PHOENIX PRIDE

FINANCIAL STATEMENTS

Year Ended December 31, 2020

PHOENIX PRIDE, INC.
FINANCIAL STATEMENTS

Year Ended December 31, 2020

CONTENTS

GREGORY MICHAEL COY
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Forensic and Internal Control Consulting

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Phoenix Pride, Inc.:**

Opinion

I have audited the accompanying financial statements of Phoenix Pride, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Pride, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Phoenix Pride, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 Phoenix Pride, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 generally accepted auditing standards 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, including omissions, 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.

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In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Phoenix Pride, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Phoenix Pride, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Phoenix Pride, Inc.'s December 31, 2019 financial statements, which were audited by another auditor. In their auditors' report dated June 16, 2020 they expressed an unmodified opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregory Michael Coy, CPA, PLLC

Gregory Michael Coy, CPA, PLLC
Phoenix, AZ

May 31, 2021

PHOENIX PRIDE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020
(with comparative totals at December 31, 2019)

A S S E T S

	2020	2019 as restated
CURRENT ASSETS		
Cash	$ 486,908	$ 580,138
Accounts receivable	2,423	7,243
Contributions receivable	7,406	42,300
Prepaid festival and events costs	183,184	34,522
Other assets	5,152	15,827
TOTAL CURRENT ASSETS	685,073	680,030
GOODWILL - RAINBOWS FESTIVAL	100,000	100,000
PROPERTY AND EQUIPMENT, NET	9,430	10,130
DEPOSITS AND LONG TERM ASSETS	8,141	2,992
TOTAL ASSETS	$ 802,644	$ 793,152

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2020	2019 as restated
CURRENT LIABILITIES		
Accounts payable	$ 28,828	$ 15,694
Accrued expenses	12,176	8,644
Pride scholarships payable	14,918	7,689
Deferred revenue	146,840	68,544
Refundable festival and event contributions	193,000	111,000
Current portion of long-term debt	60,476	22,358
TOTAL CURRENT LIABILITIES	456,238	233,929
LONG-TERM DEBT, net of current portion	-	18,976
TOTAL LIABILITIES	456,238	252,905
NET ASSETS		
Net assets without donor restrictions	329,107	488,352
Net assets with donor restrictions	17,299	51,895
TOTAL NET ASSETS	346,406	540,247
TOTAL LIABILITIES AND NET ASSETS	$ 802,644	$ 793,152

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2020	Total 2019
SUPPORT AND REVENUE				
Contributions and grants	$ 232,843	$ 7,704	$ 240,547	$ 78,578
Festivals and events contributions	169,236	-	169,236	458,211
Festivals and events exchange transactions, net of cost of sales of $76 and $129,423, respectively	4,211	-	4,211	1,330,064
Donated materials and services	-	-	-	334,350
Investment income	52	-	52	125
Total support and revenue before net assets released from restrictions	406,342	7,704	414,046	2,201,328
Net assets released from restrictions	42,300	(42,300)	-	-
TOTAL SUPPORT AND REVENUE	448,642	(34,596)	414,046	2,201,328
EXPENSES				
Program services:				
Festivals	374,752	-	374,752	1,650,383
Other programs	91,330	-	91,330	172,788
Total program services	466,082	-	466,082	1,823,171
Supporting services:				
Management and general	48,057	-	48,057	54,815
Fundraising	93,748	-	93,748	59,453
Total supporting services	141,805	-	141,805	114,268
TOTAL EXPENSES	607,887	-	607,887	1,937,439
CHANGE IN NET ASSETS	(159,245)	(34,596)	(193,841)	263,889
NET ASSETS, BEGINNING OF YEAR, as restated	488,352	51,895	540,247	276,358
NET ASSETS, END OF YEAR	$ 329,107	$ 17,299	$ 346,406	$ 540,247

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)

