

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2009 AND 2008

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

June 29, 2009

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 190,735	\$ 331,862
Promises to give - current	244,011	330,025
Other assets	<u>47,395</u>	<u>43,311</u>
Total Current Assets	482,141	705,198
Furniture and Equipment, net of accumulated depreciation of \$67,240 and \$60,922	16,942	18,434
Promises To Give - long-term	40,367	56,712
Endowment Investments	18,251,816	21,874,321
Marketable Securities Held for Others	43,637,212	46,121,792
Assets Held in Trust	<u>897,720</u>	<u>1,240,107</u>
	<u>\$ 63,326,198</u>	<u>\$ 70,016,564</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of credit	\$ 105,000	\$ -
Grants payable to others	104,446	116,993
Accounts payable and accrued expenses	55,176	49,194
Deferred revenue	<u>15,000</u>	<u>37,500</u>
Total Current Liabilities	279,622	203,687
Bequest Funds Held for Others	<u>43,637,212</u>	<u>46,121,792</u>
Total Liabilities	<u>43,916,834</u>	<u>46,325,479</u>
Net Assets		
Unrestricted	(4,188,497)	460,601
Temporarily restricted	680,126	1,045,593
Permanently restricted	<u>22,917,735</u>	<u>22,184,891</u>
Total Net Assets	<u>19,409,364</u>	<u>23,691,085</u>
	<u>\$ 63,326,198</u>	<u>\$ 70,016,564</u>

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Contributions	\$ 794,033	\$ 422,280	\$ 747,365	\$ 1,963,678	\$ 1,050,368	\$ 603,179	\$ 5,355,882	\$ 7,009,429
In-kind donations	10,084			10,084	12,533			12,533
Interest and dividends	671,207			671,207	344,097			344,097
Fund administrative fees and other revenue	452,927			452,927	133,403			133,403
Net assets released from restrictions	393,864	(393,864)	-	-	399,913	(399,913)	-	-
Total Public Support, Revenue, and Other Support	<u>2,322,115</u>	<u>28,416</u>	<u>747,365</u>	<u>3,097,896</u>	<u>1,940,314</u>	<u>203,266</u>	<u>5,355,882</u>	<u>7,499,462</u>
Expenses								
Program services	1,815,099			1,815,099	1,610,771			1,610,771
Management and general	293,614			293,614	214,447			214,447
Fundraising	303,259			303,259	280,031			280,031
Total Expenses	<u>2,411,972</u>			<u>2,411,972</u>	<u>2,105,249</u>			<u>2,105,249</u>
Change in Net Assets Before Gains and Losses	<u>(89,857)</u>	<u>28,416</u>	<u>747,365</u>	<u>685,924</u>	<u>(164,935)</u>	<u>203,266</u>	<u>5,355,882</u>	<u>5,394,213</u>
Gains and Losses								
Gain (loss) on assets held in trust	-	-	(342,387)	(342,387)	-	-	(43,440)	(43,440)
Gain (loss) on marketable securities	(4,495,149)	(130,109)	-	(4,625,258)	30,227	76,122	-	106,349
Total Gains and Losses	<u>(4,495,149)</u>	<u>(130,109)</u>	<u>(342,387)</u>	<u>(4,967,645)</u>	<u>30,227</u>	<u>76,122</u>	<u>(43,440)</u>	<u>62,909</u>
Donor Clarification of Restriction	<u>(64,092)</u>	<u>(263,774)</u>	<u>327,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Change in Net Assets	<u>(4,649,098)</u>	<u>(365,467)</u>	<u>732,844</u>	<u>(4,281,721)</u>	<u>(134,708)</u>	<u>279,388</u>	<u>5,312,442</u>	<u>5,457,122</u>
Net Assets - beginning of year	<u>460,601</u>	<u>1,045,593</u>	<u>22,184,891</u>	<u>23,691,085</u>	<u>595,309</u>	<u>766,205</u>	<u>16,872,449</u>	<u>18,233,963</u>
Net Assets - end of year	<u>\$ (4,188,497)</u>	<u>\$ 680,126</u>	<u>\$22,917,735</u>	<u>\$19,409,364</u>	<u>\$ 460,601</u>	<u>\$ 1,045,593</u>	<u>\$22,184,891</u>	<u>\$23,691,085</u>

