

THE PRIDE FOUNDATION

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2021 AND 2020



Pride
Foundation

THE PRIDE FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

July 20, 2021

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, 2021 and 2020, and the related statements of activities, functional expenses, 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, 2021 and 2020, 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 5,262,385	\$ 1,950,483
Promises to give - current	45,040	31,770
Note receivable - current	3,099	2,919
Other receivables	12,260	4,370
Non-endowed investments	1,421,056	951,672
Other assets	23,966	70,463
Total Current Assets	<u>6,767,806</u>	<u>3,011,677</u>
Furniture and Equipment, net of accumulated depreciation of \$65,770 and \$49,121	10,864	24,431
Note Receivable, less current portion above	51,559	54,659
Endowment Investments	38,029,822	31,002,888
Trusts Receivable	<u>1,323,700</u>	<u>1,038,527</u>
	<u>\$ 46,183,751</u>	<u>\$ 35,132,182</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Grants payable to others	\$ 198,050	\$ 153,382
Accounts payable and accrued expenses	82,033	64,541
Deferred support	170,654	227,504
Total Current Liabilities	<u>450,737</u>	<u>445,427</u>
Total Liabilities	<u>450,737</u>	<u>445,427</u>
Net Assets		
Without donor restrictions	4,345,538	957,442
With donor restrictions	<u>41,387,476</u>	<u>33,729,313</u>
Total Net Assets	<u>45,733,014</u>	<u>34,686,755</u>
	<u>\$ 46,183,751</u>	<u>\$ 35,132,182</u>

THE PRIDE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 4,481,778	\$ 2,178,002	\$ 6,659,780	\$ 609,561	\$ 1,378,235	\$ 1,987,796
Bequests	2,253		2,253	436,753	112,539	549,292
In-kind donations	-		-	22,349		22,349
Interest and dividends, net	14,684	522,774	537,458	20,081	540,033	560,114
Fund administrative fees and other revenue	58,119		58,119	59,614		59,614
Net assets released from purpose restrictions	3,887,609	(3,887,609)	-	3,423,196	(3,423,196)	-
Total Public Support, Revenue, and Other Support	<u>8,444,443</u>	<u>(1,186,833)</u>	<u>7,257,610</u>	<u>4,571,554</u>	<u>(1,392,389)</u>	<u>3,179,165</u>
Expenses						
Program services	4,456,248		4,456,248	3,422,820		3,422,820
Management and general	265,174		265,174	272,560		272,560
Fundraising	412,648		412,648	281,808		281,808
Total Expenses	<u>5,134,070</u>		<u>5,134,070</u>	<u>3,977,188</u>		<u>3,977,188</u>
Change in Net Assets Before Gains and Losses	<u>3,310,373</u>	<u>(1,186,833)</u>	<u>2,123,540</u>	<u>594,366</u>	<u>(1,392,389)</u>	<u>(798,023)</u>
Gains and Losses						
Gain (loss) on trusts receivable	-	285,173	285,173	-	(148,919)	(148,919)
Gain (loss) on marketable securities	77,723	8,559,823	8,637,546	(19,057)	(1,456,502)	(1,475,559)
Total Gains and Losses	<u>77,723</u>	<u>8,844,996</u>	<u>8,922,719</u>	<u>(19,057)</u>	<u>(1,605,421)</u>	<u>(1,624,478)</u>
Total Change in Net Assets	3,388,096	7,658,163	11,046,259	575,309	(2,997,810)	(2,422,501)
Net Assets - beginning of year	<u>957,442</u>	<u>33,729,313</u>	<u>34,686,755</u>	<u>382,133</u>	<u>36,727,123</u>	<u>37,109,256</u>
Net Assets - end of year	<u>\$ 4,345,538</u>	<u>\$ 41,387,476</u>	<u>\$ 45,733,014</u>	<u>\$ 957,442</u>	<u>\$ 33,729,313</u>	<u>\$ 34,686,755</u>

