Pacific Pride Foundation

Audited Financial Statements

June 30, 2021

Pacific Pride Foundation

Table of Contents

Moss, Levy & Hartzheim LLP
Certified Public Accountants

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, 2021, 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, 2021, 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.

Moss, Levy & Hartzheim LLP

Santa Maria, California
May 30, 2022

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Pacific Pride Foundation
Statement of Financial Position
June 30, 2021

Assets	
Current assets	
Cash and cash equivalents	$ 796,681
Accounts receivable	371,790
Prepaid expenses	40,771
Total current assets	1,209,242
Fixed assets	
Fixed assets at cost	203,893
Less: Accumulated depreciation	(186,357)
Total depreciable fixed assets (net)	17,536
Total fixed assets	17,536
Total assets	$ 1,226,778
Liabilities and net assets	
Current liabilities	
Accounts payable	$ 34,121
Accrued payroll	17,726
Accrued vacation payable	8,615
Total current liabilities	60,462
Noncurrent liabilities	
PPP loan	101,116
Total noncurrent liabilities	101,116
Total liabilities	161,578
Net assets	
With donor restrictions	273,334
Without donor restrictions	791,866
Total net assets	1,065,200
Total liabilities and net assets	$ 1,226,778

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

Pacific Pride Foundation
Statement of Activities
Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support:			
Contributions	$ 523,130	$ 250,000	$ 773,130
Private foundation grants	260,292	5,000	265,292
Total support	783,422	255,000	1,038,422
Revenue:			
Contract revenue from government agencies	104,694		104,694
Loan forgiveness	84,542		84,542
Client fees	47,477		47,477
Community presentations	5,400		5,400
Return on investments	3,230		3,230
Dividend and interest income	698		698
Other	1,247		1,247
Total revenue	247,288		247,288
Net assets released from restrictions:			
Satisfaction of restrictions	15,249	(15,249)	
Total support and revenue	1,045,959	239,751	1,285,710
Expenses			
Program services:			
Health & Prevention	183,180		183,180
Mental Health Counseling	148,494		148,494
LGBTQ Services and Training	297,768		297,768
Total program services	629,442		629,442
Support services:			
Fundraising	133,599		133,599
Management and general	118,064		118,064
Total support services	251,663		251,663
Total expenses	881,105		881,105
Increase/(Decrease) in net assets	164,854	239,751	404,605
Net assets at beginning of fiscal year	611,886	33,583	645,469
Prior period adjustment	15,126		15,126
Net assets at beginning of fiscal year, restated	627,012	33,583	660,595
Net assets at end of fiscal year	$ 791,866	$ 273,334	$ 1,065,200

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

Pacific Pride Foundation
Statement of Functional Expenses
Fiscal Year Ended June 30, 2021

	Health & Prevention	Mental Health Counseling	LGBTQ Services & Training	Total Program Services	Management & General Administration	Fundraising	Total Support Services	Total
Expenses								
Salaries	$ 100,544	$ 54,594	$ 203,416	$ 358,554	$ 29,841	$ 68,634	$ 98,475	$ 457,029
Payroll taxes	8,631	4,571	16,620	29,822	2,478	5,699	8,177	37,999
Employee benefits	7,571	2,699	9,991	20,261	1,137	2,615	3,752	24,013
Total salaries & benefits	116,746	61,864	230,027	408,637	33,456	76,948	110,404	519,041
Accounting & Audit					61,085		61,085	61,085
Advertising					666	5,558	6,224	6,224
Bad Debt		19,668		19,668	12,363		12,363	32,031
Bank Fees	762	3,857	1,376	5,995	323	742	1,065	7,060
Clinical Supervision		28,485		28,485				28,485
Computer				-	3,238		3,238	3,238
Contract Labor-Other	450		50	500	1,000		1,000	1,500
Counseling Interns		13,444		13,444				13,444
Dues & Subscriptions	1,476	1,232	3,799	6,507	288	663	951	7,458
Executive Director Recruitment					9,000		9,000	9,000
Grantwriter						10,618	10,618	10,618
Insurance	6,493	2,442	8,259	17,194	2,586	1,490	4,076	21,270
License Fees					354		354	354
Maintenance	1,857	581	2,310	4,748	153	353	506	5,254
Marketing Outreach & Advertising						12,957	12,957	12,957
Office Equipment		1,727		1,727				1,727
Office Software	643	727	1,571	2,941	420	967	1,387	4,328
Office Supplies	2,763	2,989	4,675	10,427				10,427
Parking	2,763	625	3,219	6,607	203	466	669	7,276
Payroll Service Fee	949	345	1,194	2,488	85	196	281	2,769
Personnel Recruitment					1,066		1,066	1,066
Postage & Shipping	13	3	14	30	183	174	357	387
Printing & Copying	894	163	1,063	2,120	71	164	235	2,355
Program Events			2,154	2,154				2,154
Program Materials	9,500			9,500				9,500
Program Meetings			410	410				410
Property Rent	21,925	5,916	24,323	52,164	1,623	3,733	5,356	57,520
Staff Development & Incentives					1,005		1,005	1,005
Telephone & Internet	3,624	948	4,178	8,750	276	634	910	9,660
Training & Conferences	226	54	241	521	398	203	601	1,122
Travel, Auto & Mileage	3,430		246	3,676	155		155	3,831
Utilities	4,176	765	2,719	7,660	250	575	825	8,485
Total Expenses before	178,690	145,835	291,828	616,353	130,247	116,441	246,688	863,041
Depreciation	4,490	2,659	3,772	10,921	4,230	2,913	7,143	18,064
Total Expenses	$ 183,180	$ 148,494	$ 295,600	$ 627,274	$ 134,477	$ 119,354	$ 253,831	$ 881,105

