

**Human Dignity Foundation
Audited Financial Statements
December 31, 2021**



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

Human Dignity Foundation
Audited Financial Statements
Year Ended December 31, 2021

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Human Dignity Foundation

Opinion

We have audited the accompanying financial statements of Human Dignity Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Human Dignity Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Human Dignity Foundation'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

Our 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 our 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, we:

- 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 Human Dignity Foundation'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Dignity Foundation's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Human Dignity Foundation's December 31, 2020, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayley Geier

Pinnacle Accounting & Financial Services
Los Angeles, CA
February 9, 2023

Human Dignity Foundation
Statement of Financial Position
December 31, 2021
(With Comparative Totals for December 31, 2020)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 140,568	\$ 44,117
Grants Receivable	-	5,000
Beneficial Interests in Assets Held by Community Foundation	80,464	71,779
Investments	3,182,959	1,596,466
Property and Equipment	8,522	8,522
Accumulated Depreciation	(8,522)	(8,522)
Property and Equipment, Net	-	-
TOTAL ASSETS	\$ 3,403,991	\$ 1,717,362
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,502	\$ 1,828
Line of Credit	149,734	149,734
TOTAL LIABILITIES	155,236	151,562
 NET ASSETS		
Without Donor Restrictions	2,475,819	792,864
With Donor Restrictions	772,936	772,936
TOTAL NET ASSETS	3,248,755	1,565,800
TOTAL LIABILITIES AND NET ASSETS	\$ 3,403,991	\$ 1,717,362

The accompanying notes are an integral part of the financial statements

Human Dignity Foundation
Statement of Activities
For the Year Ended December 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,550,438	\$ -	\$ 1,550,438	\$ 58,635
Fund advisory fees	43,958	-	43,958	19,476
Fund contributions	7,000	-	7,000	607,400
Investment income, net	252,855	-	252,855	126,041
TOTAL SUPPORT AND REVENUE	1,854,251	-	1,854,251	811,552
EXPENSES				
Program Services	123,032	-	123,032	180,908
Supporting Services				
Management and General	23,481	-	23,481	24,200
Fundraising	24,783	-	24,783	6,274
TOTAL EXPENSES	171,296	-	171,296	211,382
CHANGE IN NET ASSETS	1,682,955	-	1,682,955	600,170
Net Assets at Beginning of Year	792,864	772,936	1,565,800	965,630
Net Assets at End of Year	\$ 2,475,819	\$ 772,936	\$ 3,248,755	\$ 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, 2021
(With Summarized Comparative Totals for December 31, 2020)

	2021				2020
	Program Services	Management and General	Fund Raising	Total	Total
Management	\$ 44,438	\$ 8,887	\$ 5,925	\$ 59,250	\$ 46,429
Accounting	-	6,250	-	6,250	6,500
Bank and merchant services	-	1,314	-	1,314	2,699
Computer and website	1,386	277	185	1,848	1,042
Depreciation	-	-	-	-	236
Grants disbursed	70,200	-	-	70,200	136,852
Insurance	-	1,255	-	1,255	1,880
Interest expense	-	2,699	-	2,699	3,163
Legal	-	-	-	-	519
Marketing	-	-	17,738	17,738	400
Meetings	1,430	286	191	1,907	520
Office expenses	3,906	781	521	5,208	8,229
Software and subscription	1,125	225	150	1,500	1,800
Storage	548	110	73	731	720
Travel	-	1,396	-	1,396	393
Total Functional Expenses FY2021	\$ <u>123,032</u>	\$ <u>23,481</u>	\$ <u>24,783</u>	\$ <u>171,296</u>	
Total Functional Expenses FY2020	\$ <u>182,086</u>	\$ <u>24,436</u>	\$ <u>6,431</u>		\$ <u>211,382</u>

The accompanying notes are an integral part of the financial statements

Human Dignity Foundation
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,682,955	\$ 598,599
Adjustments to Reconcile Change in Net Assets		
Net Cash Provided (Used) by Operating Activities		
Depreciation	-	236
Realized and unrealized gain on investments	(249,492)	(132,366)
(Increase) / Decrease in Assets:		
Grants Receivable	5,000	(5,000)
Prepaid Expenses	-	346
Increase / (Decrease) in Liabilities:		
Accounts Payable	<u>3,674</u>	<u>(1,650)</u>
Net Cash Provided by Operating Activities	<u>1,442,137</u>	<u>460,165</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(1,435,686)	(620,722)
Proceeds from Sale of Investments	<u>90,000</u>	<u>138,957</u>
Net Cash Used in Investing Activities	<u>(1,345,686)</u>	<u>(481,765)</u>
Net Increase in Cash	96,451	(21,600)
Increase in Donor Restriction	-	6,568
Cash Balance at Beginning of Year	<u>44,117</u>	<u>59,149</u>
Cash Balance at End of Year	\$ <u><u>140,568</u></u>	\$ <u><u>44,117</u></u>
Supplemental Disclosure of cash Flow Information		
Cash paid during the year for interest	\$ <u><u>2,433</u></u>	\$ <u><u>3,139</u></u>

The accompanying notes are an integral part of the financial statements

Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021

Note 1. Foundation

Foundation 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 Foundations 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. There were no grants receivable as of December 31, 2021.

Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021

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. As of December 31, 2021, HDF's assets have been fully depreciated and has been removed from the statement of financial position.

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.

Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021

Note 2. Summary of Significant Accounting Policies (continued)

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.

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 82% 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, 2021:	
Cash and Cash Equivalents	\$ 95,801
Beneficial Interests in Assets Held by Community Foundation	80,464
Investments	<u>3,182,959</u>
Total Financial Assets	3,359,224
Funds Subject to Donor-imposed Restrictions	<u>(772,936)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,586,288</u>

**Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021**

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 \$80,464

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	\$ 72,817	\$ -	\$ -	\$ 72,817
Equities	2,217,472	-	-	2,217,472
Fixed Income-Bonds	892,670	-	-	892,670
Beneficial Interests in Assets Held by Community Foundation	-	-	80,464	80,464
	<u>\$ 3,182,959</u>	<u>\$ -</u>	<u>\$ 80,464</u>	<u>\$ 3,263,423</u>

Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021

Note 7. Fair Value Measurements (continued)

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 years ended December 31, 2020, and 2021

		Beneficial Interests Assets Held by Community Foundation
<u>Year ended December 31, 2020</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	\$	71,779
 <u>Year ended December 31, 2021</u>		
Balance at December 31, 2020	\$	71,779
Purchases/ contributions of Investments		-
Investment return, net		11,885
Distributions		(3,200)
Balance at December 31, 2021	\$	80,464

Note 8. Property and Equipment

HDF's Property and equipment for the year ended December 31, 2021, 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	\$	-

Depreciation expense for the years ended December 31, 2021, and December 31, 2020, was \$0 and \$236, respectively.

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, 2021, is \$149,734. The interest rate was approximately 2% annually, with monthly payments of interest only. Interest expense on the line of credit was \$2,433 for the year ended December 31, 2021.

Human Dignity Foundation
Notes to Financial Statements
Year Ended December 31, 2021

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions totaled \$772,936 as of December 31, 2021, 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 February 9, 2023, 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.