

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2011 AND 2010

THE PRIDE FOUNDATION  
FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

July 19, 2011

Board of Directors  
The Pride Foundation  
Seattle, Washington

We have audited the accompanying statements of financial position of The Pride Foundation as of March 31, 2011 and 2010, and the related statements of activities, 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, 2011 and 2010, 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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 135,087	\$ 192,797
Promises to give - current	181,117	151,505
Accounts receivable	48,150	-
Non-endowed investments	183,485	188,310
Other assets	<u>57,722</u>	<u>34,593</u>
Total Current Assets	605,561	567,205
Furniture and Equipment, net of accumulated depreciation of \$62,688 and \$49,073	131,928	46,146
Promises To Give - long-term	64,250	66,358
Endowment Investments	24,232,646	23,080,635
Marketable Securities Held for Others	32,948,668	38,176,769
Assets Held in Trust	<u>1,184,286</u>	<u>1,108,824</u>
	<u>\$ 59,167,339</u>	<u>\$ 63,045,937</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of credit	\$ 8,000	\$ -
Grants payable to others	100,465	41,329
Accounts payable and accrued expenses	44,785	49,107
Deferred revenue	<u>5,000</u>	<u>-</u>
Total Current Liabilities	158,250	90,436
Bequest Funds Held for Others	<u>32,948,668</u>	<u>38,176,769</u>
Total Liabilities	<u>33,106,918</u>	<u>38,267,205</u>
Net Assets		
Unrestricted	338,629	140,269
Temporarily restricted	1,550,690	622,287
Permanently restricted	<u>24,171,102</u>	<u>24,016,176</u>
Total Net Assets	<u>26,060,421</u>	<u>24,778,732</u>
	<u>\$ 59,167,339</u>	<u>\$ 63,045,937</u>

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Contributions	\$ 620,600	\$ 492,489	\$ 79,464	\$ 1,192,553	\$ 828,607	\$ 716,480	\$ 887,337	\$ 2,432,424
In-kind donations	162,036			162,036	45,377			45,377
Interest and dividends, net	27,031	398,976		426,007	359,306	17,977		377,283
Fund administrative fees and other revenue	407,489			407,489	425,750			425,750
Net assets released from restrictions	1,457,370	(1,457,370)	-	-	1,001,412	(1,001,412)	-	-
Total Public Support, Revenue, and Other Support	<u>2,674,526</u>	<u>(565,905)</u>	<u>79,464</u>	<u>2,188,085</u>	<u>2,660,452</u>	<u>(266,955)</u>	<u>887,337</u>	<u>3,280,834</u>
<b>Expenses</b>								
Program services	1,995,661			1,995,661	2,133,556			2,133,556
Management and general	178,159			178,159	133,623			133,623
Fundraising	402,574			402,574	261,445			261,445
Total Expenses	<u>2,576,394</u>			<u>2,576,394</u>	<u>2,528,624</u>			<u>2,528,624</u>
Change in Net Assets Before Gains and Losses	<u>98,132</u>	<u>(565,905)</u>	<u>79,464</u>	<u>(388,309)</u>	<u>131,828</u>	<u>(266,955)</u>	<u>887,337</u>	<u>752,210</u>
<b>Gains and Losses</b>								
Gain on assets held in trust	-	-	75,462	75,462	-	-	211,104	211,104
Gain (loss) on marketable securities	100,228	1,494,308	-	1,594,536	4,196,938	209,116	-	4,406,054
Total Gains and Losses	<u>100,228</u>	<u>1,494,308</u>	<u>75,462</u>	<u>1,669,998</u>	<u>4,196,938</u>	<u>209,116</u>	<u>211,104</u>	<u>4,617,158</u>
Total Change in Net Assets	198,360	928,403	154,926	1,281,689	4,328,766	(57,839)	1,098,441	5,369,368
Net Assets - beginning of year	<u>140,269</u>	<u>622,287</u>	<u>24,016,176</u>	<u>24,778,732</u>	<u>(4,188,497)</u>	<u>680,126</u>	<u>22,917,735</u>	<u>19,409,364</u>
Net Assets - end of year	<u>\$ 338,629</u>	<u>\$ 1,550,690</u>	<u>\$24,171,102</u>	<u>\$26,060,421</u>	<u>\$ 140,269</u>	<u>\$ 622,287</u>	<u>\$24,016,176</u>	<u>\$24,778,732</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 955,642	\$ 1,420,292
Cash received from investments	569,038	508,026
Fund administrative fees and other cash receipts	369,489	425,750
Cash paid to grantees and scholars	(943,117)	(1,297,275)
Cash paid to employees	(781,629)	(699,700)
Cash paid to vendors	(862,862)	(679,647)
Interest paid	(10)	(2,354)
Net Cash Used by Operating Activities	<u>(693,449)</u>	<u>(324,908)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture and equipment	(11,587)	(6,532)
Purchases of marketable securities	(5,245,736)	(11,916,817)
Sales of marketable securities	5,805,598	11,467,982
Net Cash Provided (Used) by Investing Activities	<u>548,275</u>	<u>(455,367)</u>
<b>Cash Flows from Financing Activities</b>		
Net borrowing (payments) on line of credit	8,000	(105,000)
Cash received from endowment contributions	79,464	887,337
Net Cash Provided by Financing Activities	<u>87,464</u>	<u>782,337</u>
Change in Cash and Cash Equivalents	(57,710)	2,062
Cash and Cash Equivalents - beginning of year	<u>192,797</u>	<u>190,735</u>
Cash and Cash Equivalents - end of year	<u>\$ 135,087</u>	<u>\$ 192,797</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Changes in Net Assets to</b>		
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,281,689	\$ 5,369,368
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	13,614	8,767
Gain on marketable securities	(1,594,536)	(4,406,054)
Gain on assets held in trust	(75,462)	(211,104)
Donated securities	(112,512)	(162,240)
Donated property and equipment	(97,809)	(31,439)
Gain on disposal of assets	(38,000)	-
Public support restricted to endowment	(79,464)	(887,337)
(Increase) decrease in		
Promises to give	(27,654)	66,515
Marketable securities held for others	5,228,101	5,460,443
Other assets	(23,129)	12,802
Increase (decrease) in		
Grants payable to others	59,136	(63,117)
Accounts payable and accrued expenses	(4,322)	(6,069)
Bequest funds held for others	(5,228,101)	(5,460,443)
Deferred revenue	<u>5,000</u>	<u>(15,000)</u>
Net Cash Used by Operating Activities	<u>\$ (693,449)</u>	<u>\$ (324,908)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

