

PACIFIC PRIDE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2022



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June 9, 2023

Independent Auditors' Report

Board of Directors
Pacific Pride Foundation
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Pacific Pride Foundation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pacific Pride Foundation as June 30, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pacific Pride Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Pacific Pride Foundation for the year ended June 30, 2021, before the restatement described in Note 16, were audited by another auditor whose report dated May 30, 2022, expressed an unmodified opinion on those statements. As part of our audit of the June 30, 2022 financial statements, we also audited the adjustments described in Note 15 that were applied to restate the June 30, 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Pride Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Pride Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Pride Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

PACIFIC PRIDE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	886,038
Investments		445,380
Grants and accounts receivable, net		172,792
Pledges receivable, net		225,140
Prepaid expenses		30,847

Total current assets		1,760,197
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Property and equipment, net		21,254
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TOTAL ASSETS	\$	1,781,451
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	32,541
Accrued payroll		109,410
Accrued vacation payable		7,134

Total current liabilities		149,085
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Total liabilities		149,085
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Net assets:

Without donor restrictions		1,021,332
With donor restrictions		611,034

Total net assets		1,632,366
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TOTAL LIABILITIES AND NET ASSETS	\$	1,781,451
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The accompanying notes are an integral part of these financial statements

**PACIFIC PRIDE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 526,381	\$ 361,137	\$ 887,518
Private foundation grants	493,908	-	493,908
Total support	1,020,289	361,137	1,381,426
Special event revenue	6,486		
Less: direct costs of events	(1,500)		
Net revenue from special events	4,986	-	4,986
Contract revenue from government agencies	125,298	-	125,298
Loan forgiveness	101,831	-	101,831
Client fees	62,332	-	62,332
Employee Retention Credit	175,412	-	175,412
Community presentations	4,650	-	4,650
Return on investments	1,960	-	1,960
Dividend and interest income	2,601	20	2,621
Other	807	-	807
Total revenue	479,877	20	479,897
Total support and revenue	1,500,166	361,157	1,861,323
Net assets released from restrictions	23,457	(23,457)	-
Expenses:			
Program services:			
Health and prevention	305,108	-	305,108
Mental health counseling	160,588	-	160,588
LGBTQ services and training	416,694	-	416,694
Total program services	882,390	-	882,390
Support services:			
Management and general	124,000	-	124,000
Fundraising	154,649	-	154,649
Total support services	278,649	-	278,649
Total expenses	1,161,039	-	1,161,039
Change in net assets	362,584	337,700	700,284
Net assets at beginning of year	791,866	273,334	1,065,200
Prior period adjustment	(133,118)	-	(133,118)
Net assets at the beginning of fiscal year, restated	658,748	273,334	932,082
NET ASSETS AT END OF YEAR	\$ 1,021,332	\$ 611,034	\$ 1,632,366

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

**PACIFIC PRIDE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Support Services							Total June 30, 2022
	Health & Prevention	Mental Health Counseling	LGBTQ Services & Training	Total Program Services	Management and General Administrative	Fundraising	Total Support Services	
Expenses:								
Salaries	\$ 195,312	\$ 82,574	\$ 276,745	\$ 554,631	\$ 28,775	\$ 49,173	\$ 77,948	\$ 632,579
Payroll taxes	15,766	6,997	22,011	44,774	2,228	3,873	6,101	50,875
Employee benefits	8,969	4,238	13,839	27,046	1,601	3,024	4,625	31,671
Total salaries and benefits	220,047	93,809	312,595	626,451	32,604	56,070	88,674	715,125
Accounting and audit	-	-	-	-	51,572	-	51,572	51,572
Advertising	-	-	115	115	-	50	50	165
Bad debt	-	-	-	-	12,183	-	12,183	12,183
Bank fees	37	4,455	1	4,493	359	5,102	5,461	9,954
Board expenses	-	-	13,500	13,500	-	-	-	13,500
Clinician supervision	-	28,286	-	28,286	-	-	-	28,286
Computer	410	207	654	1,271	112	214	326	1,597
Contract labor-other	-	-	10,810	10,810	120	13,334	13,454	24,264
Counseling interns	-	10,000	-	10,000	-	-	-	10,000
Donor development	-	-	-	-	-	929	929	929
Dues and subscriptions	630	1,091	2,293	4,014	427	3,731	4,158	8,172
Grantwriter	-	-	-	-	-	26,733	26,733	26,733
Insurance	3,721	1,280	5,229	10,230	10,499	3,507	14,006	24,236
Interest	-	-	-	-	715	-	715	715
License fees	25	-	-	25	38	-	38	63
Maintenance	712	368	1,150	2,230	147	278	425	2,655
Marketing outreach and advertising	-	-	-	-	-	7,373	7,373	7,373
Office equipment	1,573	2,863	3,069	7,505	2,611	1,394	4,005	11,510
Office software	209	60	495	764	1,402	498	1,900	2,664
Office supplies	2,048	303	1,340	3,691	251	474	725	4,416
Parking	3,098	1,823	5,308	10,229	321	606	927	11,156
Payroll service fee	458	214	715	1,387	77	147	224	1,611
Personnel recruitment	1,609	190	-	1,799	1,501	-	1,501	3,300
Postage and shipping	22	10	1,235	1,267	-	443	443	1,710
Printing and copying	269	89	526	884	676	479	1,155	2,039
Program events	-	-	15,276	15,276	-	-	-	15,276
Program materials	34,495	158	1,776	36,429	-	-	-	36,429
Program meetings	-	-	520	520	-	-	-	520
Property rent	15,452	8,464	15,505	39,421	1,510	30,868	32,378	71,799
Staff development & incentives	16	5	426	447	3,641	85	3,726	4,173
Stipends	-	-	900	900	-	-	-	900
Storage rent	222	-	7,004	7,226	372	-	372	7,598
Telephone and internet	2,351	1,989	4,134	8,474	404	763	1,167	9,641
Training and conferences	3,519	856	2,525	6,900	440	-	440	7,340
Travel, auto and mileage	7,222	46	1,487	8,755	638	31	669	9,424
Utilities	1,986	1,296	3,112	6,394	894	621	1,515	7,909
Total expenses before	300,131	157,862	411,700	869,693	123,514	153,730	277,244	1,146,937
Depreciation	4,977	2,726	4,994	12,697	486	919	1,405	14,102
Total at June 30, 2022	\$ 305,108	\$ 160,588	\$ 416,694	\$ 882,390	\$ 124,000	\$ 154,649	\$ 278,649	\$ 1,161,039

