

Pacific Pride Foundation
Audited Financial Statements
June 30, 2020

Pacific Pride Foundation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pacific Pride Foundation
608 Anacapa St, Suite A
Santa Barbara, CA 93101

We have audited the accompanying financial statements of the Pacific Pride Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal year 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 above present fairly, in all material respects, the financial position of the Pacific Pride Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As more fully described in Note 15 to the financial statements, the Organization may be materially impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

Santa Maria, California
November XX, 2020

Pacific Pride Foundation
Statement of Financial Position
June 30, 2020

Assets

Current assets

Cash and cash equivalents	\$ 599,314
Accounts receivable	132,285
Prepaid expenses	<u>25,804</u>
Total current assets	<u>757,403</u>

Fixed assets

Fixed assets at cost	207,904
Less: Accumulated depreciation	<u>(172,304)</u>
Total depreciable fixed assets (net)	<u>35,600</u>

Total fixed assets	<u>35,600</u>
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Total assets	<u><u>\$ 793,003</u></u>
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Liabilities and net assets

Current liabilities

Accounts payable	\$ 47,234
Accrued payroll	8,794
Accrued vacation payable	<u>6,964</u>
Total current liabilities	<u>62,992</u>

Noncurrent liabilities

PPP loan	<u>84,542</u>
Total noncurrent liabilities	<u>84,542</u>

Total liabilities	<u>147,534</u>
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Net assets

With donor restrictions	33,583
Without donor restrictions	<u>611,886</u>

Total net assets	<u>645,469</u>
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Total liabilities and net assets	<u><u>\$ 793,003</u></u>
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The accompanying notes are an integral part of these financial statements.

Pacific Pride Foundation
Statement of Activities
Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support:			
Contributions	\$ 331,636	\$ -	\$ 331,636
Private foundation grants	282,822		282,822
Sponsorship	55,735		55,735
Total support	<u>670,193</u>	<u>-</u>	<u>670,193</u>
Revenue:			
Contract revenue from government agencies	147,583		147,583
Client fees	22,855		22,855
Event revenue	59,939		59,939
Return on investments	100		100
Dividend and interest income	2,892		2,892
Other	16,949		16,949
Total revenue	<u>250,318</u>	<u>-</u>	<u>250,318</u>
Net assets released from restrictions:			
Satisfaction of restrictions	201,602	(201,602)	
Total support and revenue	<u>1,122,113</u>	<u>(201,602)</u>	<u>920,511</u>
Expenses			
Program services:			
AIDS Education	312,899		312,899
Mental Health Counseling	171,581		171,581
LGBTQ Services and Training	283,085		283,085
Total program services	<u>767,565</u>	<u>-</u>	<u>767,565</u>
Support services:			
Development	258,396		258,396
Management and general	147,293		147,293
Total support services	<u>405,689</u>	<u>-</u>	<u>405,689</u>
Total expenses	<u>1,173,254</u>	<u>-</u>	<u>1,173,254</u>
Increase/(Decrease) in net assets	(51,141)	(201,602)	(252,743)
Net assets at beginning of fiscal year	663,027	235,185	898,212
Net assets at end of fiscal year	<u>\$ 611,886</u>	<u>\$ 33,583</u>	<u>\$ 645,469</u>

The accompanying notes are an integral part of these financial statements.

Pacific Pride Foundation
Statement of Functional Expenses
Fiscal Year Ended June 30, 2020

