



**FINANCIAL STATEMENTS**

**Year Ended December 31, 2023**

**PHOENIX PRIDE, INC.  
FINANCIAL STATEMENTS**

**Year Ended December 31, 2023**

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16



**Audit, Tax, Management Advisory,  
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, 2023, 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, 2023, 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.

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 2022 consolidated financial statements and I expressed an unmodified opinion on those audited financial statements in my report dated December 21, 2023. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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

September 23, 2024

# PHOENIX PRIDE, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2023  
(with comparative totals at December 31, 2022)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 917,358	\$ 1,354,394
Accounts receivable	62,541	6,707
Contributions receivable	19,629	35,994
Other assets	<u>38,527</u>	<u>38,202</u>
TOTAL CURRENT ASSETS	<u>1,038,055</u>	<u>1,435,297</u>
GOODWILL - RAINBOWS FESTIVAL	100,000	100,000
PROPERTY AND EQUIPMENT, NET	20,305	25,165
RIGHT-OF-USE OPERATING LEASE ASSET	46,377	41,269
DEPOSITS AND LONG TERM ASSETS	<u>5,000</u>	<u>3,500</u>
TOTAL ASSETS	<u>\$ 1,209,737</u>	<u>\$ 1,605,231</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 16,054	\$ 13,507
Accrued expenses	23,581	21,300
Deferred revenue	53,095	25,510
Refundable festival and event contributions	61,000	66,550
Current portion of operating lease liability	<u>46,377</u>	<u>40,626</u>
TOTAL CURRENT LIABILITIES	200,107	167,493
OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	<u>-</u>	<u>3,432</u>
TOTAL LIABILITIES	200,107	170,925
NET ASSETS		
Net assets without donor restrictions	975,235	1,382,177
Net assets with donor restrictions	<u>34,395</u>	<u>52,129</u>
TOTAL NET ASSETS	<u>1,009,630</u>	<u>1,434,306</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,209,737</u>	<u>\$ 1,605,231</u>

# PHOENIX PRIDE, INC.

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
			2023	2022
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	70,506	\$ 24,129	\$ 94,635	764,035
Festivals and events contributions	743,806	-	743,806	730,722
Festivals and events exchange transactions, net of cost of sales of \$89,987 and \$93,633, respectively	1,130,791	-	1,130,791	1,149,476
Donated materials and supplies	210,890	-	210,890	279,400
Donated services	4,000	-	4,000	8,343
Investment income	<u>7,587</u>	<u>-</u>	<u>7,587</u>	<u>57</u>
Total support and revenue before net assets released from restrictions	2,167,580	24,129	2,191,709	2,932,033
Net assets released from restrictions	<u>41,863</u>	<u>(41,863)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,209,443</u>	<u>(17,734)</u>	<u>2,191,709</u>	<u>2,932,033</u>
<b>EXPENSES</b>				
Program services:				
Festivals	2,144,277	-	2,144,277	2,148,772
Other programs	<u>218,238</u>	<u>-</u>	<u>218,238</u>	<u>314,837</u>
Total program services	2,362,515	-	2,362,515	2,463,609
Supporting services:				
Management and general	79,266	-	79,266	104,047
Fundraising	<u>174,604</u>	<u>-</u>	<u>174,604</u>	<u>136,927</u>
Total supporting services	<u>253,870</u>	<u>-</u>	<u>253,870</u>	<u>240,974</u>
<b>TOTAL EXPENSES</b>	<u>2,616,385</u>	<u>-</u>	<u>2,616,385</u>	<u>2,704,583</u>
<b>CHANGE IN NET ASSETS</b>	(406,942)	(17,734)	(424,676)	227,450
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,382,177</u>	<u>52,129</u>	<u>1,434,306</u>	<u>1,206,856</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 975,235</u>	<u>\$ 34,395</u>	<u>\$ 1,009,630</u>	<u>\$ 1,434,306</u>