THE PRIDE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 850,439	\$ 172,980	\$ 242,272	\$ 1,265,691	\$ 827,657	\$ 147,735	\$ 139,605	\$ 1,114,997
Employee Benefits	139,022	24,269	33,246	196,537	126,557	20,559	18,825	165,941
Payroll Taxes	69,094	13,466	18,703	101,263	67,012	11,793	10,390	89,195
Total payroll and related	<u>1,058,555</u>	<u>210,715</u>	<u>294,221</u>	<u>1,563,491</u>	<u>1,021,226</u>	<u>180,087</u>	<u>168,820</u>	<u>1,370,133</u>
Grants & Scholarships to Others	2,818,531	-	-	2,818,531	1,636,353	-	-	1,636,353
Professional Services	333,822	15,767	26,328	375,917	326,991	11,246	28,906	367,143
Occupancy	152,631	23,462	33,235	209,328	144,431	20,126	17,136	181,693
Copying & Printing	11,646	815	18,780	31,241	14,376	220	11,529	26,125
Supplies & Equipment	19,170	3,673	3,024	25,867	23,100	2,129	3,366	28,595
Telephone	19,333	2,435	3,381	25,149	19,682	2,380	2,028	24,090
Events & Catering	4,449	1,378	13,905	19,732	76,167	20,062	27,068	123,297
Dues, Conferences & Training	16,121	403	1,940	18,464	118,555	22,481	4,695	145,731
Depreciation	13,207	1,541	1,900	16,648	12,275	1,558	1,492	15,325
Bank Fees	35	878	11,383	12,296	-	643	8,996	9,639
Insurance	3,645	3,703	796	8,144	3,850	3,672	460	7,982
Postage	4,393	404	1,843	6,640	7,216	511	3,163	10,890
Advertising & Promotion	200	-	1,912	2,112	3,841	1,278	149	5,268
Bad Debt Expense	510	-	-	510	2,075	-	500	2,575
In-kind Expense	-	-	-	-	12,682	6,167	3,500	22,349
	<u>\$ 4,456,248</u>	<u>\$ 265,174</u>	<u>\$ 412,648</u>	<u>\$ 5,134,070</u>	<u>\$ 3,422,820</u>	<u>\$ 272,560</u>	<u>\$ 281,808</u>	<u>\$ 3,977,188</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 6,426,822	\$ 2,439,020
Fund administrative fees and other cash receipts	66,960	94,262
Cash paid to grantees and scholars	(2,773,863)	(1,607,035)
Cash paid to employees	(1,540,142)	(1,375,896)
Cash paid to vendors	<u>(694,250)</u>	<u>(964,217)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,485,527</u>	<u>(1,413,866)</u>
Cash Flows from Investing Activities		
Principal payments from note receivable	2,920	2,740
Purchases of furniture and equipment	(3,081)	(2,555)
Purchases of marketable securities	(314,108)	(369,183)
Sales of marketable securities	<u>1,976,063</u>	<u>1,929,793</u>
Net Cash Provided by Investing Activities	<u>1,661,794</u>	<u>1,560,795</u>
Cash Flows Provided by Financing Activities		
Cash received from endowment contributions	<u>164,581</u>	<u>331,595</u>
Change in Cash and Cash Equivalents	3,311,902	478,524
Cash and Cash Equivalents - beginning of year	<u>1,950,483</u>	<u>1,471,959</u>
Cash and Cash Equivalents - end of year	<u>\$ 5,262,385</u>	<u>\$ 1,950,483</u>

THE PRIDE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Change in Net Assets to		
Cash Flows from Operating Activities		
Change in net assets	\$ 11,046,259	\$ (2,422,501)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	16,648	15,325
(Gain) loss on marketable securities	(8,637,546)	1,475,559
Reinvested interest and dividends, net	(520,727)	(538,957)
Liquidation of trust receivable	-	17,861
(Gain) loss on trusts receivable	(285,173)	148,919
Public support restricted to endowment	(164,581)	(331,595)
Change in:		
Promises to give	(13,270)	8,598
Other receivables	(7,890)	(4,370)
Other assets	46,497	(25,674)
Grants payable to others	44,668	29,318
Accounts payable and accrued expenses	17,492	(13,853)
Deferred support	<u>(56,850)</u>	<u>227,504</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,485,527</u>	<u>\$ (1,413,866)</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

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 Ellensburg, Washington. The Foundation is governed by a 19-person Board of Directors and maintains a staff of 16. Ten staff members are based in the Seattle office and six 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, 2021, the Foundation awarded scholarships with a total value of \$546,748 to 128 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, 2021, the Foundation awarded cash grants totaling \$2,306,804 to 331 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 30 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.