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

**PACIFIC PRIDE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Increase in net assets	\$ 700,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,102
Loan principle forgiven	(101,116)
Donated securities	(25,602)
Realized gains on investments	(1,960)
Changes in operating assets and liabilities:	
Increase (decrease) in:	
Grants and accounts receivable, net	65,880
Pledges receivable, net	(225,140)
Prepaid expenses	9,924
(Increase) decrease in:	
Accounts payable	(1,580)
Accrued payroll	91,684
Accrued vacation payable	(1,481)
Net cash provided by operating activities	524,995
Cash flows from investing activities:	
Proceeds from sale of investments	29,891
Purchase of investments	(259,819)
Purchase of fixed assets	(17,820)
Net cash used by investing activities	(247,748)
Net increase in cash and cash equivalents	277,247
Cash and cash equivalents at beginning of year	608,791
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	\$ 886,038
Supplemental Data:	
Interest paid	\$ -

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

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1: Organization

Founded in 1976 as an addiction recovery program, Pacific Pride Foundation (“PPF” or the “Organization”) has long been dedicated to improving the health and well-being of LGBTQ+ individuals in Santa Barbara County. Over its 47-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 Santa Barbara County. 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, PPF provides 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 the Organization 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.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Basis of Presentation – continued

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 underlying assets), unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual 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

The Organization 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.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Fair Value of Financial Instruments – continued

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

The Organization 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

The Organization'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.

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.

Memberships

The Organization does not charge membership fees. Accordingly, the Organization receives no income from membership fees.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

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.

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 \$7,561 for the year ended June 30, 2022.

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.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

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, 2022. Therefore, the Organization 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 years from the time they were filed. Forms 990 filed by the Organization is no longer subject to examination for the fiscal years ended June 30, 2018 and prior.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

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, 2022. 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, 2022 are:

	2022
Cash on hand and in banks	\$ 886,038
Investments	445,380
Grants and accounts receivable, before allowance	177,792
Pledges receivable in less than one year, net	179,315
Total	1,688,525
Less: Donor restrictions	(611,034)
Amounts available for expenditure within one year	\$ 1,077,491

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

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4: Investments

Investments are recorded at fair value based upon quoted market prices, when available or estimates of fair value. Donated assets are recorded at fair value at the date of donation. Those investments for which fair value is not readily determinable are carried at cost, estimated fair value at date of donation or at a nominal value.

Investments consisted of the following at June 30,

	2022
Money market funds	\$ 445,380
Investments	\$ 445,380

Note 5: Fair Value Measurements of Investments

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Level 2 – Investments valued using Level 2 inputs are based primarily on the net asset values in shares of certain funds and quoted market prices for shares with a less active market.

Level 3 – Investments valued using Level 3 inputs use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing models, discounted cash flow models and similar techniques.

When applicable, the Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 5: Fair Value Measurements of Investments – continued

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

Fair Value Measurements at Reporting Date Using				
	(Level 1)		(Level 2)	(Level 3)
Money market funds	\$ 445,380	\$	-	\$ -
Total	\$ 445,380	\$	-	\$ -

Note 6: Grants and Accounts Receivable

Grants and accounts receivable consist of amounts due to the Organization for expenditures incurred under grant of service contract agreements. Management regularly evaluates receivables for collectability.

Grants and accounts receivable consisted of the following at June 30, 2022:

	2022
Grants and accounts receivable	\$ 177,792
Allowance for doubtful grants	(5,000)
Grants and Accounts Receivable, Net	\$ 172,792

Note 7: Promises to Give

Unconditional promises to give (contributions receivable) are included in the financial statements and are classified as with donor restriction or without donor restriction depending upon donor requirements. Conditional promises, which depend on the occurrence of a specified future and uncertain event, such as matching gifts from other donors, are recognized when the conditions are substantially met. Promises to give have been valued using an income approach of discounted cash flows, using a discount rate of 4.5% and also considering an allowance for collectability. This valuation uses Level 3 inputs under FASB ASC 820 Fair Value Measurements and is considered a non-recurring fair value measurement. There were no changes in the valuation techniques during the current year.