	HIV/AIDS Education	Mental Health Counseling	LGBTQ Services & Training	Total Program Services	Management & General Administration	Fundraising	Total Support Services	Total
Expenses								
Salaries	\$ 189,856	\$ 40,395	\$ 147,441	\$ 377,692	\$ 23,180	\$ 86,097	\$ 109,277	\$ 486,969
Payroll taxes	11,498	2,966	10,295	24,759	13,692	6,260	19,952	44,711
Employee benefits	11,529	1,122	9,869	22,520	7,079	6,456	13,535	36,055
Total salaries & benefits	212,883	44,483	167,605	424,971	43,951	98,813	142,764	567,735
Accounting & Audit	2,862	470	1,785	5,117	3,228	1,373	4,601	9,718
Advertising	300	5,080	258	5,638	-	-	-	5,638
Bank Fees	-	168	-	168	113	4,106	4,219	4,387
Board Expenses	-	-	-	-	-	980	980	980
Building Maintenance	1,922	612	789	3,323	674	544	1,218	4,541
Clinical Supervision	-	25,912	-	25,912	-	-	-	25,912
Computer	95	-	-	95	3,449	2,436	5,885	5,980
Contract Labor-Other	3,079	585	11,986	15,650	585	2,171	2,756	18,406
Counseling Interns	-	64,076	-	64,076	-	-	-	64,076
Donor Development	-	195	2,388	2,583	550	116	116	116
Dues & Subscriptions	-	-	7,365	7,365	-	743	1,293	3,876
Entertainment	-	-	22,396	22,396	-	6,700	6,700	14,065
Equipment Rent	-	-	-	-	-	1,500	1,500	23,896
Fundraising Consultant	-	-	-	-	-	32,093	32,093	32,093
Incentives	150	-	329	479	-	-	-	479
Insurance	3,557	1,924	3,510	8,991	3,511	2,071	5,582	14,573
License Fees	258	-	1,087	1,345	240	-	240	1,585
Marketing Outreach & Advertising	400	100	5,330	5,830	-	364	364	6,194
Miscellaneous	-	-	19	19	-	-	-	19
Office Supplies	1,386	3,171	1,910	6,467	1,795	2,985	4,780	11,247
Parking	1,412	666	982	3,060	1,364	810	2,174	5,234
Payroll Service Fee	619	160	554	1,333	738	337	1,075	2,408
Personnel Recruitment	-	-	-	-	55,976	55,976	55,976	55,976
Postage & Shipping	-	-	283	283	193	719	912	1,195
Printing & Copying	295	56	862	1,213	858	180	1,038	2,251
Program Events	600	6,642	8,763	16,005	-	73,879	73,879	89,884
Program Materials	26,829	1,864	12,946	41,639	100	1,321	1,421	43,060
Property Rent	19,503	7,266	14,477	41,246	11,891	9,123	21,014	62,260
Software for Fundraising	-	-	-	-	-	2,662	2,662	2,662
Staff Development & Incentives	669	173	599	1,441	798	365	1,163	2,604
Telephone & Internet	3,451	1,048	1,301	5,800	2,335	972	3,307	9,107
Training & Conferences	12,385	1,368	4,240	17,993	2,084	2,986	5,070	23,063
Travel, Auto & Mileage	7,982	51	964	8,997	2,019	754	2,773	11,770
Utilities	3,510	1,144	1,473	6,127	2,459	1,243	3,702	9,829
Sales Tax	-	-	1,166	1,166	13	-	13	1,179
Volunteer Development	-	216	216	216	-	539	539	755
Workers Comp Insurance	1,929	327	1,771	4,027	1,941	1,085	3,026	7,053
Total Expenses before Depreciation	306,076	167,541	277,354	750,971	140,865	253,970	394,835	1,145,806
	6,823	4,040	5,731	16,594	6,428	4,426	10,854	27,448
Total Expenses	\$ 312,899	\$ 171,581	\$ 283,085	\$ 767,565	\$ 147,293	\$ 258,396	\$ 405,689	\$ 1,173,254

The accompanying notes are an integral part of these financial statements.

Pacific Pride Foundation
 Statement of Cash Flows
 Fiscal Year Ended June 30, 2020

Cash flows from operating activities	
Increase in net assets	\$ (252,743)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	27,448
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	12,218
Prepaid expenses	19,572
Increase (decrease) in:	
Accounts payable	23,873
Accrued payroll	(393)
Pride Festival 2019 funds	(5,018)
Accrued vacation payable	(7,424)
	<u>(182,467)</u>
Net cash used by operating activities	<u>(182,467)</u>
 Cash flows from financing activities	
Proceeds from PPP loan	<u>84,542</u>
Net cash provided by financing activities	<u>84,542</u>
 Net decrease in cash and equivalents	(97,925)
 Cash and cash equivalents at beginning of fiscal year	<u>697,239</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 599,314</u>
 Supplementary cash flow disclosures:	
Cash paid for interest	<u>\$ -</u>

