

**Human Dignity Foundation  
Audited Financial Statements  
December 31, 2020**



**Presented by  
Pinnacle Accounting & Financial Services  
A Professional Corporation**

**Human Dignity Foundation**  
Audited Financial Statements  
Year Ended December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Human Dignity Foundation**

We have audited the accompanying financial statements of Human Dignity Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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



Pinnacle Accounting & Financial Services  
February 9, 2023

**Human Dignity Foundation**  
**Statement of Financial Position**  
**December 31, 2020**

	2020
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 44,117
Grants Receivable	5,000
Beneficial Interests in Assets Held by Community Foundation	71,779
Investments	1,596,466
Property and Equipment	8,522
Accumulated Depreciation	(8,522)
Property and Equipment, Net	-
<b>TOTAL ASSETS</b>	<b>\$ 1,717,362</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,828
Line of Credit	149,734
<b>TOTAL LIABILITIES</b>	151,562
 <b>NET ASSETS</b>	
Without Donor Restrictions	792,864
With Donor Restrictions	772,936
<b>TOTAL NET ASSETS</b>	1,565,800
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,717,362</b>

The accompanying notes are an integral part of the financial statements

**Human Dignity Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 58,635	\$ -	\$ 58,635
Fund advisory fees	19,476	-	19,476
Fund contributions	607,400	-	607,400
Investment income, net	126,041	-	126,041
<b>TOTAL SUPPORT AND REVENUE</b>	<b>811,552</b>	<b>-</b>	<b>811,552</b>
<b>EXPENSES</b>			
Program Services	180,908	-	180,908
Supporting Services			
Management and General	24,200	-	24,200
Fundraising	6,274	-	6,274
<b>TOTAL EXPENSES</b>	<b>211,382</b>	<b>-</b>	<b>211,382</b>
<b>CHANGE IN NET ASSETS</b>	<b>600,170</b>	<b>-</b>	<b>600,170</b>
Net Assets at Beginning of Year	192,694	772,936	965,630
Net Assets at End of Year	\$ 792,864	\$ 772,936	\$ 1,565,800

The accompanying notes are an integral part of the financial statements

**Human Dignity Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	2020			
	Program Services	Management and General	Fund Raising	Total
Management	\$ 34,822	\$ 6,964	\$ 4,643	\$ 46,429
Accounting	-	6,500	-	6,500
Bank and merchant services	-	2,699	-	2,699
Computer and website	782	156	104	1,042
Depreciation	-	236	-	236
Grants disbursed	136,852	-	-	136,852
Insurance	-	1,880	-	1,880
Interest expense	-	3,163	-	3,163
Legal	-	519	-	519
Marketing	-	-	400	400
Meetings	390	78	52	520
Office expenses	6,172	1,234	823	8,229
Software and subscription	1,350	270	180	1,800
Storage	540	108	72	720
Travel	-	393	-	393
<b>Total Functional Expenses FY2020</b>	<b>\$ 180,908</b>	<b>\$ 24,200</b>	<b>\$ 6,274</b>	<b>\$ 211,382</b>

The accompanying notes are an integral part of the financial statements

**Human Dignity Foundation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 600,170
Adjustments to Reconcile Change in Net Assets	
Net Cash Provided (Used) by Operating Activities	
Depreciation	236
Realized and unrealized gain on investments	(132,366)
(Increase) / Decrease in Assets:	
Grants Receivable	(5,000)
Prepaid Expenses	346
Increase / (Decrease) in Liabilities:	
Accounts Payable	(3,221)
Net Cash Provided by Operating Activities	460,165
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of Investments	(620,722)
Proceeds from Sale of Investments	138,957
Net Cash Used in Investing Activities	(481,765)
Net Decrease in Cash	(21,600)
Increase in Donor Restriction	6,568
Cash Balance at Beginning of Year	59,149
Cash Balance at End of Year	\$ 44,117
<b>Supplemental Disclosure of cash Flow Information</b>	
Cash paid during the year for interest	\$ 3,139

The accompanying notes are an integral part of the financial statements

**Human Dignity Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 1.        Organization**

Organization and Nature of Activities

Human Dignity Foundation (The Foundation or HDF) was incorporated as a California non-profit corporation on August 22, 1996. The Foundation is committed to providing perpetual and significant funding to community-based organizations serving the San Diego area's lesbian, gay, bisexual and transgender population. The Foundation raises, invests, and distributes funds in partnership with donors and grantees.

**Note 2.        Summary of Significant Accounting Policies**

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These generally result from revenues generated by providing services and receiving unrestricted contributions incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Donor restricted contributions are reported as increases in net assets with donor-imposed restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in banks, certificates of deposits and other securities with original maturities of 90 days or less.