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended March 31, 2021, the Foundation provided training and technical assistance on fundraising, grant-making, leadership development, et cetera, to 100 non-profits and 500 individuals in the Northwest.

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.

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.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

The Foundation's Board of Directors has designated \$1,099,235 of net assets without donor restriction as an operating reserve as of March 31, 2021.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues, gains and losses that are restricted by explicit donor stipulation are reported as increases in net assets with donor restrictions when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets by donor restrictions are available as follows at March 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Grants	\$ 1,510,555	\$ 1,272,728
Trans Public Education	373,742	317,020
NW Justice Funders Collective	90,000	-
Scholarships	-	11,054
LGBTQ Outdoor Accessibility	-	20,000
Homeless LGBTQ Youth Initiative	-	4,518
Arts Fund	<u>5,000</u>	<u>5,000</u>
	1,979,297	1,630,320
Endowments:		
Subject to spending policy and appropriation:		
Endowed granting funds	5,673,834	4,705,092
Endowed scholarship funds	7,691,569	6,236,924
General endowment	24,664,418	20,060,872
Not subject to spending policy or appropriation:		
Trusts Receivable	1,323,700	1,038,527
Note Receivable	<u>54,658</u>	<u>57,578</u>
	<u>\$ 41,387,476</u>	<u>\$ 33,729,313</u>

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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Investments are reported at their fair values in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Donated investments 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 325,268	\$ 981,686
Equities	27,519,963	19,657,924
Fixed income	<u>11,605,647</u>	<u>11,314,950</u>
	<u>\$ 39,450,878</u>	<u>\$ 31,954,560</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.

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, 2021 AND 2020

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 three 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.

Support recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Certain of the Foundation's contributions and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. When amount are received in advance of meeting the conditions, the amounts are recognized as deferred support on the statement of financial position. As of March 31, 2021, grant funds received in advance which are conditional upon incurrence of qualified expenses totaled \$170,654 and are reflected in deferred support.

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.

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.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on estimated percentage of effort.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE B - LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant and scholarship commitments will continue to be met, ensuring the sustainability of the Foundation.

The Foundation maintains a \$200,000 line of credit with a bank that may be drawn upon as necessary to manage liquidity needs. The Foundation may also draw upon funds set aside in its operating reserve if approved by its board.

Financial assets as of March 31, reduced by amounts not available for general use within one year, are as follows:

Financial assets:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,262,385	\$ 1,950,483
Accounts receivable	12,260	4,370
Promises to give	45,040	31,770
Note receivable	54,658	57,578
Trusts receivable	1,323,700	1,038,527
Investments	<u>39,450,878</u>	<u>31,954,560</u>
	46,148,921	35,037,288
Less amounts not available to be used within one year:		
Note receivable due in more than one year	(51,559)	(54,659)
Trusts receivable	(1,323,700)	(1,038,527)
Endowment funds subject to spending policy and appropriation	(38,029,821)	(31,002,888)
Add back: endowment funds appropriated for general use	1,212,000	1,186,000
Donor-restricted funds available for grants	(1,510,555)	(1,272,728)
Donor-restricted funds available for scholarships	-	(11,054)
Donor-restricted funds available for current programs	<u>(378,742)</u>	<u>(346,538)</u>
	<u>\$ 6,066,544</u>	<u>\$ 2,496,894</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE C - TRUSTS RECEIVABLE

The Foundation is named as remainderman in three charitable remainder trust agreements administered by others. The terms of one of these agreements provide for the disbursement of the trust assets to the Foundation upon the death of the final beneficiary. The terms of the other two agreements provides for the disbursement of the trust assets to the Foundation after 20 years or upon the death of the final beneficiary, whichever occurs first. 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 statements of activities as increases or decreases in net assets with donor restrictions.

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. The third trust was liquidated and distributed to the Foundation in the previous fiscal year.