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

Pacific Pride Foundation
Statement of Cash Flows
Fiscal Year Ended June 30, 2021

Cash flows from operating activities	
Increase in net assets	$ 404,605
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	18,064
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(224,379)
Prepaid expenses	(14,967)
Increase (decrease) in:	
Accounts payable	(13,113)
Accrued payroll	8,932
Accrued vacation payable	1,651
Net cash provided by operating activities	180,793
Cash flows from financing activities	
Proceeds of PPP loan	101,116
Forgiveness of PPP loan	(84,542)
Net cash provided by financing activities	16,574
Net increase in cash and equivalents	197,367
Cash and cash equivalents at beginning of fiscal year	599,314
Cash and cash equivalents at end of fiscal year	$ 796,681
Supplementary cash flow disclosures:	
Cash paid for interest	$ -

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

NOTE 1 – ORGANIZATION

Founded in 1976 as an addiction recovery program, Pacific Pride Foundation (PPF) has long been dedicated to improving the health and well-being of LGBTQ+ individuals in Santa Barbara County. Over our 46-year history, PPF has expanded its focus, pivoting to address the needs of the most marginalized members in our community and empowering LGBTQ+ people to serve as leaders in both service provision and advocacy efforts. In 1984, PPF initiated the AIDS Counseling and Assistance Program to contend with the emerging HIV epidemic and began offering free, confidential HIV testing in 1985 as one of the first test sites in SBC. PPF's syringe exchange program began in the 1990s, becoming widely utilized in the 2000s after it was sanctioned by the Department of Public Health. Today, we provide health and wellness services to thousands of LGBTQ+ people each year, including HIV/HCV testing and education, harm reduction services, mental health services, and peer support.

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 results may differ from those estimated amounts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. PPF offers a dynamic range of health, mental health, education, and advocacy programs that support LGBTQ+ and HIV-impacted people throughout Santa Barbara County, including HIV prevention programs; peer support groups; LGBTQ+ counseling and counselor training services; education, advocacy, and training programs; and community events, including the Pacific Pride Festival.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021, 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 2020-21, income that was recognized when awarded, but the cash had not been received, totaled $371,790. This $371,790 is recorded on the balance sheet as accounts receivable.

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.

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 $12,957 for the year ended June 30, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

At 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, 2021. 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 ended June 30, 2017 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, 2021. 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.

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, 2021 are:

Financial Assets:	
Cash on hand and in banks	$ 796,681
Accounts/Grants receivable	371,790
Total	1,168,471
Less: Donor restrictions	(273,334)
Amounts available for expenditure within one year	$ 895,137

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, 2021:

Miscellaneous Receivables: $349,552

Grants Receivable:

Due From	
Behavioral Wellness	$ 14,333
County of Santa Barbara	2,905
Latin Charitable Foundation	5,000
	$ 22,238

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, 2021:

	July 1 2020	Additions	Deletions	June 30 2021
Furniture, fixtures and equipment	$ 207,904	$ -	$ (4,011)	$ 203,893
Total cost	207,904		(4,011)	203,893
Less: accumulated depreciation	172,304	18,064	(4,011)	186,357
Property and equipment - net	$ 35,600	$ (18,064)	$ -	$ 17,536

NOTE 6 – PROPERTY AND EQUIPMENT (continued)

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.

The Foundation had this loan forgiven on March 19, 2021.

The Foundation received the second round of PPP loan funds on February 2, 2021 and 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, 2021, Pacific Pride Foundation had no interest expense.

NOTE 9 – RESTRICTIONS AND LIMINATIONS ON NET ASSET BALANCES

Net Assets with Donor Restrictions

At June 30, 2021, net assets with donor restrictions, which totaled $273,334 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:

Endowment	$250,000
Gilead Sciences	18,334
Latkin Charitable Foundation	5,000
	$273,334

NOTE 10 – COMMITMENTS

The Organization has lease agreements on one office.

Office Location	Monthly Rent	Lease Terms
Santa Barbara, California	$ 3,161	10-Years
Total Monthly Rent	$ 3,161	

For the fiscal year ending June 30, 2021, minimum lease payments were $57,520.

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 or 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 also complies with laws established in California to provide access to CalSavers for the staff of the Organization.

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, 2020 through June 30, 2021.

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 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of $15,126 was made to record revenue from the prior fiscal year for the reimbursement of payroll related expenses from the Employee Retention Credit.