NOTE 1 – ORGANIZATION

Pacific Pride Foundation (the Organization) began in 1976 as a Drug and Alcohol Abuse Counseling and Referral Center for gay men and lesbians. At the time, the Organization was called Western Addiction Services Programs, Inc. (WASP), and also offered a newsletter called The Bulletin, which is still in publication as our monthly e-bulletin. In 1984, the Agency initiated the AIDS Counseling and Assistance Program (AIDS Cap), in an effort to contend with the emerging HIV epidemic, and began offering free, anonymous HIV testing in 1985 as one of the first county testing sites. Over the next several years the program was expanded with state and county funding to provide HIV education and prevention to those most at risk for HIV. In addition to the various services offered for those affected by HIV, the Organization offers comprehensive health and social services and counseling care. Since its formation, the Organization has become the foremost resource for people at risk for HIV/AIDS and the LGBTQ (lesbian, gay, bisexual, transgender, and queer) community, both in Santa Barbara County and the coastal communities of California between Los Angeles and San Francisco. With offices in Santa Barbara and Santa Maria, the Organization is a strong, respected leader providing high quality, compassionate health and social service programs not available through any other organization in the county.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of Pacific Pride Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in the financial statements for, among other things, depreciation and amortization expense (based on the useful lives of the under-lying assets), unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

results may differ from those estimated amounts.

Cash and Cash Equivalents:

Cash and cash equivalents include all monies in the banks and temporary investments which are readily convertible into cash within ninety (90) days of purchase.

Fair Value of Financial Instruments:

Pacific Pride Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, Fair Value Measurements, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

Real Estate Investments:

Pacific Pride Foundation holds no real estate for investment or use. All real estate used by the Organization in its operations is leased.

Capital Assets and Depreciation:

Furniture, fixtures, machinery and equipment are stated at fair value when donated and at cost when purchased. Depreciation is computed on the straight-line basis over the assets estimated useful lives. Leasehold improvements are depreciated over the periods of the remaining term of the lease, and furniture, fixtures, machinery and equipment are depreciated over periods of three to ten years.

Program Activities:

Pacific Pride Foundation's advocacy and education efforts meet the ongoing and emerging needs of a diverse population in order to create a thriving and visible LGBTQ community and to prevent the transmission of HIV/AIDS. The principal programs and services of Pacific Pride Foundation include Counseling at the Pacific Pride Foundation Center, offering high-quality, culturally competent individual, couples, and family therapy for a sliding scale fee based on income and number of dependents; PROUD Youth Program, including weekly social and support groups, outreach and advocacy within schools, a robust summer leadership institute and much more. Our Lavender Elders Project includes panel discussions, monthly lunches, senior care facility trainings and group social outings. Cultural and sensitivity trainings mean Pacific Pride Foundation staff go out to businesses, health facilities, care

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

centers and educational institutions to provide research-based approaches to welcoming, serving or employing LGBTQ people.

Pacific Pride Foundation's Education & Prevention program's main goal is to eliminate the spread of HIV/AIDS. We do this by free, anonymous HIV testing, education and prevention presentations, partnering with other organizations on PrEP education, running the County's only syringe exchange program and giving out safer sex kits including free condoms.

As an Organization, we regularly conduct a number of public events in order to raise awareness of the need it fulfills as well as to raise funds to address those needs.

Contributions:

Contributions, which include unconditional promises to give (i.e. pledges), are recognized as revenues in the period the promise was received by the Organization. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. As of June 30, 2020, Pacific Pride Foundation has received no pledges of contributions to be received after one year. Accordingly, neither discounts nor amortization of discounts have been recorded as additional contribution revenue.

Memberships:

Pacific Pride Foundation does not charge membership fees. Accordingly, the Organization receives no income from membership fees.

Revenue Recognition:

Under the Financial Accounting Standards Board (FASB) revenue recognition standards, grants that are pledged or paid must be recorded as revenue in the year of the pledge/payment. This is the case even if the funds are not spent in that year and are temporarily restricted for use in future years. An example would be a grant that must be spent equally over a three-year period. Instead of recording one-third of the revenue each year, 100 percent of the revenue would be recorded in the award year, with the expenses paid over the three-year period. The remainder of the unspent funds from year-to-year are temporarily restricted. This rule applies to multi-year grants that are fully paid in the first year and to multi-year grants that are awarded with the intention of paying out the grant in yearly installments.

In fiscal year 2019-20, income that was recognized when awarded, but the cash had not been received, totaled \$161,919. This \$161,919 is recorded on the balance sheet as accounts receivable.

The Pacific Pride Foundation holds its flagship event called the Royal Ball every other year. While the net income from the Royal Ball must be recorded in the year the event occurs, it is a fundraising event for two years. Thus, the financial statements include all the net income in the event year, even though a portion of the net income will cover organization expenses over two fiscal years. The 2019-20 fiscal year was not a Royal Ball year.