NOTE D - 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, 2021, the remaining principal balance was \$54,659.

NOTE E - CONCENTRATION

One donor represented 45% of total contributions for the year ended March 31, 2021.

NOTE F - LINE OF CREDIT

The Foundation has a \$200,000 revolving line of credit that expires June 2022. Bank advances on the line of credit are payable on demand and carry interest at the prime rate plus 1.75%.

NOTE G - 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.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

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, 2021 and 2020, the Foundation contributed \$56,930 and \$47,078, respectively, to the SEP IRA plan.

NOTE I - 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 \$120,607 and \$126,504, respectively, for the years ended March 31, 2021 and 2020.

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

2022	\$	111,720
2023		113,951
2024		116,228
2025		118,542
2026		<u>75,008</u>
	\$	<u>535,449</u>

NOTE J - ENDOWMENTS

The Foundation's endowment consists of 45 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 retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE J - ENDOWMENTS (Continued)

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.

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 comprised 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 net assets with donor restrictions. These deficiencies can result from unfavorable market fluctuations. There were no deficiencies as of March 31, 2021. There were fund deficiencies of \$4,110 as of March 31, 2020.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE J - ENDOWMENTS (Continued)

Changes in Endowment Net Assets With Donor Restrictions for the Year Ended March 31:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 31,002,888	\$ 33,566,062
Investment return:		
Investment income	710,530	733,402
Investment fees	(202,887)	(204,912)
Net gains	<u>8,373,349</u>	<u>(1,426,673)</u>
Total investment return	8,880,992	(898,183)
Contributions	164,581	286,595
Donor release	-	(30,000)
Appropriation of endowment assets for expenditure	<u>(2,018,639)</u>	<u>(1,921,586)</u>
Endowment net assets, end of year	<u>\$ 38,029,822</u>	<u>\$ 31,002,888</u>

NOTE K - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of March 31, 2021 is as follows:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Equities	\$ 27,519,963	\$ -	\$ -	\$27,519,963
Fixed income	<u>11,605,647</u>	<u>-</u>	<u>-</u>	<u>11,605,647</u>
Investments	39,125,610	-	-	39,125,610
Trusts receivable	<u>-</u>	<u>-</u>	<u>1,323,700</u>	<u>1,323,700</u>
Total Assets Shown at Fair Value	<u>\$ 39,125,610</u>	<u>\$ -</u>	<u>\$ 1,323,700</u>	<u>\$40,449,310</u>

Fair value of assets measured on a recurring basis as of March 31, 2020 is as follows:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Equities	\$ 19,657,924	\$ -	\$ -	\$19,657,924
Fixed income	<u>11,314,951</u>	<u>-</u>	<u>-</u>	<u>11,314,951</u>
Investments	30,972,875	-	-	30,972,875
Trusts receivable	<u>-</u>	<u>-</u>	<u>1,038,527</u>	<u>1,038,527</u>
Total Assets Shown at Fair Value	<u>\$ 30,972,875</u>	<u>\$ -</u>	<u>\$ 1,038,527</u>	<u>\$32,011,402</u>

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Trusts <u>Receivable</u>
Fair Value as of April 1, 2019	\$ 1,205,307
Liquidations	(17,861)
Total losses included in change in net assets	<u>(148,919)</u>
Fair Value as of March 31, 2020	1,038,527
Total gains included in change in net assets	<u>285,173</u>
Fair Value as of March 31, 2021	<u>\$ 1,323,700</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 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Foundation received loan proceeds in the amount of \$216,700 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the qualification period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per annum, with a deferral of payments for the first six months. The Foundation used the loan proceeds for purposes consistent with the PPP and received notice of forgiveness in December 2020. Accordingly, the loan has been accounted for as a contribution for the year ended March 31, 2021.

THE PRIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE M - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. The Foundation has maintained operations as effectively as possible with all staff working from home. Management continues to evaluate the financial impact of the COVID-19 pandemic and has concluded that while the pandemic will likely have a minimal effect on the Foundation's financial position, change in net assets, and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2021 through July 20, 2021, 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, 2021, including the estimates inherent in the processing of financial statements.