FINANCIAL STATEMENTS

Year Ended December 31, 2022

PHOENIX PRIDE, INC.
FINANCIAL STATEMENTS

Year Ended December 31, 2022

CONTENTS

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Phoenix Pride, Inc. adopted the new accounting standards as required by FASB Accounting Standard Update (ASU) No. 2016-02*, Leases (Topic 842)* and by FASB ASU No. 2018-11*, Leases (Topic 842): Targeted Improvements* and other applicable FASB ASUs related to Topic 842 and also adopted FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. My opinion is not modified with respect to these matters.

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

I have previously audited Phoenix Pride, Inc.'s 2021 consolidated financial statements and I expressed an unmodified opinion on those audited financial statements in my report dated July 28, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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

December 21, 2023

PHOENIX PRIDE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022
(with comparative totals at December 31, 2021)

A S S E T S

	2022	2021
CURRENT ASSETS		
Cash	$ 1,354,394	$ 1,705,581
Accounts receivable	6,707	32,885
Contributions receivable	35,994	86,013
Other assets	38,202	20,249
TOTAL CURRENT ASSETS	1,435,297	1,844,728
GOODWILL - RAINBOWS FESTIVAL	100,000	100,000
PROPERTY AND EQUIPMENT, NET	25,165	8,730
RIGHT-OF-USE OPERATING LEASE ASSET	41,269	-
DEPOSITS AND LONG TERM ASSETS	3,500	6,000
TOTAL ASSETS	$ 1,605,231	$ 1,959,458

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

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 13,507	$ 41,213
Accrued expenses	21,300	22,446
Pride scholarships payable	-	36,550
Deferred revenue	25,510	500
Refundable festival and event contributions	66,550	77,205
Refundable advance of governmental grant	-	571,598
Current portion of operating lease liability	40,626	-
TOTAL CURRENT LIABILITIES	167,493	749,512
OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	3,432	-
TOTAL LIABILITIES	170,925	749,512
NET ASSETS		
Net assets without donor restrictions	1,382,177	1,109,473
Net assets with donor restrictions	52,129	100,473
TOTAL NET ASSETS	1,434,306	1,209,946
TOTAL LIABILITIES AND NET ASSETS	$ 1,605,231	$ 1,959,458

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2022	Total 2021
SUPPORT AND REVENUE				
Contributions and grants	723,666	$ 40,369	$ 764,035	1,130,702
Festivals and events contributions	730,722	-	730,722	418,600
Festivals and events exchange transactions, net of cost of sales of $93,633 and $102,996, respectively	1,149,476	-	1,149,476	1,031,140
Donated materials and supplies	279,400	-	279,400	155,088
Donated services	8,343	-	8,343	3,300
Investment income	57	-	57	21
Total support and revenue before net assets released from restrictions	2,891,664	40,369	2,932,033	2,738,851
Net assets released from restrictions	88,713	(88,713)	-	-
TOTAL SUPPORT AND REVENUE	2,980,377	(48,344)	2,932,033	2,738,851
EXPENSES				
Program services:				
Festivals	2,148,772	-	2,148,772	1,627,369
Other programs	314,837	-	314,837	81,299
Total program services	2,463,609	-	2,463,609	1,708,668
Supporting services:				
Management and general	104,047	-	104,047	65,420
Fundraising	136,927	-	136,927	101,223
Total supporting services	240,974	-	240,974	166,643
TOTAL EXPENSES	2,704,583	-	2,704,583	1,875,311
CHANGE IN NET ASSETS	275,794	(48,344)	227,450	863,540
NET ASSETS, BEGINNING OF YEAR	1,109,473	100,473	1,209,946	346,406
Cumulative effect of adoption of FASB ASC No. 842 at January 1, 2023	(3,090)	-	(3,090)	-
NET ASSETS, BEGINNING OF YEAR AFTER ADJUSTMENT FOR CUMULATIVE EFFECT	1,106,383	100,473	1,206,856	346,406
NET ASSETS, END OF YEAR	$ 1,382,177	$ 52,129	$ 1,434,306	$ 1,209,946