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2009 AND 2008

	2009				2008			
	Management			Total	Management			Total
	Program Services	and General	Fundraising		Program Services	and General	Fundraising	
Salaries	\$ 516,434	\$ 99,995	\$ 113,313	\$ 729,742	\$ 415,754	\$ 93,822	\$ 89,414	\$ 598,990
Payroll taxes	40,436	8,049	11,891	60,376	29,988	6,785	6,251	43,024
Employee benefits	69,846	14,101	18,028	101,975	61,658	13,187	12,169	87,014
Total Salaries and Related Expenses	626,716	122,145	143,232	892,093	507,400	113,794	107,834	729,028
Grants and scholarships	784,852	-	-	784,852	768,192	-	-	768,192
Bank and investment fees	26,040	121,775	2,289	150,104	14,596	60,444	4,971	80,011
Occupancy	99,804	15,179	22,071	137,054	92,052	16,477	17,126	125,655
Professional services	58,994	10,462	57,639	127,095	21,737	2,466	77,958	102,161
Dues, conferences, and training	80,958	3,594	5,216	89,768	75,114	115	1,267	76,496
Events and catering	50,155	11,816	13,015	74,986	47,922	9,608	11,420	68,950
Copying and printing	22,404	539	19,713	42,656	27,075	160	20,304	47,539
Postage	16,176	970	12,063	29,209	18,072	1,618	11,393	31,083
Supplies and equipment	14,608	2,081	3,031	19,720	13,071	1,860	2,167	17,098
Bad debt expense (unpaid pledges)	-	-	19,430	19,430	-	-	12,392	12,392
Telephone	12,175	708	1,030	13,913	11,182	827	883	12,892
In-kind expense	9,107	174	803	10,084	2,655	2,752	7,126	12,533
Advertising and promotion	6,872	702	1,767	9,341	5,053	746	3,190	8,989
Depreciation	4,124	697	1,427	6,248	4,695	804	1,614	7,113
Insurance	2,114	2,772	533	5,419	1,955	2,776	386	5,117
Total Expenses	<u>\$1,815,099</u>	<u>\$ 293,614</u>	<u>\$ 303,259</u>	<u>\$2,411,972</u>	<u>\$1,610,771</u>	<u>\$ 214,447</u>	<u>\$ 280,031</u>	<u>\$2,105,249</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 1,179,183	\$ 1,192,914
Cash received from investments	671,207	344,097
Other cash receipts	452,927	133,403
Cash paid to grantees and scholars	(797,399)	(736,652)
Cash paid to employees	(894,078)	(723,240)
Cash paid to vendors	(730,243)	(589,650)
Interest paid	(3,999)	(578)
Net Cash Used by Operating Activities	<u>(122,402)</u>	<u>(379,706)</u>
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(4,756)	(8,299)
Purchases of marketable securities	(16,702,459)	(21,062,998)
Sales of marketable securities	<u>15,836,125</u>	<u>1,894,804</u>
Net Cash Used by Investing Activities	<u>(871,090)</u>	<u>(19,176,493)</u>
Cash Flows from Financing Activities		
Net borrowing on line of credit	105,000	-
Cash received from endowment contributions	<u>747,365</u>	<u>19,530,432</u>
Net Cash Provided by Financing Activities	<u>852,365</u>	<u>19,530,432</u>
Change in Cash and Cash Equivalents	(141,127)	(25,767)
Cash and Cash Equivalents - beginning of year	<u>331,862</u>	<u>357,629</u>
Cash and Cash Equivalents - end of year	<u>\$ 190,735</u>	<u>\$ 331,862</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of Changes in Net Assets to		
Cash Flows from Operating Activities		
Changes in net assets	\$ (4,281,721)	\$ 5,457,122
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	6,248	7,113
Loss (gain) on marketable securities	4,625,258	(106,349)
Loss on assets held in trust	342,387	43,440
Donated securities	(136,419)	(264,325)
Public support restricted to endowment	(747,365)	(50,030)
Decrease (increase) in		
Promises to give	102,359	63,262
Bequest receivable	-	(5,615,314)
Bequest receivable - held for others	-	33,507,296
Marketable securities - held for others	2,484,580	(46,121,792)
Other assets	(4,084)	(4,629)
(Decrease) increase in		
Grants payable to others, net of amounts paid by third parties	(12,547)	31,540
Accounts payable and accrued expenses	5,982	20,964
Bequest funds held for others	(2,484,580)	12,614,496
Deferred revenue	(22,500)	37,500
Net Cash Used by Operating Activities	<u>\$ (122,402)</u>	<u>\$ (379,706)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

