

PRIDEFEST PHILADELPHIA, INC.  
T/A PrideFest America

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October 31, 2002

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, 2002 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, 2002 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, 2002

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents \$15,761

TOTAL CURRENT ASSETS \$15,761

EQUIPMENT

Equipment 19,916  
Less: Accumulated Depreciation (11,825)

NET EQUIPMENT 8,091

TOTAL ASSETS \$23,852

LIABILITIES & NET ASSETS (DEFICIT)

LIABILITIES

Accounts Payable 18,785  
Accrued Professional Fees 4,040  
Payroll Taxes Payable 7,954  
Loan Payable Citizens Bank 12,607

TOTAL LIABILITIES 43,386

NET ASSETS (DEFICIT)

Unrestricted (19,534)

TOTAL UNRESTRICTED NET ASSETS (DEFICIT) (19,534)

TOTAL LIABILITIES & NET ASSETS (DEFICIT) \$23,852

“SEE AUDIT REPORT ATTACHED”

PRIDEFEST PHILADELPHIA, INC.  
T/A PrideFest America

STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2002

UNRESTRICTED NET ASSETS

REVENUE:

Corporate Marketing	\$ 78,500
Grants	175,126
Merchandising	3,422
Program Events	63,145
Miscellaneous	<u>56</u>

TOTAL REVENUE \$320,249

EXPENSES:

Fund Raising	8,186
General & Administrative	150,126
Marketing & Public Relations	102,140
Programming expenses	<u>59,682</u>

TOTAL EXPENSES 320,134

Change in Net Assets 115

Net Assets – Beginning of Year (19,649)

Net Assets – End of Year (Deficit) \$ (19,534)

“SEE AUDIT REPORT ATTACHED”

PRIDEFEST PHILADELPHIA, INC.  
T/A PrideFest America

STATEMENT OF CASH FLOW  
For The Year Ended June 30, 2002

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase in Net Assets	\$ 115	
Adjustments to Reconcile Decrease in Net Assets To Net Cash Used by Operating Activities:		
Depreciation	3,871	
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	<u>14,795</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$18,781
Loan Proceeds – Citizens Bank	61,000	
Loan Repayments – Citizens Bank	<u>(70,000)</u>	
NET CASH (USED) BY FINANCING ACTIVITIES		(9,000)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment	(1,121)	
Money Market Funds redeemed	<u>1,575</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>454</u>
Net Increase in Cash		10,235
CASH – BEGINNING OF YEAR		<u>4,382</u>
CASH – END OF YEAR		<u>\$14,617</u>

“SEE AUDIT REPORT ATTACHED”

PRIDEFEST PHILADELPHIA, INC.  
T/A PrideFest America

GENERAL AND ADMINISTRATIVE EXPENSES  
For The Year Ended June 30, 2002

SCHEDULE 1

GENERAL AND ADMINISTRATIVE EXPENSES:

Bank Service Charges	313	
Depreciation	3,871	
Employee Benefits	7,890	
Interest Expense	1,812	
Office Supplies	3,633	
Payroll	84,495	
Payroll Taxes	7,203	
Postage	3,997	
Professional Fees	4,290	
Rent Expense	27,717	
Telephone & Fax	3,575	
Conferences & Conventions	<u>1,330</u>	
TOTAL GENERAL & ADMINISTRATIVE EXPENSES		<u>\$150,126</u>

“SEE AUDIT REPORT ATTACHED”

PRIDEFEST PHILADELPHIA, INC.  
T/A PrideFest America

NOTES TO FINANCIAL STATEMENTS  
June 30, 2002

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 \$14,617 and a money market fund held in brokerage account in the amount of \$1,144.

(8) LINE OF CREDIT

PrideFest America obtained a line of credit with 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, 2002, a balance of \$12,607, which includes accrued interest, was outstanding.