	Program Services			Supporting Services				
	Festivals	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020	2019
Salaries and wages	$ 146,185	$ 21,220	$ 167,405	$ 21,220	$ 47,157	$ 68,377	$ 235,782	$ 201,989
Payroll taxes and benefits	25,388	3,685	29,073	3,685	8,190	11,875	40,948	38,013
Professional fees	79,210	10,403	89,613	9,852	20,326	30,178	119,791	83,426
Rent	28,990	3,267	32,257	3,267	7,261	10,528	42,785	103,189
Pride scholarships	-	42,081	42,081	-	-	-	42,081	55,387
Festival expenses	33,042	-	33,042	-	-	-	33,042	709,398
Insurance	17,810	5,134	22,944	1,749	-	1,749	24,693	29,685
Information technology	10,207	1,482	11,689	1,482	3,293	4,775	16,464	18,539
Utilities	6,857	995	7,852	995	2,212	3,207	11,059	121,181
Telephone and communications	5,910	858	6,768	858	1,907	2,765	9,533	9,374
Bank and merchant fees	4,370	608	4,978	1,809	922	2,731	7,709	12,474
Materials and supplies	3,190	463	3,653	463	1,029	1,492	5,145	10,953
Travel and meals	4,863	71	4,934	-	-	-	4,934	44,892
Dues and subscriptions	1,841	267	2,108	267	594	861	2,969	2,990
Advertising and promotion	2,367	200	2,567	100	-	100	2,667	171,385
Licenses and permits	1,416	-	1,416	27	-	27	1,443	4,827
Postage and printing	836	266	1,102	203	126	329	1,431	15,613
Interest expense	875	127	1,002	127	282	409	1,411	3,162
Depreciation	434	63	497	63	140	203	700	700
Donated services	-	-	-	-	-	-	-	132,500
Donated materials and supplies	-	-	-	-	-	-	-	84,750
Charitable contributions and grants	-	-	-	-	-	-	-	76,352
Board costs	-	-	-	-	-	-	-	5,035
Other expense	961	140	1,101	1,890	309	2,199	3,300	1,625
	$ 374,752	$ 91,330	$ 466,082	$ 48,057	$ 93,748	$ 141,805	$ 607,887	$ 1,937,439

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (193,841)	$ 263,889
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	700	5,035
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	4,820	(39,399)
Contributions receivable	34,894	-
Prepaid festivals and event costs	(148,662)	(34,522)
Other assets	10,675	(8,144)
Increase (decrease) in:		
Accounts payable	13,134	9,106
Accrued expenses	3,532	(2,075)
Pride scholarship payable	7,229	(2,441)
Deferred revenue	78,296	128,415
Refundable festival and event contributions	82,000	-
Net cash provided by (used in) operating activities	(107,223)	319,864
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in deposits and other long-term assets	(5,149)	-
Net cash provided (used) by investing activities	(5,149)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	41,500	-
Principal payments on long-term debt	(22,358)	(43,399)
Net cash provided (used) by investing activities	19,142	(43,399)
NET CHANGE IN CASH	(93,230)	276,465
CASH, BEGINNING OF YEAR	584,473	308,008
CASH, END OF YEAR	$ 491,243	$ 584,473
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 1,411	$ 2,599
Cash paid for income taxes	$ -	$ -

See Accompanying Notes to Financial Statements

(1) <u>Organization purpose and summary of significant accounting policies</u>

Organization purpose **–** Phoenix Pride, Inc. (the Organization) was formed in September 1990, in the state of Arizona, as a 501(c)(3). The mission of the Organization is to promote unity, visibility and self-esteem among gay, lesbian, bisexual, transgender and queer persons (LGBTQ) through community activities and services. The organization's programs are offered in Phoenix and throughout the state of Arizona. The Organization's programs include the Phoenix Pride Festival, the Phoenix Pride Parade, and other programs that serve the community and celebrate and promote the history, diversity and future prosperity of the metropolitan Phoenix LGBTQ community. The Phoenix Pride Festival, the Phoenix Pride Parade, and the Rainbows Festival are Phoenix Pride's main sources of revenue.

The Organization's programs provide community grants and scholarships to organizations and individuals in the LGBTQ community. Community grant and partnership programs provide financial grants and support to not-for profit organizations serving Maricopa County's LGBTQ community. Since inception of the grants and partnership programs in 2008, the Organization has provided more than $748,000 in community support to not-for-profit organizations.