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 organization 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>2009</u>	<u>2008</u>
Scholarships	\$ 227,459	\$ 569,580
Grants	221,022	327,875
Youth Granting	144,075	-
Racial Equity	86,855	121,105
Youth Grants	-	18,843
Advocacy	715	8,190
	<u>\$ 680,126</u>	<u>\$ 1,045,593</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. The carrying amount of these assets approximate fair value because of the short maturity of the instruments.

Marketable securities

Donated marketable securities are reflected as contributions at their fair market value at date of donation. Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value based on quoted market prices.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment investments consist of the following at March 30:

	<u>2009</u>	<u>2008</u>
Money Market	\$ 1,856,192	\$ 2,637,758
Stocks	7,328,149	10,549,312
Fixed Income	7,920,865	8,484,435
Mutual Funds	<u>1,146,610</u>	<u>202,816</u>
	<u>\$18,251,816</u>	<u>\$ 21,874,321</u>

Marketable securities held for others consist of the following at March 30:

	<u>2009</u>	<u>2008</u>
Money Market	\$ 2,434,801	\$ 1,273,925
Fixed Income	<u>41,202,411</u>	<u>44,847,867</u>
	<u>\$43,637,212</u>	<u>\$ 46,121,792</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. As such, the carrying amount of promises to give approximates fair value. 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 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, 2009 and 2008, 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, 2009 AND 2008

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.

Donor clarification of restriction

After further clarification of endowment terminology with donors and based on new information received during the year ended March 31, 2009, it was determined that some temporarily restricted contributions would be more accurately reflected as permanently restricted.

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 PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

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, 2009 and 2008, the costs of conducting those activities included a total of \$34,200 and \$31,576, 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>2009</u>	<u>2008</u>
Program services	\$ 17,100	\$ 15,788
Fundraising	<u>17,100</u>	<u>15,788</u>
	<u>\$ 34,200</u>	<u>\$ 31,576</u>

Advertising

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

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.

The Foundation has elected to defer the provisions of FIN 48, Accounting for Income Taxes, under the provisions of FSP FIN 48-3. The Foundation uses a FAS 5, Loss Contingencies, approach for evaluating uncertain tax positions and continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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, 2008 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, 2008.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2009 are due as follows:

Receivable in less than one year	\$ 244,011
Receivable in one to five years	<u>40,367</u>
Net unconditional promises to give	<u>\$ 284,378</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.

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 - AGENCY TRANSACTIONS

The Foundation acted 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 fifteen other member agencies. As an agent, the Foundation processed \$25,889 of member agencies' receipts and disbursements for the year ended March 31, 2008. These receipts were recorded as a receivable and as an offsetting obligation to the respective member agencies when pledged. Beginning April 1, 2008 the Foundation no longer solicited federated workplace gifts.

NOTE E - BEQUEST

During the year ended March 31, 2007 the Foundation received notification of being named as a beneficiary of an irrevocable bequest. During the year ended March 31, 2009 the Foundation received \$686,265 related to their portion of the bequest, which is included in permanently restricted contributions.