The Organization adopted ASC 958, *Not-for Profit Entities, Revenue Recognition*. In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (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 in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports this support as unrestricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Benefits Provided to Donors at Special Events:

The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event.

Unless a verifiable, objective means exist to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization.

Advertising and Promotional Expenses:

Advertising and promotional expenses are charged to expense as they occur. Advertising and marketing outreach expenses totaled \$5,638 for the year ended June 30, 2020.

Earnings on the Investment of Endowment and Similar Funds:

Income, realized net gains, and unrealized net gains on the investment of endowment and similar funds are reported as increases in net assets with donor restrictions or net assets without donor restrictions according to the terms of the gifts. Currently, the Organization has no endowment funds.

Conflict of Interest Policies:

Included among the Organization's Board members and committee members are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs, and in the evaluation and oversight of services. The Organization has established a conflict-of-interest policy whereby Board and committee members must advise the Board of Directors of any direct or indirect interest in any transaction or relationship with the Organization, and not participate in discussions and decisions regarding any action affecting their individual, professional, or business interest.

Concentrations of Risk:

All times, amounts held in financial institutions are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on these amounts. The Organization is required by ASC 825-50, *Financial Instruments, Concentrations of Credit Risk of All Financial Instruments*, to disclose significant concentrations of credit risk regardless of the degree of risk. A significant portion of the Organization's revenues and contracts receivable consists of contracts with Santa Barbara County. Those revenues and grants are earned by the Organization based on its services to individuals in Santa Barbara County.

Tax Status:

Pacific Pride Foundation is a charitable organization and has been granted tax-exempt status by the Internal Revenue Service and the Franchise Tax Board under Code Sections 501 (c)(3) and 23701(d), respectively. Despite its name, the Organization is not considered a private foundation. The Organization had no unrelated business income as defined by the Internal Revenue Code, during the fiscal year ended June 30, 2020. Therefore, Pacific Pride Foundation has made no provision for income taxes in the accompanying financial statements. Accounting principles generally accepted in the United States of America prescribe a recognition threshold and measurement process for accounting for uncertain tax positions and provide guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization files information returns. Internal Revenue Service forms 990 filed by the Organization are subject to examination up to three year from the time they were filed. Forms 990 filed by the Organization are no longer subject to examination for the fiscal years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ended June 30, 2016 and prior.

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Direct costs are charged directly to the appropriate program. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Shared costs are allocated based upon the payroll expense associated with each program for the year ended June 30, 2020. The allocations are based on current data.

Other Significant Accounting Policies:

Other significant accounting policies are set forth in the financial statements and the following notes.

Adopted Accounting Pronouncements:

During the fiscal year ended June 30, 2020, the Foundation adopted the guidance regarding contributions received from Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958). Clarifying the scope and accounting guidance for contributions received and contributions made. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Organization's review of its grants and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets.

The Foundation also adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial Assets:	
Cash on hand and in banks	\$ 598,704
Accounts/Grants receivable	131,919
Total	<u>730,623</u>
Less: Donor restrictions	<u>(33,583)</u>
Amounts available for expenditure within one year	<u>\$ 697,040</u>

The table above reflects the assets that the Foundation will have available over the next twelve months that will be available for expenditure.

NOTE 4 – ACCOUNTS RECEIVABLE

Contracts and grants receivable consist of amounts due to the Organization for expenditures incurred under grant of service contract agreements. The balances are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2020:

Miscellaneous Receivables: \$50,447

Grants Receivable:

<u>Due From</u>	
Behavioral Wellness	\$ 35,796
Cottage Hospital-BHI Counseling	26,500
Santa Barbara County Census	17,500
Prev/Lab Testing	1,676
Total	<u>\$ 81,472</u>

NOTE 5 – ALLOWANCE FOR UNCOLLECTIBLE DEBT

Pacific Pride Foundation has not experienced significant instances of uncollectible debt. Accordingly, the Organization does not maintain an account for allowance of uncollectible debt.