# PHOENIX PRIDE, INC.

## STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

	Program Services			Supporting Services			2023	2022
	Festivals	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 185,108	\$ 28,244	\$ 213,352	\$ 26,727	\$ 59,394	\$ 86,121	\$ 299,473	\$ 302,044
Payroll taxes and benefits	30,932	4,719	35,651	4,466	9,925	14,391	50,042	47,620
Festival expenses	1,170,245	-	1,170,245	-	-	-	1,170,245	1,137,857
Utilities	206,936	1,895	208,831	1,793	3,985	5,778	214,609	208,101
Professional fees	119,760	13,268	133,028	27,726	22,351	50,077	183,105	172,983
Lease expense	118,792	3,607	122,399	3,414	7,586	11,000	133,399	128,971
Donated advertising	104,640	-	104,640	-	-	-	104,640	179,090
Donated supplies and event rentals	45,700	-	45,700	-	60,550	60,550	106,250	100,310
Charitable contributions and grants	-	79,615	79,615	-	-	-	79,615	147,912
Pride scholarships	-	71,198	71,198	-	-	-	71,198	84,030
Travel and meals	59,046	833	59,879	1,374	91	1,465	61,344	48,065
Insurance	20,039	400	20,439	8,063	-	8,063	28,502	17,243
Advertising and promotion	18,479	5,000	23,479	-	-	-	23,479	19,013
Materials and supplies	10,055	1,534	11,589	1,452	3,226	4,678	16,267	20,771
Postage and printing	13,738	2,013	15,751	68	152	220	15,971	21,715
Information technology	9,262	1,413	10,675	1,337	2,972	4,309	14,984	18,354
Bank and merchant fees	11,748	1,990	13,738	533	619	1,152	14,890	21,000
Telephone and communications	5,541	845	6,386	800	1,778	2,578	8,964	8,275
Licenses and permits	4,100	725	4,825	77	-	77	4,902	4,587
Depreciation	3,005	457	3,462	434	964	1,398	4,860	1,799
Donated services	4,000	-	4,000	-	-	-	4,000	8,343
Dues and subscriptions	1,385	211	1,596	200	444	644	2,240	1,565
Board costs	-	-	-	497	-	497	497	119
Conferences and meetings	-	-	-	-	-	-	-	2,093
Other expense	1,766	271	2,037	305	567	872	2,909	2,723
	<u>\$ 2,144,277</u>	<u>\$ 218,238</u>	<u>\$ 2,362,515</u>	<u>\$ 79,266</u>	<u>\$ 174,604</u>	<u>\$ 253,870</u>	<u>\$ 2,616,385</u>	<u>\$ 2,704,583</u>

# PHOENIX PRIDE, INC.

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (424,676)	\$ 227,450
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,860	1,799
Amortization of right-of-use asset, operating leases	41,269	37,452
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(55,834)	26,178
Contributions receivable	16,365	50,019
Prepaid festivals and event costs	-	-
Other assets	(325)	(17,953)
Increase (decrease) in:		
Accounts payable	2,547	(27,706)
Accrued expenses	2,281	(1,146)
Pride scholarship payable	-	(36,550)
Deferred revenue	27,585	25,010
Operating expense liability	(44,058)	(37,753)
Refundable festival and event contributions	(5,550)	(10,655)
Refundable advance of governmental grant	-	(571,598)
Net cash provided by (used in) operating activities	<u>(435,536)</u>	<u>(335,453)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(18,234)
Net change in deposits and other long-term assets	<u>(1,500)</u>	<u>2,500</u>
Net cash provided (used) by investing activities	(1,500)	(15,734)
<b>NET CHANGE IN CASH</b>	(437,036)	(351,187)
<b>CASH, BEGINNING OF YEAR</b>	<u>1,354,394</u>	<u>1,705,581</u>
<b>CASH, END OF YEAR</b>	<u>\$ 917,358</u>	<u>\$ 1,354,394</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>



**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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, 2022, 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).

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

*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, 2023 and 2022, 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, 2023 and 2022, 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.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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, 2023 and 2022, 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.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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. During the years ended December 31, 2023 and 2022, the Organization recognized \$50,550 and \$53,205, respectively, of conditional festival and event contributions that were previously recorded as refundable advances. The Organization also recognized \$571,598, from a conditional grant from SBA related to the Shuttered Venues Operators Grant during the year ended December 31, 2022.

*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, 2023 and 2022. 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, 2023 or 2022. 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.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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, 2023 and 2022. 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, 2023 and 2022. 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, 2023 and 2022. 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.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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

	2023	2022
Accounts receivable	\$ 62,541	\$ 6,707

Changes in contract liabilities for the year ended December 31, 2023 is as follows:

Deferred revenue, beginning of the year	\$ 25,510
Revenue recognized that was included in deferred revenue at the beginning of the year	(25,510)
Increase in deferred revenue from cash payments received during the year	53,095
Deferred revenue, end of the year	\$ 53,095

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

	2023	% of total	2022	% of total
Admissions	\$ 497,472	44%	\$ 548,406	48%
Beverage and merchandise	387,852	34%	390,525	34%
Beverage & merchandise cost of sales	(89,987)	-8%	(93,633)	-8%
Exhibitor fees	331,629	29%	297,602	26%
Other	3,825	0%	6,576	1%
Total	\$ 1,130,791		\$ 1,149,476	

*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 \$128,119 and \$198,103 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, the Organization also recognized an additional \$104,640 and \$179,090, respectively, 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.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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, 2023 and 2022, 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 2020, 2021, and 2022 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, 2023 through September 23, 2024, 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, 2023, but arose subsequent to that date.