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 as follows:

	<u>2011</u>	<u>2010</u>
Earnings from Endowment	\$ 738,704	\$ -
Scholarships	431,538	302,784
Grants	363,948	279,751
Youth Granting	-	30,716
Racial Equity	15,000	9,036
Advocacy	1,500	-
	<u>\$ 1,550,690</u>	<u>\$ 622,287</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, 2011 AND 2010

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2011</u>	<u>2010</u>
Cash	\$ 2,056	\$ 3,958
Money Market	797,802	155,945
Stocks	15,023,387	12,702,523
Fixed Income	6,431,891	8,160,319
Mutual Funds	<u>2,160,995</u>	<u>2,246,200</u>
	<u>\$ 24,416,131</u>	<u>\$ 23,268,945</u>

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

	<u>2011</u>	<u>2010</u>
Money Market	\$ 208,934	\$ 511,697
Fixed Income	<u>32,739,734</u>	<u>37,665,072</u>
	<u>\$ 32,948,668</u>	<u>\$ 38,176,769</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. 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, 2011 and 2010, 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 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, 2011 AND 2010

### 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.

#### 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.

The Foundation received \$97,809 in contributed software from Microsoft Corporation during the fiscal year ended March 31, 2011. This software has been capitalized and will be depreciated over five years.

#### 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.

#### 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 in the statements of activities 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 activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

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, 2011 and 2010, the costs of conducting those activities included a total of \$12,530 and \$30,176, 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>2011</u>	<u>2010</u>
Program services	\$ 6,265	\$ 15,088
Fundraising	<u>6,265</u>	<u>15,088</u>
	<u>\$ 12,530</u>	<u>\$ 30,176</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.

Reclassification

Certain accounts in the March 31, 2010 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, 2010.

NOTE B - PROMISES TO GIVE

The unconditional promises to give as of March 31, 2011 are due as follows:

Receivable in less than one year	\$ 181,117
Receivable in one to five years	<u>64,250</u>
Net unconditional promises to give	<u>\$ 245,367</u>

## THE PRIDE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

#### NOTE B - PROMISES TO GIVE (Continued)

Standard calculations for discounts on long-term promises to give produced amounts that the Foundation felt were immaterial, and therefore not recorded. The Foundation believes that promises to give are fully collectible. As of March 31, 2011, 41% of the promises to give are due from two donors.

#### NOTE C - 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. 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, one discounted at a rate of 3% and the other 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. For the third trust a noncurrent asset has been recognized at the fair value of the trust at March 31, 2011. No present value of the expected future cash flow payments has been calculated. 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. Changes in the value of these assets have been reported in the Statement of Activities as increases in permanently restricted net assets.

#### 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 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 PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

NOTE E - FUNDRAISING EXPENSES (Continued)

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 2011. 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, 2011) or a floor rate of 5%. There was \$8,000 outstanding on the line of credit at March 31, 2011.