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	Program Services			Supporting Services				
	Festivals	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
Salaries and wages	$ 202,672	$ 28,211	$ 230,883	$ 29,661	$ 41,500	$ 71,161	$ 302,044	$ 247,346
Payroll taxes and benefits	31,953	4,448	36,401	4,676	6,543	11,219	47,620	42,168
Festival expenses	1,137,857	-	1,137,857	-	-	-	1,137,857	824,432
Utilities	202,592	1,564	204,156	1,644	2,301	3,945	208,101	162,468
Donated advertising	179,090	-	179,090	-	-	-	179,090	85,000
Professional fees	99,698	17,892	117,590	42,383	13,010	55,393	172,983	148,150
Charitable contributions and grants	-	147,912	147,912	-	-	-	147,912	-
Lease expense	116,313	3,593	119,906	3,778	5,287	9,065	128,971	123,720
Donated event rentals and supplies	41,700	-	41,700	-	58,610	58,610	100,310	66,588
Pride scholarships	-	84,030	84,030	-	-	-	84,030	36,550
Travel and meals	41,663	2,016	43,679	4,020	366	4,386	48,065	23,591
Postage and printing	10,393	5,291	15,684	4,718	1,313	6,031	21,715	13,976
Bank and merchant fees	10,984	5,456	16,440	3,904	656	4,560	21,000	13,296
Materials and supplies	13,937	1,940	15,877	2,040	2,854	4,894	20,771	12,902
Advertising and promotion	15,065	3,648	18,713	300	-	300	19,013	10,467
Information technology	12,316	1,714	14,030	1,802	2,522	4,324	18,354	22,528
Insurance	10,755	2,970	13,725	3,518	-	3,518	17,243	13,920
Donated services	8,343	-	8,343	-	-	-	8,343	3,300
Telephone and communications	5,552	773	6,325	813	1,137	1,950	8,275	7,201
Licenses and permits	1,745	2,815	4,560	27	-	27	4,587	1,393
Conferences and meetings	2,093	-	2,093	-	-	-	2,093	-
Depreciation	1,207	168	1,375	177	247	424	1,799	700
Dues and subscriptions	1,050	146	1,196	154	215	369	1,565	1,640
Board costs	-	-	-	119	-	119	119	8,309
Donated lodging	-	-	-	-	-	-	-	3,500
Other expense	1,794	250	2,044	313	366	679	2,723	1,978
	$ 2,148,772	$ 314,837	$ 2,463,609	$ 104,047	$ 136,927	$ 240,974	$ 2,704,583	$ 1,875,311

See Accompanying Notes to Financial Statements

PHOENIX PRIDE, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 227,450	$ 863,540
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program Loan	-	(41,500)
Depreciation	1,799	700
Amortization of right-of-use asset, operating leases	37,452	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	26,178	(30,462)
Contributions receivable	50,019	(78,607)
Prepaid festivals and event costs	-	183,184
Other assets	(17,953)	(15,097)
Increase (decrease) in:		
Accounts payable	(27,706)	12,385
Accrued expenses	(1,146)	10,270
Pride scholarship payable	(36,550)	21,632
Deferred revenue	25,010	(146,340)
Operating expense liability	(37,753)	-
Refundable festival and event contributions	(10,655)	(115,795)
Refundable advance of governmental grant	(571,598)	571,598
Net cash provided by (used in) operating activities	(335,453)	1,235,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(18,234)	-
Net change in deposits and other long-term assets	2,500	2,141
Net cash provided (used) by investing activities	(15,734)	2,141
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	-
Principal payments on long-term debt	-	(18,976)
Net cash provided (used) by investing activities	-	(18,976)
NET CHANGE IN CASH	(351,187)	1,218,673
CASH, BEGINNING OF YEAR	1,705,581	486,908
CASH, END OF YEAR	$ 1,354,394	$ 1,705,581
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ 188
Cash paid for income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Forgiveness of Paycheck Protection Program Loan	$ -	$ 41,500

See Accompanying Notes to Financial Statements

(1) Organization purpose and summary of significant accounting policies

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 nearly $890,000 in community support.

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 approximately $437,500 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).

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:

Net Assets Without Donor Restrictions - 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.

Net Assets With Donor Restrictions - 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.

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, 2021, 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).

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

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, 2022 and 2021, 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, 2022 and 2021, all contributions receivable were due within one year.

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.

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

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.

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, 2022 and 2021, management has determined that there has been no impairment to goodwill.

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).

Refundable advance of governmental grant – During 2021, the Organization was awarded and received cash payments related to a conditional contribution in the amount of $1,306,508 from the Small Business Administration ("SBA") in conjunction with the Shuttered Venues Operators Grant program. The project period and budget period for the grant begin on June 19, 2021 and the budget period ends December 19, 2022. The grant is subject to certain program requirements and the funds must be used for allowable costs of the program incurred during the period March 1, 2020 through June 30, 2022. Any unspent or misspent funds are required to be repaid to the SBA. The Organization incurred a total of $734,910 of allowable costs during the period March 1, 2020 through December 31, 2021, and incurred another $571,598 during the year ended December 31, 2022. These amounts are recognized in contributions and grants support during the years ended December 31, 2021 and December 31, 2022, respectively.