The Phoenix Pride Scholarship Program provides scholarships to self-identified LGBTQ college students. Since inception of the scholarship program in 2008, the scholarship program has awarded $347,500 in scholarships paid by Arizona Community Foundation on behalf of the Organization. The Organization funds these scholarships by making annual contributions to the endowment fund at Arizona Community Foundation (see Note 5).

COVID-19 pandemic - At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments, businesses and non-profit organizations have faced supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. The significance and the duration of the pandemic's financial impact are indeterminable. During the year ended December 31, 2020, the Phoenix Pride Festival, the Phoenix Pride Parade, and the Rainbows Festival were all cancelled due to the effects of the COVID-19 pandemic.

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 assets and liabilities.

Basis of presentation - The financial statement presentation reports information regarding its financial position and activities according to two classes of net assets:

<u>Net Assets Without Donor Restrictions</u> - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

<u>Net Assets with Donor Restrictions</u> - Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. The Organization does not have any restrictions that need to be maintained in perpetuity.

(1) Organization purpose and summary of significant accounting policies (continued)

Managements' use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

Prior-year summarized information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Accounts receivable – Accounts receivable consist of revenue from exchange transactions and are due within one year. The Organization, at times, grants credit without collateral to its customers. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Although the Organization does not require collateral on its accounts receivable, credit risk with respect to accounts receivable is limited due to the fact that accounts receivable are typically fully collectible in less than one year. Management has determined that accounts receivable are fully collectible at December 31, 2020 and 2019, accordingly, management has determined that an allowance for doubtful accounts is not necessary.

Contributions receivable - Unconditional contributions receivable are recognized as support in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets promised. Failure to overcome the barrier gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met. Unconditional contributions receivable that are to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Contributions receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. At December 31, 2020 and 2019, all contributions receivable were due within one year.

Goodwill-Rainbows Festival – In 2011, the Organization acquired the Rainbows Festival. The acquisition resulted in recognizing goodwill of $100,000. The carrying amount of goodwill is not amortized but is reduced if management determines that its implied fair value has been impaired. During the years ended December 31, 2020 and 2019, management has determined that there has been no impairment to goodwill.

(1) Organization purpose and summary of significant accounting policies (continued)

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $3,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Furniture, fixtures and equipment	7 to 10 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of Accounting for the Impairment of Long-Lived Assets. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

Deferred revenue – Deferred revenue consists of admission revenue, exhibitor revenue and other exchange transaction revenue paid in advance of the time that the related performance obligations are satisfied. Deferred revenue is recognized as revenue as the related performance obligations are satisfied for the related exchange transaction revenue source.

Refundable festival and event contributions – Refundable festival and event contributions consist of event sponsorships and are advance payments of refundable conditional contributions (refundable advances). These advance payments are subject to return or refund to the donor if certain conditions are not met. These conditional contributions are recognized as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e., barriers are overcome).

Contributions - Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions or without donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions on unconditional contributions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are met in the same period as the contribution is received are reported as net assets without donor restrictions.

(1) Organization purpose and summary of significant accounting policies (continued)

Conditional contributions – Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e., barriers are overcome). Restrictions on conditional contributions that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions.

Investment income – Investment income includes interest, dividends, realized and unrealized gains and losses and is reflected net of direct investment fees and expenses.

Donated materials, supplies and services - Donated materials and services are recorded at their estimated values if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase, if not provided by donation. The Organization utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Organization with specific programs and fundraising. No amounts have been reflected in the financial statements for these services, since they did not meet the recognition requirements under generally accepted accounting standards. For the year ended December 31, 2020, the Organization did not receive any donated materials, supplies or services. For the year ended December 31, 2019, the Organization received donated services of $132,500, donated materials and supplies of $84,750 and donated advertising of $117,100. The majority of these donated items benefitted the festivals and other events held by the Organization.

Advertising - The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled $2,667 and $126,660 for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2019, $117,100 of these advertising costs were donated.

Exchange transaction revenue recognition - Exchange transaction revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Since the amortization period for any incremental costs of obtaining any contract is one year or less, the Organization has elected the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1. The Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying the revenue standard to a portfolio of contracts with similar characteristics. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics within each portfolio. Based on historical collection trends and other analysis, management has concluded that revenue for each portfolio type would not be materially different than if accounting for revenue on a contract-by-contract basis.

