

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

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December 17, 2001

To The Board of Governors
PrideFest Philadelphia, Inc.
T/A PrideFest America
Philadelphia, PA

We have audited the accompanying Statement of Financial Position of PrideFest Philadelphia, Inc. T/A PrideFest America as of June 30, 2001 and the related Statements of Activities and Cash Flows for the year then ended. These Financial Statements are the responsibility of PrideFest's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly in all material respects, the Financial Position of PrideFest Philadelphia, Inc. T/A PrideFest America as of June 30, 2001 and the changes in its Net Assets and its Cash Flows for the year then ended in conformity with generally accepted accounting principles.

JOS. L. MACCARONE & CO., INC.

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

Statement of Financial Position
June 30, 2001

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents \$ 7,069

TOTAL CURRENT ASSETS \$ 7,069

EQUIPMENT

Equipment 18,796
Less: Accumulated Depreciation (7,953)

NET EQUIPMENT 10,843

TOTAL ASSETS \$17,912

LIABILITIES & NET ASSETS (DEFICIT)

LIABILITIES

Accounts Payable 3,874
Accrued Professional Fees 3,890
Payroll Taxes Payable 8,220
Loan Payable Mellon Bank – (Now Citizens Bank) 21,577

TOTAL LIABILITIES 37,561

NET ASSETS (DEFICIT)

Unrestricted (19,649)

TOTAL UNRESTRICTED NET ASSETS (DEFICIT) (19,649)

TOTAL LIABILITIES & NET ASSETS (DEFICIT) \$17,912

“SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2001

UNRESTRICTED NET ASSETS

REVENUE:

Corporate Marketing	\$ 39,500
Grants	183,554
Merchandising	1,664
Program Events	46,637
Miscellaneous	<u>3,382</u>

TOTAL REVENUE \$274,737

EXPENSES:

Fund Raising	2,531
General & Administrative	161,361
Marketing & Public Relations	96,449
Programming expenses	<u>47,902</u>

TOTAL EXPENSES 308,243

Change in Net Assets (33,506)

Net Assets – Beginning of Year 13,857

Net Assets – End of Year (Deficit) \$ (19,649)

“SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

STATEMENT OF CASH FLOW
For The Year Ended June 30, 2001

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Decrease in Net Assets	\$ (33,506)	
Adjustments to Reconcile Decrease in Net Assets To Net Cash Used by Operating Activities:		
Depreciation	3,547	
(Increase) Decrease in:		
Pledges Receivable	2,500	
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	<u>(37,179)</u>	
NET CASH (USED) BY OPERATING ACTIVITIES		\$(64,638)
Loan Proceeds – Note Payable	55,000	
Loan Proceeds – Mellon Bank (Now Citizens Bank)	56,577	
Loan Repayments – Note Payable	(93,795)	
Loan Repayments – Mellon Bank (Now Citizens Bank)	<u>(35,000)</u>	
NET CASH (USED) BY FINANCING ACTIVITIES		(17,218)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment	(2,133)	
Money Market Funds redeemed	<u>79,904</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>77,771</u>
Net Decrease in Cash		(4,085)
CASH – BEGINNING OF YEAR		<u>8,467</u>
CASH – END OF YEAR		<u>\$ 4,382</u>

“SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS”

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

GENERAL AND ADMINISTRATIVE EXPENSES
For The Year Ended June 30, 2001

SCHEDULE 1

GENERAL AND ADMINISTRATIVE EXPENSES:

Bank Service Charges	1,134	
Depreciation	3,547	
Employee Benefits	5,774	
Interest Expense	2,343	
Office Supplies	4,256	
Payroll	99,030	
Payroll Taxes	8,009	
Photocopying	48	
Postage	2,418	
Professional Fees	3,265	
Rent Expense	24,000	
Telephone & Fax	4,741	
Conferences & Conventions	<u>2,796</u>	
TOTAL GENERAL & ADMINISTRATIVE EXPENSES		<u>\$161,361</u>

“SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS”

PRIDEFEST PHILADELPHIA, INC.
T/A PrideFest America

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) ORGANIZATION

The organization is a non-profit founded in 1993, for the express purpose to educate and spread awareness on issues facing the gay and lesbian community.

The organization's primary source of revenues are from direct public support, government grants and various fund-raising events. The executive office is located in Philadelphia, Pennsylvania.

(2) BASIS OF ACCOUNTING

The Financial Statements of PrideFest have been prepared on the accrual basis of accounting, which means revenues are recognized when earned and expenses recognized when incurred.

(3) USE OF ESTIMATES

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(4) INCOME TAX STATUS

PrideFest is exempt from Federal Income Taxes under Section 501 (c) (3) of the Internal Revenue Code. Approval by the Internal Revenue Service for exempt status was granted on 12/12/97.

(5) CASH

For purposes of the Statement of Cash Flows, cash represents money in the organization checking accounts.

(6) EQUIPMENT

Equipment is stated at cost. Expenditures for improvements that materially increase the estimated useful lives of the assets are capitalized; expenditures for repairs and maintenance are charged against income.

Depreciation is provided at annual rates under the straight-line method for all assets placed in service.

(7) CASH AND CASH EQUIVALENTS

The year end cash and cash equivalents balance consists of checking account balances of \$4,382 and a money market fund held in brokerage account in the amount of \$2,687.

(8) LINE OF CREDIT

PrideFest America obtained a line of credit with Mellon PSFS (Now Citizens Bank) in the amount of \$125,000. Interest on the line of credit accrues at 1.25% above the prime rate. The line of credit expires on May 15, 2006 whereby the principal balance and all accrued and unpaid interest is due. As of June 30, 2001, a balance of \$21,624, which includes accrued interest, was outstanding.