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

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. During the years ended December 31, 2022 and 2021, the Organization recognized $53,205 and $185,000, respectively, of conditional festival and event contributions that were previously recorded as refundable advances. The Organization also recognized $571,598 and $734,910, from a conditional grant from SBA related to the Shuttered Venues Operators Grant during the years ended December 31, 2022 and 2021, respectively.

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

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 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 uses a third-party ticketing service to issue admission tickets and collect the related revenue. The Organization has accounts receivable (contract assets) related to ticket sales, due from the third-party ticket provider, related to admissions revenue at December 31, 2022 and 2021. 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, 2022 or 2021. 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.

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

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 has accounts receivable (contract assets) and deferred exhibitor revenue (contract liabilities) related to exhibitor revenue at December 31, 2022 and 2021. 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 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 assets or liabilities, related to product sales at December 31, 2022 and 2021. 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 assets or liabilities, related to ATM surcharges at December 31, 2022 and 2021. 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.

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

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

	2022	2021
Accounts receivable	$ 6,707	$ 32,885

Changes in contract liabilities for the year ended December 31, 2021 is as follows:

Deferred revenue, beginning of the year	$ 500
Revenue recognized that was included in deferred revenue at the beginning of the year	(500)
Increase in deferred revenue from cash payments received during the year	25,510
Deferred revenue, end of the year	$ 25,510

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

	2022	% of total	2021	% of total
Admissions	$ 548,406	48%	$ 608,924	59%
Beverage and merchandise	390,525	34%	320,159	31%
Beverage & merchandise cost of sales	(93,633)	-8%	(102,996)	-10%
Exhibitor fees	297,602	26%	200,553	19%
Other	6,576	1%	4,500	0%
Total	$ 1,149,476		$ 1,031,140	

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 $198,103 and $95,467 for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2021, the Organization also recognized an additional $85,000 of donated advertising expense.

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 absences when leave is earned by employees.

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.

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

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, 2022 and 2021, 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 2019, 2020, and 2021 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, 2022 through December 21, 2023, which was the date the Organization's financial statements were available to be issued. No conditions were noted that did not exist as of December 31, 2022, but arose subsequent to that date.

(2) Adoption of accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements,* which provides for transition relief on comparative reporting at adoption of Topic 842 (also known as "ASC 842"). The FASB has also issued various other pronouncements related to ASC 842. These new standards are effective for the Organization on January 1, 2022. The Organization has elected the practical expedient in ASC 842-10-65-1(f) and for leases that commenced before the effective date, has not reassessed whether any expired or existing contracts contain leases, has not reassessed the lease classification for expired or existing leases and has not reassessed initial direct costs for any existing leases. The Organization has elected the practical expedient in ASC 842-10-65-1(c)(2) and has adopted the standard retrospectively at January 1, 2022 through a cumulative-effect adjustment to beginning net assets. Due to adoption of this standard, the Organization recognized right-of-use operating lease assets in the amount of $78,721 and operating lease liabilities in the amount of $81,811, related to existing leases that were previously treated as an operating lease under ASC 840. The adoption of these standards had a cumulative effect of a decrease of $3,090 on beginning net assets at January 1, 2022. The Organization expects the impact of the adoption of the new standard to be immaterial to the results of operations on an ongoing basis.

(2) Adoption of accounting pronouncements (continued)

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new standard is effective for the Organization on January 1, 2021. Since the standard only modifies and increases the presentation and disclosure requirements for donated items (also known as Contributed Nonfinancial Assets), the adoption of this standard had no cumulative effect on net assets or the changes in net assets as compared with the previous guidance. The Organization expects the impact of the adoption of the new standard to be immaterial to changes in net assets on an ongoing basis. Adoption of the new standard did not result in any reclassifications or restatements to total net assets or changes in net assets.

(3) 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:

	2022	2021
Cash	$ 1,354,394	$ 1,705,581
Accounts receivable, due in next 12 months	6,707	32,885
Contributions receivable, due in next 12 months	35,994	86,013
	1,397,095	1,824,479
Donor imposed restrictions	(52,129)	(100,473)
Financial assets available to meet general expenditures within one year	$ 1,344,966	$ 1,724,006

(4) Property and equipment

Property and equipment consist of:	2022	2021
Cost or donated value:		
Furniture, fixtures and equipment	$ 31,200	$ 12,965
Total cost or donated value	31,200	12,965
Accumulated depreciation	(6,035)	(4,235)
Net property and equipment	$ 25,165	$ 8,730

Depreciation expense charged to operations is $1,799 for the years ended December 31, 2022 and 2021.

(5) Leases

The Organization has entered into a lease for its facility which is classified as an operating lease, in accordance with ASC 842. The Organization originally entered into the lease on January 1, 2020 for a term of 36 months. The lease was renewed and expires February 1, 2024. The lease does not contain any renewal or extension options. The Organization has elected the practical expedient in ASC 842-20-50-10, and has used a risk-free rate of 1.58% as the discount rate on this lease.