Exchange transaction revenue is generated primarily from festivals and events and consists of the following:

Admission revenue – The Organization sells tickets to the public for its festivals and events. Ticket prices are at fixed amounts predetermined by the Organization. Performance obligations for admissions are satisfied and recognized as revenue at the point in time that each related festival or event occurs. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not

(1) Organization purpose and summary of significant accounting policies (continued)

required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. Certain admissions revenue is collected prior to the date of the event and is recognized as deferred revenue (contract liabilities) until the performance obligations are satisfied on the date of the event. The Organization did not have deferred revenue (contract liabilities) related to admissions revenue at December 31, 2020 or 2019. Since the period of time between the payment of the ticket price and the date of the related event (i.e., the date the performance obligations are satisfied) are less than one year, the Organization has elected to apply the practical expedient as described in FASB ASC 606-10-32-18. Accordingly, no financing component is recognized related to this revenue. Admissions revenue is recognized net of the related cost of goods sold on the accompanying statement of activities.

Exhibitor revenue – The Organization sells exhibition space (booths) and advertising space to exhibitors at its festivals and events. Exhibition space and advertising are at fixed amounts predetermined by the Organization. Performance obligations for exhibitor booths and advertising are satisfied and recognized as revenue at the point in time that each related festival or event occurs. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. Certain exhibitor revenue is invoiced to exhibitors and paid after the date of the event and is recognized as accounts receivable. Certain exhibitor revenue is collected prior to the date of the event and is recognized as deferred revenue (contract liabilities) until the performance obligations are satisfied on the date of the event. The Organization did have certain accounts receivable (contract assets) and deferred exhibitor revenue (contract liabilities) related to exhibitor revenue at December 31, 2020 and 2019. Since the period of time between the payment of the ticket price and the date of the related event (i.e., the date the performance obligations are satisfied) are less than one year, the Organization has elected to apply the practical expedient as described in FASB ASC 606-10-32-18. Accordingly, no financing component is recognized related to this revenue.

Merchandise and beverage sales – The Organization sells certain merchandise and beverages to attendees at its festivals and events. Performance obligations for these sales are satisfied at the point in time each sale is completed. The transaction price for the product sales is based upon a predetermined retail price for each item. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract liabilities, related to product sales at December 31, 2020 and 2019. Since product sales are completed on a point of sales basis, there is no financing component related to these sales. Merchandise and beverage sales are recognized net of the related cost of goods sold on the accompanying statement of activities.

ATM surcharges – The Organization has entered into a contract with a provider of mobile Automated Teller Machines (ATMs) for use at its festivals and events. In exchange for the exclusive right to provide ATMs, the provider pays the Organization a predetermined fixed amount (surcharge) per cash withdrawal transaction. Performance obligations for these surcharges are satisfied at the point in time each cash withdrawal is completed. The transaction price for the surcharges is based upon a predetermined fixed amount per ATM withdrawal. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract

(1) Organization purpose and summary of significant accounting policies (continued)

liabilities, related to ATM surcharges at December 31, 2020 and 2019. ATM surcharges are completed on a point of sales basis, and the surcharges are typically collected within 30 to 60 days of the date of the transaction, accordingly, there is no financing component related to these sales.

Contract assets for the year ended December 31, is as follows:

	2020	2019
Accounts receivable	$ 2,423	$ 7,243

Changes in contract liabilities for the year ended December 31, 2020 is as follows:

Deferred revenue, beginning of the year	$ 68,544
Revenue recognized that was included in deferred revenue at the beginning of the year	(68,544)
Increase in deferred revenue from cash payments received during the year	146,840
Deferred revenue, end of the year	$ 146,840

Exchange transaction revenue by type for the year ended December 31, is as follows:

	2020	% of total	2019	% of total
Admissions	$ 3,887	92%	$ 691,089	52%
Admissions cost of sales	(76)	-2%	(6,308)	0%
Beverage and merchandise	-	0%	501,972	38%
Beverage and merchandise cost of sales	-	0%	(123,115)	-9%
Exhibitor	400	9%	260,680	20%
ATM surcharges	-	0%	5,746	0%
Total	$ 4,211		$ 1,330,064	

Functional expenses - The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and/or resources devoted to each activity.