NOTE 6 – PROPERTY AND EQUIPMENT

The following is a summary of Pacific Pride Foundation’s fixed assets as of June 30, 2020:

	July 1 2019	Additions	Deletions	June 30 2020
Furniture, fixtures and equipment	207,904	\$ -	\$ -	207,904
Total cost	207,904			207,904
Less: accumulated depreciation	144,856	27,448		172,304
Property and equipment - net	<u>\$ 63,048</u>	<u>\$ (27,448)</u>	<u>\$ -</u>	<u>\$ 35,600</u>

Depreciation is computed using the straight-line method over the estimated useful life of the assets.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

The \$84,542 loan proceeds were received on April 27, 2020 under the Paycheck Protection Program (PPP). The PPP was established by Section 1102 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provided for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the Organization. The loan and accrued interest are forgivable in the amount used for eligible expenses during either an eight week or twenty-four-week period. Eligible expenses include payroll, benefits, rent, and utilities. The amount of loan forgiveness will be reduced if the Foundation terminates employees or reduces salaries during that period. The Pacific Pride Foundation intends to only use loan proceeds for eligible purposes and then apply for forgiveness as soon as the application is available and if necessary, pay back any potentially unforgiven amount in full.

Future payments are due as follows on the next page:

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (continued)

Fiscal year end June 30,	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	15,185	711	15,896
2023	16,725	615	17,340
2024	16,892	448	17,340
2025	17,062	278	17,340
Thereafter	18,678	107	18,785
Total	<u>\$ 84,542</u>	<u>\$ 2,159</u>	<u>\$ 86,701</u>

The Foundation has expended all of the funds received in a manner in which the Foundation expects full forgiveness of the loan before any payments are required.

NOTE 8 – INTEREST EXPENSE

During the fiscal year ended June 30, 2020, Pacific Pride Foundation had no interest expense.

NOTE 9 – RESTRICTIONS AND LIMINATIONS ON NET ASSET BALANCES

Net Assets with Donor Restrictions

At June 30, 2020, net assets with donor restrictions, which totaled \$33,583 and are comprised of contributions, grants and other unexpended revenues and gains restricted by donors and available only for specific short-term program services, are as follows:

Volentine Family Foundation	\$ 4,167
Tri-Counties Blood Bank	7,500
SB Foundation Behavioral Health	3,000
Manitou Foundation	8,333
Crawford Idema	10,417
Berkshire Hathaway Grant	166
Total	<u>\$ 33,583</u>

NOTE 10 – COMMITMENTS

The Organization has lease agreements on two offices.

<u>Office Location</u>	<u>Monthly Rent</u>	<u>Lease Terms</u>
Santa Barbara, California	\$ 3,199	10-Years
Santa Maria, California	<u>1,500</u>	2-Years plus a 5-Year Option with Consumer Price Index-Los Angeles adjustment after first 12 months.
Total Monthly Rent	<u>\$ 4,699</u>	

For the fiscal year ending June 30, 2020, minimum lease payments are \$57,595.

NOTE 11 – EMPLOYEE BENEFITS

Full-time employees accrue vacation leave at a rate equal to twelve to twenty days per year depending on the number of years of service completed. Employees working thirty or more hours and less than forty hours per week receive a pro rata accrual. In order to encourage employees to take vacations, the vacation accrual is limited to fifteen to twenty-five days, depending upon the length of service. Vacation leave is always fully vested and any unused vacation leave will be paid to employees upon termination of employment.

Full-time employees also accrue sick leave at a rate of one day per month. Employees working thirty or more hours and less than forty hours per week receive a pro rata accrual. Employees can accrue a maximum of 144 hours of sick leave. Sick leave is allowed for illness or disability and is not paid upon termination of employment. Therefore, no sick accrual has been recorded in these financial statements.

The Organization has a 403(b) contribution plan. All employees are eligible to participate and may contribute up to 100% of eligible compensation to a maximum allowable amount under the Internal Revenue Code. The Organization does not contribute to this plan. As of June 30, 2020, the plan had no participants.

The Organization is compliant with the Healthy Workplace Healthy Family Act (AB 1522) which guarantees paid sick leave for employees who work at least 30 days within a year from the beginning of employment.

NOTE 12 – CONTINGENT LIABILITIES

The Organization received several grants from various governmental agencies. These grants are subject to audit by the corresponding oversight Organization as to allowable costs paid with governmental funds and as to share of costs contributed by the Organization. The Organization would be liable up to the full amount of governmental funds should costs charged to the project be disallowed.

NOTE 13 – RELATED PARTY TRANSACTIONS

There were no related party transactions during the period July 1, 2019 through June 30, 2020.

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, receivables and accounts payable, and accrued liabilities approximates fair value because of the short maturity of those instruments.

NOTE 15 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.