The Foundation also 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 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.

For the year ended March 31, 2009, 22% of the Foundation's public support and revenue was from this bequest.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE F - 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 G - LINE OF CREDIT

The Foundation has a \$200,000 revolving line of credit expiring September 2009. Bank advances on the line of credit are payable on demand and carry interest at one percentage point over the prime rate (3.25% at March 31, 2009). There was \$105,000 outstanding on the line of credit at March 31, 2009. The carrying amount of this liability approximates fair value because the Foundation can obtain a similar loan with the same terms.

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, 2009 and 2008, the Foundation contributed \$27,362 and \$25,785, 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 for the years ending March 31 are as follows:

2010	\$	95,964
2011		98,156
2012		101,808
2013		104,130
2014		67,500
		<u>67,500</u>
	\$	<u>467,558</u>

Rent expense related to this lease was \$90,632 and \$86,432 for the years ended March 31, 2009 and 2008, respectively, and is included in occupancy expense.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE J - 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. Of this amount, \$240,000 was a conditional promise to give contingent on the Foundation raising \$340,000 in funding from other sources towards the project. As of March 31, 2009, the conditional promise has not been recorded. Amounts from this promise will be recorded as conditions of the grant are met.

NOTE K - ENDOWMENTS

The Foundation's endowment consists of approximately 23 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

The Board of Directors of the Foundation has interpreted the Washington State Uniform Management of Institutional Funds Act (UMIFA) 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 if there are donor-restrictions for spending earnings, or classified in unrestricted net assets if there are no donor-restrictions on spending of earnings.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE K - ENDOWMENTS (Continued)

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.

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 UMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$4,089,880 and \$29,237 as of March 31, 2009 and 2008, 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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE K - 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	<u>(3,355,818)</u>	<u>-</u>	<u>18,991,141</u>	<u>15,635,323</u>
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>

Endowment Net Assets by Fund Type as of March 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ -	\$ -	\$ -
Endowed scholarship funds	(29,237)	569,579	3,452,804	3,993,146
General endowment	<u>245,357</u>	<u>-</u>	<u>18,732,087</u>	<u>18,977,444</u>
Total funds	<u>\$ 216,120</u>	<u>\$ 569,579</u>	<u>\$ 22,184,891</u>	<u>\$ 22,970,590</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2009 AND 2008

NOTE K - ENDOWMENTS (Continued)

Changes in Endowment Net Assets For the Year Ended March 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (33,428)	\$ 446,761	\$ 16,872,449	\$ 17,285,782
Investment return:				
Investment income	344,097		-	344,097
Investment fees	(54,330)	(4,202)	-	(58,532)
Net gains and (losses)	74,972	31,377	(43,440)	62,909
Total investment return	364,739	27,175	(43,440)	348,474
Contributions	-	118,684	5,355,882	5,474,566
Appropriation of endowment assets for expenditure	(115,191)	(23,041)	-	(138,232)
Endowment net assets, end of year	<u>\$ 216,120</u>	<u>\$ 569,579</u>	<u>\$ 22,184,891</u>	<u>\$ 22,970,590</u>

NOTE L - RECENT CHANGES IN ACCOUNTING PRONOUNCEMENTS

FASB Staff Position (FSP) 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Under FSP FAS 117-1, organizations subject to UPMIFA shall classify the portion of each donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization. In initially applying this guidance to donor-restricted endowment funds in existence when UPMIFA is first effective, an organization shall report any resulting net asset reclassifications in a separate line item within the organization's statement of activities for that period.

In June 2009, Washington State enacted UPMIFA effective as of July 1, 2009. Thus, during the year ended March 31, 2010, the Foundation will be required to reclassify certain net asset amounts related to the endowment fund from unrestricted to temporarily restricted. Management believes that the amount of any such reclassification will not be material to the financial statements.