Compensated Absences - Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees.

Reclassifications – Certain amounts in the 2019 summarized comparative information have been reclassified to conform to the presentation of the financial statements for the year ended December 31, 2020. The reclassifications had no significant effect on the change in net assets for 2019.

(1) <u>Organization purpose and summary of significant accounting policies (continued)</u>

Fair value measurements – The Organization has established a framework for measuring fair value under U.S. generally accepted accounting principles and enhances disclosures about such fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standards describe how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable. For the years ended December 31, 2020 and 2019, the Organization did not have any assets or liabilities subject to fair value measurement other than at initial recognition.

Income tax status – The Organization is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, contributions to the Organization qualify for the charitable contribution deduction under Section 170. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Organization has no taxable unrelated business income related to the Organization activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T. The tax years ended 2017, 2018, and 2019 are still open to audit for both federal and state purposes. Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Subsequent events - The Organization evaluated subsequent events after the statement of financial position date of December 31, 2020 through May 31, 2021, which was the date the Organization's financial statements were available to be issued. No conditions were noted, other than those described below, that did not exist as of December 31, 2020, but arose subsequent to that date.

- On January 9, 2021, the Organization was granted forgiveness by the Small Business Organization of the promissory note with a financial institution dated April 25, 2020, under the Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The entire balance of the loan in the amount of $41,500 was forgiven.

- In connection with the COVID-19 pandemic, the Organization has entered into a promissory note (loan) with a financial institution dated April 23, 2021. The loan is a "second-round" loan through the Small Business Administration (SBA) Federal Paycheck Protection Program (Program) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The promissory note is in the amount of $42,640 and bears interest at a rate of 1%. No interest or principal payments are required during the first 10 months of the loan; however, interest will continue to accrue during the 10-month deferral period. After the 10-month deferral period, the Organization is required to make monthly payments of principal and interest. The final payment of all outstanding principle and accrued interest is due on April 23, 2026. The loan will be forgiven by the SBA if the Organization meets the loan forgiveness requirements under the Program. The Organization expects to meet the loan forgiveness requirements of the Program and expects that the entire principal amount and any accrued interest related to the loan will be forgiven.

(2) Liquidity and availability of financial assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and receivables. The Organization manages its liquid resources by investing cash in interest bearing bank accounts. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization prepares and strives to operate within a balanced annual budget.

Financial assets available to meet general expenditures within one year:

	2020	2019
Cash	$ 486,908	$ 580,138
Accounts receivable, due in next 12 months	2,423	7,243
Contributions receivable, due in next 12 months	7,406	-
	496,737	587,381
Donor imposed restrictions	(17,299)	(51,895)
Financial assets available to meet general expenditures within one year	$ 479,438	$ 535,486

(3) Property and equipment

Property and equipment consist of:	2020	2019
Cost or donated value:		
Furniture, fixtures and equipment	$ 12,965	$ 12,965
Total cost or donated value	12,965	12,965
Accumulated depreciation	(3,535)	(2,835)
Net property and equipment	$ 9,430	$ 10,130

Depreciation expense charged to operations is $700 for the years ended December 31, 2020 and 2019.

(4) Employee benefit plan

The Organization sponsors a defined contribution Simple IRA plan (the Plan) covering qualified employees, as defined. The Organization contributes a matching contribution based on the employee's elective contribution up to a maximum of three percent of the employee's annual compensation. The Organization made matching contributions of $0 and $944 for the years ended December 31, 2020 and 2019.

(5) Pride scholarship fund

The Organization established the Pride Scholarship Fund with an endowment contribution to the Arizona Community Foundation, a community foundation that promotes and facilitates philanthropy. The Organization does not record this endowment on its financial statements as it gave control of the endowment funds to the Arizona Community Foundation to manage and facilitate scholarships from the earnings on the endowment. At its discretion, the Organization may make discretionary contributions to the Fund. The Fund has an accumulated balance of $79,947 and $92,215 at December 31, 2020 and 2019, respectively. The Organization made contributions to the Pride Scholarship Fund of $49,770 and $57,829 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, $14,918 and $7,689, respectively, of this contribution is accrued as payable.