**(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:

	2023	2022
Cash	\$ 917,358	\$ 1,354,394
Accounts receivable, due in next 12 months	62,541	6,707
Contributions receivable, due in next 12 months	19,629	35,994
	999,528	1,397,095
Donor imposed restrictions	(34,395)	(52,129)
Financial assets available to meet general expenditures within one year	\$ 965,133	\$ 1,344,966

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(3) Property and equipment**

Property and equipment consist of:	<u>2023</u>	<u>2022</u>
Cost or donated value:		
Furniture, fixtures and equipment	\$ 31,200	\$ 31,200
Total cost or donated value	31,200	31,200
Accumulated depreciation	<u>(10,895)</u>	<u>(6,035)</u>
Net property and equipment	<u>\$ 20,305</u>	<u>\$ 25,165</u>

Depreciation expense charged to operations is \$4,861 and \$1,799 for the years ended December 31, 2023 and 2022, respectively.

**(4) Leases**

The Organization has entered into a lease for its facility and for storage space which are classified as operating leases. The Organization originally entered into the leases on January 1, 2020 for a term of 36 months. The leases were renewed in 2022 and 2023 and expire on December 31, 2024. The leases do not contain any additional renewal or extension options. The Organization has elected the practical expedient in FASB 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
<u>Lease cost</u>		
Operating lease cost	\$ 38,467	\$ 38,473
Short-term lease cost	94,932	90,498
Total lease cost	<u>\$ 133,399</u>	<u>\$ 128,971</u>
<u>Other information</u>		
Cash payments on operating leases	41,236	41,031
Cash payments on short-term leases	94,932	90,498
Right-of-use assets obtained in exchange for new operating leases	\$ 46,377	\$ 78,721
Weighted average remaining lease term - operating leases	1 Year	1.08 Years
Weighted average discount rate - operating leases	1.58%	1.62%

Minimum future lease payments under operating leases having remaining terms in excess of one year at December 31, 2023, are:

<u>Years Ending December 31,</u>	
2024	<u>\$ 46,776</u>
Total minimum future lease payments	46,776
Amount representing interest	<u>(399)</u>
Operating lease liability	<u>\$ 46,377</u>



**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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 \$81,863 and \$84,706 at December 31, 2023 and 2022, respectively. The Organization made contributions to the Pride Scholarship Fund of \$71,198 and \$84,030 for the years ended December 31, 2023 and 2022, respectively.

**(6) Net assets with donor restrictions**

Net assets with donor restrictions consist of the following:

	2023	2022
Purpose restrictions:		
LGBT+ History Project	\$ 14,511	\$ 12,311
PPE for Pride	255	255
Rainbow Crosswalks	-	3,069
Artist Call	-	500
Time restrictions:		
Contributions receivable	19,629	35,994
Total net assets with donor restrictions	\$ 34,395	\$ 52,129

Net assets released from restrictions consist of the following:

	2023	2022
Purpose restrictions:		
Rainbow Crosswalks	\$ 3,069	\$ -
LGBTQ History Project	2,300	1,200
Artist Call	500	1,500
Time restrictions:		
Contributions receivable	35,994	86,013
Total net assets released from restrictions	\$ 41,863	\$ 88,713

**(7) 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, 2023 and 2022.

**PHOENIX PRIDE, INC.**  
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(8) 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.

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

	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Advertising	\$ 104,640	\$ 179,090	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	\$ 60,550	\$ 58,610	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	\$ 33,000	\$ 27,000	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	\$ 12,700	\$ 14,700	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	\$ 4,000	\$ 8,343	Festival program	No associated donor restrictions	Contributed IT services are valued at the estimated fair value based upon current rates for similar services.

**(9) Concentrations**

During the years ended December 31, 2023 and 2022, the Organization received approximately 70% and 51% of revenue and support from the Phoenix Pride Festival.

The Organization received approximately 19% of revenue and support for the year ended December 31, 2022, from the Shuttered Venues Operators Grant.

Festival related expenses are approximately 70% and 60% of total expenses for the years ended December 31, 2023 and 2022, respectively.

**(12) Related party transactions**

The Board members periodically make contributions to the Organization. Donations of \$14,683 and \$17,155 were made by Board members during the years ended December 31, 2023 and 2022, respectively.