(5) Leases (continued)

In conjunction with the facility lease agreement, the Organization has also entered into a storage lease which is classified as an operating lease, in accordance with ASC 842. The Organization originally entered into the lease on January 1, 2020 for a term of 36 months. The lease was renewed and expires February 1, 2024. The lease does not contain any renewal or extension options. The Organization has elected the practical expedient in ASC 842-20-50-10, and has used a risk-free rate of 1.58% as the discount rate on this lease.

Lease cost and other information for the year ended December 31, 2022, are as follows:

		2023
Lease cost		
Operating lease cost		38,473
Short-term lease cost		90,498
Total lease cost	$	128,971
Other information		
Cash payments on operating leases		41,031
Cash payments on short-term leases		90,498
Right-of-use assets obtained in exchange for new operating leases	$	78,721
Weighted average remaining lease term - operating leases		1.08 Years
Weighted average discount rate - operating leases		1.62%

Minimum future lease payments under operating leases having remaining terms in excess of one year at December 31, 2022, are:

Years Ending December 31,	
2023	$ 40,668
2025	3,436
Total minimum future lease payments	44,104
Amount representing interest	(46)
Operating lease liability	$ 44,058

(6) 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 $84,706 and $68,621 at December 31, 2022 and 2021, respectively. The Organization made contributions to the Pride Scholarship Fund of $84,030 and $36,550 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2021 $36,550 of this contribution is accrued as payable.

(7) Net assets with donor restrictions

Net assets with donor restrictions consist of the following:

	2022	2021
Purpose restrictions:		
LGBT+ History Project	$ 12,311	$ 9,511
Rainbow Crosswalks	3,069	2,694
Artist Call	500	2,000
PPE for Pride	255	255
Time restrictions:		
Contributions receivable	35,994	86,013
Total net assets with donor restrictions	$ 52,129	$ 100,473

Net assets released from restrictions consist of the following:

	2022	2021
Purpose restrictions:		
LGBTQ History Project	$ 1,200	$ -
Artist Call	1,500	-
Time restrictions:		
Contributions receivable	86,013	7,406
Total net assets released from restrictions	$ 88,713	$ 7,406

(8) 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 did not make any matching contributions for the years ended December 31, 2022 and 2021.

(10) Contributed nonfinancial assets

Donated rent, materials, supplies and services (also known as contributed nonfinancial assets) are required to be reflected as contributions in the accompanying financial statement at their estimated values at the date of donation. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are required to be recorded at their fair values in the period received. are recorded at their estimated values if they enhance the Organization's non-financial 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.

(10) Contributed nonfinancial assets (continued)

Contributed nonfinancial assets for the years ended December 31, are as follows:

	2022	2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Advertising	$ 179,090	$ 85,000	Festival program	No associated donor restrictions	Contributed advertising is valued at the estimated fair value based upon current rates for similar advertising.
Materials and supplies	$ 58,610	$ 36,400	Monetized during festival	No associated donor restrictions	Contributed materials and supplies items are valued at the estimated fair value using retail values for selling similar materials and supplies items in the United States.
Materials and supplies	$ 27,000	$ 12,488	Festival program	No associated donor restrictions	Contributed materials and supplies items are valued at the estimated fair value using retail values for selling similar materials and supplies items in the United States.
Event rentals	$ 14,700	$ 17,700	Festival program	No associated donor restrictions	Contributed event rentals are valued at the estimated fair value based upon current rental rates for similar rental items.
IT services	$ 8,343	$ 3,300	Festival program	No associated donor restrictions	Contributed IT services are valued at the estimated fair value based upon current rates for similar services.
Event lodging	$ -	$ 3,500	Festival program	No associated donor restrictions	Contributed event rentals are valued at the estimated fair value based upon current rental rates for similar lodging.

(11) Concentrations

During the years ended December 31, 2022 and 2021, the Organization received approximately 51% and 60% of revenue and support from the Phoenix Pride Festival.

The Organization received approximately 19% and 27% of revenue and support for the year ended December 31, 2022 and 2021, respectively, from the Shuttered Venues Operators Grant. The refundable advance from this grant is approximately 76% of total liabilities at December 31, 2021.

Festival related expenses are approximately 60% and 87% of total expenses for the years ended December 31, 2022 and 2021, respectively.

(12) Related party transactions

The Board members periodically make contributions to the Organization. Donations of $15,618 and $29,817 were made by Board members during the years ended December 31, 2022 and 2021, respectively.

(13) Future accounting pronouncements

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, 2023. 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.