(6) Long-term debt

Long-term debt consists of:	2020	2019
The Organization entered into an unsecured promissory note with the Arizona Community Foundation (ACF) on November 15, 2016. The note allows for advances up to a total of $150,000. The Organization was advanced the full amount. The note bears interest at 4% and was originally due to mature on November 1, 2020. Interest only payments were due for the first 6 months of the note. Beginning June 1, 2017, the Organization was required to make 48 monthly payments of principal and interest of $3,833. In April 2020, ACF offered to defer the principal and interest payments for a period of 3 months. In June 2020, ACF offered to defer the principal and interest payments for an additional 3 months. In accordance with the deferment agreement, interest does not accrue on the note during the 6 month period that principal and interest payments are deferred. Principal and interest payments resumed on October 1, 2020 and the maturity date is extended to May 1, 2021. Organization is subject to certain financial covenants and is in compliance with those covenants.	$ 18,976	$ 41,334
In connection with the COVID-19 pandemic, the Organization entered into a promissory note with a financial institution dated April 25, 2020. The note is through the Small Business Adminstration ("SBA") Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note is in the amount of $41,500 and bears interest at a rate of 1%. The note is to be repaid in 18 monthly payments beginning November 1, 2020. The final payment of all outstanding principle and accrued interest is due on April 25, 2022. The note will be forgiven for all payroll costs, covered mortgage interest, covered rent payments and covered utility payments incurred during the 8 week period beginning the date of the initial disbursement of the loan (April 25, 2020). Not more than 25% of the amount forgiven can be attributable to non-payroll costs. On January 19, 2021, the Organization was granted forgiveness by the SBA of the promissory note and the entire balance of the note in amount of $41,500 was forgiven.	41,500	-
Total Net Long-Term Debt	60,476	41,334
Less: Current Maturities	(60,476)	(22,358)
Noncurrent Maturities	$ -	$ 18,976

(6) Net assets with donor restrictions

Net assets with donor restrictions consist of the following:

	2020	2019
Purpose restrictions:		
LGBTQ History Project	$ 7,011	$ 7,011
Rainbow Crosswalks	2,627	2,584
PPE for Pride	255	-
Time restrictions:		
Contributions receivable	7,406	42,300
Total net assets with donor restrictions	$ 17,299	$ 51,895

Net assets released from restrictions consist of the following:

	2020	2019
Purpose restrictions:		
LGBTQ History Project	$ -	$ 1,356
Rainbow Crosswalks	-	4,760
Time restrictions:		
Contributions receivable	42,300	-
Total net assets released from restrictions	$ 42,300	$ 6,116

(7) Concentrations

During the years ended December 31, 2020 and 2019, the Organization received approximately 31% and 97% of revenue from three of its events: the Phoenix Pride Festival, the Phoenix Pride Parade, and the Rainbows Festival.

(8) Restatement

The Organization has restated its net assets at January 1, 2019, to correct for certain errors related to the classification of certain assets, liabilities and net assets. These restatements are due to the fact that contributions receivable were not reported separately from accounts receivable, refundable conditional contributions (refundable advances) were not reported separately from deferred revenue and net assets with donor restrictions did not properly include time restricted contributions receivable at December 31, 2019.

The impact of these restatements is as follows:

Account	As Originally Stated	Restatement Adjustments	As Restated
Accounts receivable	$ 49,543	$ (42,300)	$ 7,243
Contributions receivable	$ -	$ 42,300	$ 42,300
Deferred revenue	$ 179,544	$ (111,000)	$ 68,544
Refundable conditional contributions	$ -	$ 111,000	$ 111,000
Net assets without donor restrictions	$ 530,652	$ (42,300)	$ 488,352
Net assets with donor restrictions	$ 9,595	$ 42,300	$ 51,895

(9) Future accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for the Organization January 1, 2021. The Organization is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which modifies how expected credit losses on financial instruments are developed. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)* which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The new standards are effective for the Organization January 1, 2022. The Organization is evaluating the effect that ASU No. 2016-13 and ASU No 2018-19 will have on its financial statements and related disclosures.