Contributions receivable due within one year are classified as current assets, while the amounts due after one year are classified as long-term.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7: Promises to Give – continued

Contributions receivable, as of June 30, 2022, are recorded at net present value, using a 4.5% discount rate and 3.0% collectability allowance as follows:

	Without Donor Restriction	With Donor Restriction	Total
Receivables in less than one year	\$ -	\$ 187,436	\$ 187,436
Less: Allowance for doubtful pledges		(5,623)	(5,623)
Less: Present value discount	-	(2,498)	(2,498)
Receivables less than one year, net	-	179,315	179,315
Receivables in one to five years	-	52,000	52,000
Less: Allowance for doubtful pledges	-	(1,560)	(1,560)
Less: Present value discount	-	(4,615)	(4,615)
Receivables in one to five years, net	-	45,825	45,825
Total Net Receivables	\$ -	\$ 225,140	\$ 225,140

Note 8: Property and Equipment

Property and Equipment consisted of the following at June 30,

	2022
Vehicles	\$ 117,938
Furniture, fixtures and equipment	85,955
Software	17,820
Total	221,713
Less: accumulated depreciation	(200,459)
Property and Equipment, Net	\$ 21,254

Depreciation and amortization expense for the years ended June 30, 2022 was \$14,102.

Note 9: Endowment Funds and Endowment Policy

The Organization's Chad Robert Phillips Memorial Fund has been established to support youth and counseling programs for clients 35 years of age and younger. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

PACIFIC PRIDE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9: Endowment Funds and Endowment Policy - continued

The Organization has classified the fair value of donations restricted by donors to be held as endowments in perpetuity as restricted net assets.

Any unappropriated earnings of the endowment fund are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the organization. The endowment policy stipulates that no such amounts may be expended until the fund reaches \$400,000 in assets.

Management 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 Foundation must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity mutual fund investments to achieve its long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 280,897	\$ 280,897
Restricted cash not yet transferred to endowment funds	-	22,250	22,250
Pledged endowment fund contributions	-	165,000	165,000
Endowment Net Assets	\$ -	\$ 468,147	\$ 468,147

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Note 9: Endowment Funds and Endowment Policy – continued

Changes in endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 250,000	\$ 250,000
Current year contributions	-	218,250	218,250
Investment income	-	20	20
Investment fees	-	(123)	(123)
Amounts appropriated for expenditure	-	-	-
Endowment Net Assets, End of Year	\$ -	\$ 468,147	\$ 468,147

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022.

Subject to expenditure of specified purpose:	
Chad Robert Phillips Memorial Fund	\$ 468,147
Subject to passage of time:	
For periods after June 30, 2022	142,887
Total	\$ 611,034

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor.

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Note 11: Lease Commitments

The Organization holds a lease agreement with Hutton Parker Foundation to lease their Santa Barbara office space. The term of the lease is 10 years, commencing on December 1, 2016, and expiring on November 30, 2026. The lease requires minimum monthly rents, annualized as follows:

2023	\$ 30,996
2024	30,996
2025	30,996
2026	30,996
2027	12,915
Thereafter	-
<hr/>	
Total Minimum Payments	\$ 136,899

The lease agreement also provides for additional percentage rent payments. The total monthly rent owed to the lessor is calculated as a predetermined percentage (4.89%) of the common area maintenance operating expenses and tenant improvements. These supplementary charges are billed monthly along with the base rent amount of \$2,583.

Note 12: 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 also complies with laws established in California to provide access to Cal Savers 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.

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Note 13: 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 for up to the full amount of governmental funds should costs charged to the project be disallowed.

Note 14: Related Party Transactions

There were no related party transactions during the period July 1, 2021 through June 30, 2022.

Note 16: Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Organization was eligible for a refundable Employee Retention Credit subject to certain criteria. PPF has filed for refunds of the Employee Retention Credit applicable to the years ended June 30, 2020 and 2021 and included the amounts as income of \$175,412 for the year ended June 30, 2022.

Note 16: Prior Period Adjustment

Net assets without donor restrictions as of June 30, 2021, has been reduced by \$133,118 to correct errors made in previous years by recording revenue and receivables for the Employee Retention Credit in the periods in which related expenses were incurred rather than in the period in which management determined that the Organization qualified for the credits. The impacted accounts have been restated below:

	Balance at June 30, 2021	Adjustments	Adjusted Balance at June 30, 2021
Assets			
Accounts receivable	\$ 371,790	\$ (133,118)	\$ 238,672
Net Assets			
Without donor restrictions	\$ 273,334	\$ (133,118)	\$ 140,216

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Note 17: Subsequent Events

The Company has evaluated subsequent events through June 9, 2023, the date which the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustment to or disclosures in the financial statements.