Grants Receivable

Grants receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible. The allowance, if any, is established based on factors such as historical experience and the age of the account balances. Grants receivable as of December 31, 2020, are fully collectible, therefore, no allowance for uncollectible accounts has been recorded.



**Human Dignity Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 2. Summary of Significant Accounting Policies (continued)**

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Acquisitions of property and equipment over \$1,000 are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Maintenance and repairs are charged to expense as incurred. HDF depreciates its property and equipment on a straight-line basis over the estimated useful lives of the underlying assets.

Revenue Recognition

Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without restrictions.

Income Taxes

HDF is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and California code 23701(d), whereby it is exempt from income taxes. The Foundation's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Foundation's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the Franchise Tax Board, generally for four years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Pronouncement

For the year ended December 31, 2020, HDF adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. This update amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. The Foundation adopted this ASU on December 31, 2020. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-13.

**Human Dignity Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 3. Concentration of Credit Risk**

Financial instruments that potentially subject HDF to concentrations of credit risk consist principally of cash and receivable related to promises to give. The Foundation places its cash with major financial institutions and limits the amount of credit exposure to any one financial institution.

**Note 4. Concentration of Revenue**

Approximately 73% of HDF's support and revenue is derived from donations and contributions. The current level of HDF's operations and program services may be impacted if it is unable to maintain current donation and contribution levels.

**Note 5. Liquidity and Availability**

Financial assets available within one year of the statement of financial position to meet cash needs for general expenditures comprise the following:

Financial Assets at December 31, 2020:

Cash and Cash Equivalents	\$ 44,117
Grants Receivable	5,000
Beneficial Interests in Assets Held by Community Foundation	71,779
Investments	<u>1,596,466</u>
Total Financial Assets	1,717,362
Funds Subject to Donor-imposed Restrictions	(772,936)
Financial Assets Available to Meet General Expenditures within One Year	<u><u>\$ 944,426</u></u>

**Note 6. Board-Designated Endowment Fund at The Foundation**

HDF's Board of Directors established an Endowment Fund (the Fund) to provide annual funding for specific activities and general operations. In accordance with the agreement, HDF has all powers to carry out the purposes of the Fund, including the power to retain, invest and reinvest the Fund in any manner within the "prudent person" standard and the power to commingle the assets of the Fund with those of other funds for investment purposes, subject however, to the requirements of Sections 5231 and 5240 of the California Corporations Code. Earnings on investment activity have been reinvested. The balance of the Fund at December 31, 2020 is \$71,779.

**Human Dignity Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 7. Fair Value Measurements**

HDF defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

A significant portion of our investment assets are classified within Level 1 because they comprise equities and fixed income bonds with readily determinable fair values based on daily redemption values. The fair value of endowment funds held by The Foundation is determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of investments as reported by the Foundation and is considered to be Level 3.

The following table presents assets measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 72,377	\$ -	\$ -	\$ 72,377
Equities	1,090,577	-	-	1,090,577
Fixed Income-Bonds	433,512	-	-	433,512
Beneficial Interests in Assets Held by Community Foundation	-	-	71,779	71,779
	<u>\$ 1,596,466</u>	<u>\$ -</u>	<u>\$ 71,779</u>	<u>\$ 1,668,245</u>

The following table is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2020

<u>Year ended December 31, 2020</u>	<u>Beneficial Interests</u> <u>Assets Held by</u> <u>Community</u> <u>Foundation</u>
Balance at December 31, 2019	\$ 67,123
Purchases/ contributions of Investments	-
Investment return, net	7,829
Distributions	(3,173)
Balance at December 31, 2020	<u>\$ 71,779</u>

**Human Dignity Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 8. Property and Equipment**

HDF's Property and equipment for the year ended December 31, 2020 has been fully depreciated as detailed in the table below:

Furniture & Equipment	\$ 8,522
Total Fixed Assets	8,522
Less Accumulated Depreciation	(8,522)
Net Fixed Assets	\$ <u>-</u>

Depreciation expense for the year ended December 31, 2020, was \$236.

**Note 9. Line of Credit**

HDF has a line of credit with a financial institution in the amount of \$150,000. The balance at December 31, 2020, is \$149,734. The interest rate was approximately 2% annually, with monthly payments of interest only. Interest expense on the line of credit was \$3,139 for the year ended December 31, 2020.

**Note 10. Net Assets with Donor Restrictions**

Net assets with donor restrictions totaled \$772,936 as of December 31, 2020, and are restricted by Board resolution.

**Note 11. Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management and general expenses and fund-raising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of HDF.

**Note 12. Risk and Uncertainties**

The spread of Coronavirus (COVID-19) has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on HDF's operations, donors, employees, and vendors will depend on certain developments, which cannot be determined at this time.

**Note 13. Date of Management's Review**

HDF's management has evaluated subsequent events through December 16, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.