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 one year of service. For the years ended March 31, 2011 and 2010, the Foundation contributed \$23,444 and \$25,320, respectively, to the SEP IRA plan.

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:

2012	\$	101,808
2013		104,130
2014		108,000
2015		67,500
	\$	<u>381,438</u>

Rent expense related to this lease was \$98,398 and \$95,964 for the years ended March 31, 2011 and 2010, respectively, and is included in occupancy expense.

## THE PRIDE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

#### 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, 2011, \$325,000 of this grant has been received. The remaining \$45,000 is a conditional promise to give contingent on the Foundation raising funding from other sources towards the project. As of March 31, 2011, 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 27 individual donor-restricted funds established for a variety of purposes. Also included are permanently restricted assets held in trust as described in Note C. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds 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 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.

# THE PRIDE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

### NOTE J - ENDOWMENTS (Continued)

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.

During the year ended March 31, 2011 the Board appropriated up to an additional 3 percent of the endowment fund's average fair value over the prior 16 quarters calculated quarterly. This additional appropriation is to be used for regional expansion work and increasing the Foundation's ability to utilize available technologies.

### **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. 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 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 \$12,396 and \$136,269 as of March 31, 2011 and 2010, 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 was deemed prudent by the Board of Directors.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

NOTE J - ENDOWMENTS (Continued)

Endowment Net Assets by Fund Type as of March 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Endowed granting funds	\$ -	\$ 87,985	\$ 915,000	\$ 1,002,985
Endowed scholarship funds	(12,396)	431,538	3,960,661	4,379,803
General endowment	-	738,704	18,111,154	18,849,858
Total funds	<u>\$ (12,396)</u>	<u>\$ 1,258,227</u>	<u>\$ 22,986,815</u>	<u>\$ 24,232,646</u>

Changes in Endowment Net Assets For the Year Ended March 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ (136,269)</u>	<u>\$ 309,553</u>	<u>\$ 22,907,351</u>	<u>\$ 23,080,635</u>
Investment return:				
Investment income	37,226	531,812	-	569,038
Investment fees	(10,195)	(132,836)	-	(143,031)
Net gains and (losses)	<u>100,228</u>	<u>1,494,308</u>	-	<u>1,594,536</u>
Total investment return	127,259	1,893,284	-	2,020,543
Contributions	-	11,070	79,464	90,534
Appropriation of endowment assets for expenditure	<u>(3,386)</u>	<u>(955,680)</u>	-	<u>(959,066)</u>
Endowment net assets, end of year	<u>\$ (12,396)</u>	<u>\$ 1,258,227</u>	<u>\$ 22,986,815</u>	<u>\$ 24,232,646</u>

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	3,906,473	4,182,684
General endowment	<u>(109,696)</u>	-	<u>18,110,878</u>	<u>18,001,182</u>
Total funds	<u>\$ (136,269)</u>	<u>\$ 309,553</u>	<u>\$ 22,907,351</u>	<u>\$ 23,080,635</u>



THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

NOTE J - ENDOWMENTS (Continued)

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>\$ 22,020,014</u>	<u>\$ 18,157,592</u>
Investment return:				
Investment income	484,688	23,338	-	508,026
Investment fees	(125,382)	(5,361)	-	(130,743)
Net gains and (losses)	<u>4,196,938</u>	<u>209,116</u>	<u>-</u>	<u>4,406,054</u>
Total investment return	4,556,244	227,093	-	4,783,337
Contributions	-	7,596	887,337	894,933
Appropriation of endowment assets for expenditure	<u>(602,633)</u>	<u>(152,594)</u>	<u>-</u>	<u>(755,227)</u>
Endowment net assets, end of year	<u><u>\$ (136,269)</u></u>	<u><u>\$ 309,553</u></u>	<u><u>\$ 22,907,351</u></u>	<u><u>\$ 23,080,635</u></u>

NOTE K - FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, promises to give, accounts receivable, accounts payable, grants payable and other liabilities approximate fair value because of the short maturity of these items. Investments are reflected at estimated fair value as described below.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

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.

The following table summarizes the levels in the fair value hierarchy into which the Foundation investments fall as of March 31, 2011:

Level 1: Equities and fixed income securities	\$ 24,414,075
Level 2:	-
Level 3: Assets held in trust	<u>1,184,286</u>
Total Investments	<u>\$ 25,598,361</u>

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>2011</u>	<u>2010</u>
Fair Value - Beginning of Year	\$ 1,108,824	\$ 897,720
Gain on assets held in trust	<u>75,462</u>	<u>211,104</u>
Fair Value - End of Year	<u>\$ 1,184,286</u>	<u>\$ 1,108,824</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, 2011 through July 19, 2011, 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, 2011, including the estimates inherent in the processing of financial statements.