities | | |
| Depreciation | 12,665 | 13,403 |
| Gain on marketable securities | (158,471) | (109,500) |
| (Gain) loss on assets held in trust | (79,554) | 47,997 |
| Donated securities | (362,616) | (772,237) |
| Donated furniture and equipment | - | (1,004) |
| Public support restricted to endowment | (125) | (125) |
| Receipt of trust assets | 101,062 | - |
| Decrease (increase) in | | |
| Promises to give | 312,700 | 77,047 |
| Other assets | 990 | (1,156) |
| (Decrease) increase in | | |
| Grants payable to others, net of amounts paid by third parties | (28,711) | 300,188 |
| Accounts payable and accrued expenses | <u>10,867</u> | <u>950</u> |
| Net Cash Used by Operating Activities | <u>\$ (544,969)</u> | <u>\$ (769,881)</u> |

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2006 AND 2005

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>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| Scholarships | \$ 385,810 | \$ 364,435 |
| Grants | 246,216 | 263,953 |
| Advocacy | 17,376 | - |
| Future operations | - | 100,000 |
| Washington Lesbian Organizing Project | - | <u>2,598</u> |
| Total temporarily restricted net assets | <u>\$ 649,402</u> | <u>\$ 730,986</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, 2006 and 2005 are \$1,239,278 and \$1,317,459, 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, 2006 AND 2005

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>2006</u> | <u>2005</u> |
|-----------------------|-------------------|-------------------|
| Checking account | \$ 158,938 | \$ 68,756 |
| Savings account | 10,604 | - |
| Money market accounts | <u>102,057</u> | <u>266,325</u> |
| | <u>\$ 271,599</u> | <u>\$ 335,081</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>2006</u> | <u>2005</u> |
|-----------------|--------------------|--------------------|
| Stocks | \$1,616,523 | \$1,397,332 |
| Bonds | 616,579 | 540,485 |
| Promissory note | <u>-</u> | <u>28,763</u> |
| | <u>\$2,233,102</u> | <u>\$1,966,580</u> |

Promises to give

Promises to give 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, 2006 or 2005.

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, 2006 and 2005, are reported as liabilities.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2006 AND 2005

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2006 AND 2005

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006 and 2005, the costs of conducting those activities included a total of \$13,246 and \$15,486, 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>2006</u> | <u>2005</u> |
|------------------|------------------|------------------|
| Program services | \$ 6,623 | \$ 7,743 |
| Fundraising | <u>6,623</u> | <u>7,743</u> |
| | <u>\$ 13,246</u> | <u>\$ 15,486</u> |

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2006 are due as follows:

| | |
|---|-------------------|
| Receivable in less than one year (net of allowance for uncollectible accounts of \$4,432) | \$ 440,476 |
| Receivable in one to five years (net of allowance for uncollectible accounts of \$12,939) | <u>590,879</u> |
| Total unconditional promises to give | 1,031,355 |
| Less discounts to net present value at 2% | <u>(31,451)</u> |
| Net unconditional promises to give | <u>\$ 999,904</u> |

NOTE C - ASSETS HELD IN TRUST

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

NOTE D - LINE OF CREDIT

The Foundation has a \$100,000 revolving line of credit expiring November 2006. Bank advances on the line of credit are payable on demand and carry interest at two percentage points over the prime rate (9.5% at March 31, 2006).

NOTE E - ONE-TIME GRANT TO OTHERS

During the year ended March 31, 2005, the Foundation was notified that the proceeds of a specific trust valued at \$363,090 were to be given to another organization rather than being retained and used at the Foundation's discretion.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2006 AND 2005

NOTE F - 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 twenty-two other member agencies. As an agent, the Foundation processed \$27,500 and \$45,102 of member agencies' receipts and disbursements for the years ended March 31, 2006 and 2005, respectively. These receipts are recorded as a receivable and as an offsetting obligation to the respective member agencies when pledged.

NOTE G - 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. In addition, the Foundation conducted the Campaign for Pride during a portion of the year ended March 31, 2005.

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 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, 2006 and 2005, the Foundation contributed \$20,063 and \$20,705, 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 lease payments under this lease are as follows:

| | |
|------|-------------------|
| 2007 | \$ 87,432 |
| 2008 | <u>54,645</u> |
| | <u>\$ 142,077</u> |

Rent expense related to this lease was \$89,022 and \$88,971 for the years ended March 31, 2006 and 2005, respectively, and is included in occupancy expense.