

AUDITED FINANCIAL STATEMENTS
HISPANICS IN PHILANTHROPY

December 31, 2012

TCA Partners, LLP
Certified Public Accountants

Hispanics in Philanthropy

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Report of Independent Auditors

Board of Directors
Hispanics in Philanthropy
Oakland, California

We have audited the accompanying statements of financial position of Hispanics in Philanthropy (the "Organization") as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets, functional expenses and cash flow for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hispanics in Philanthropy, as of December 31, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

TCA Partners, LLP

March 1, 2013

HISPANICS IN PHILANTHROPY

Statements of Financial Position

	December 31,	
	2012	2011
Assets		
Cash and cash equivalents	\$ 2,860,950	\$ 2,169,480
Investments	1,430,799	1,305,475
Contributions receivable	93,750	571,808
Assets limited as to use	3,769,957	3,951,778
Furniture and equipment, net	59,105	24,020
Other assets	11,531	5,900
Total assets	<u>\$ 8,226,092</u>	<u>\$ 8,028,461</u>
Liabilities and net assets		
Accounts payable	\$ 13,492	\$ 47,152
Accrued payroll and other related liabilities	108,084	52,373
Grants payable	70,000	152,320
Deferred revenue	940,125	497,160
Deferred rent	15,246	-
Total liabilities	<u>1,146,947</u>	<u>749,005</u>
Net assets:		
Unrestricted	3,309,188	3,327,678
Temporarily restricted	3,769,957	3,951,778
Total net assets	<u>7,079,145</u>	<u>7,279,456</u>
Total liabilities and net assets	<u>\$ 8,226,092</u>	<u>\$ 8,028,461</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Activities and Changes in Net Assets

For the year ended December 31,

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Contributions and grant revenue	\$ 1,724,024	\$ 1,355,762	\$ 3,079,786	\$ 1,887,317	\$ 924,020	\$ 2,811,337
In-kind donations	11,900	-	11,900	14,034	-	14,034
Investment income	184,653	-	184,653	324,623	-	324,623
Net assets released from restriction	1,537,583	(1,537,583)	-	1,938,486	(1,938,486)	-
Total revenue	3,458,160	(181,821)	3,276,339	4,164,460	(1,014,466)	3,149,994
Expenses						
Program services:						
Grants awarded	1,519,829	-	1,519,829	1,205,464	-	1,205,464
Other program expenses	942,693	-	942,693	1,121,956	-	1,121,956
Supporting services:						
General and administrative	445,838	-	445,838	452,970	-	452,970
Fundraising and development	568,290	-	568,290	463,046	-	463,046
Total expenses	3,476,650	-	3,476,650	3,243,436	-	3,243,436
Changes in net assets	(18,490)	(181,821)	(200,311)	921,024	(1,014,466)	(93,442)
Net assets at beginning of year	3,327,678	3,951,778	7,279,456	2,406,654	4,966,244	7,372,898
Net assets at end of year	\$ 3,309,188	\$ 3,769,957	\$ 7,079,145	\$ 3,327,678	\$ 3,951,778	\$ 7,279,456

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Functional Expenses

For the year ended December 31,

	2012				2011			
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 468,324	\$ 170,659	\$ 315,604	\$ 954,587	\$ 372,915	\$ 187,953	\$ 371,865	\$ 932,733
Fringe benefits	97,465	35,440	25,931	158,836	82,751	32,701	25,282	140,734
Total personnel expenses	565,789	206,099	341,535	1,113,423	415,223	184,145	397,474	996,842
Operating expenses:								
Grants awarded	1,519,829	-	-	1,519,829	1,205,464	-	-	1,205,464
Evaluation	15,048	-	-	15,048	60,000	-	-	60,000
Consultants	188,862	105,826	54,921	349,609	395,347	24,206	3,432	422,985
Training	2,049	-	20	2,069	35,130	-	-	35,130
Conference and meetings	8,212	4,726	10,801	23,739	14,545	6,504	9,599	30,648
Travel	64,314	14,599	52,312	131,225	50,197	10,634	31,721	92,552
Information technology	21,019	7,581	21,640	50,240	1,425	50,008	-	51,433
Occupancy	44,792	12,227	22,182	79,201	37,074	30,759	-	67,833
Insurance	-	13,971	-	13,971	-	13,557	-	13,557
Equipment rental and maintenance	937	780	1,409	3,126	-	3,664	-	3,664
Supplies	5,543	2,551	13,852	21,946	10,451	354	4,558	15,363
Postage and shipping	2,174	767	2,526	5,467	3,970	784	1,143	5,897
Printing and publication	5,305	1,979	18,962	26,246	2,974	839	-	3,813
Communication and publications	9,902	2,702	6,921	19,525	35,218	15,496	1,639	52,353
Events	150	669	2,054	2,873	474	-	13,481	13,955
Fees	85	45,188	3,417	48,690	210	40,508	223	40,941
Depreciation	7,077	2,318	4,087	13,482	-	10,198	-	10,198
In-Kind donations	1,100	6,800	4,000	11,900	14,034	-	-	14,034
Other expenses	335	17,055	7,651	25,041	5,241	24,805	103	30,149
Total operating expenses	1,896,733	239,739	226,755	2,363,227	1,871,754	232,316	65,899	2,169,969
Total expenses	\$ 2,462,522	\$ 445,838	\$ 568,290	\$ 3,476,650	\$ 2,286,977	\$ 416,461	\$ 463,373	\$ 3,166,811

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Cash Flows

	For the year ended December 31,	
	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (200,311)	\$ (93,442)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	13,482	10,198
Change in operating assets and liabilities:		
Accrued interest	(710)	(984)
Contributions receivable	478,058	804,541
Other current assets	(5,631)	13,884
Accounts payable	(33,660)	36,121
Accrued expenses	70,957	(29,084)
Grants payable	(82,320)	(397,313)
Deferred revenue	442,965	46,021
Net cash provided by operating activities	<u>682,830</u>	<u>389,942</u>
Cash flows from investing activities:		
Net change in investments	57,207	(103,077)
Loss on disposal of assets	717	2,121
Purchases of furniture and equipment	(49,284)	(16,875)
Net cash provided by (used in) investing activities	<u>8,640</u>	<u>(117,831)</u>
Net increase in cash and cash equivalents	691,470	272,111
Cash and cash equivalents, beginning of year	2,169,480	1,897,369
Cash and cash equivalents, end of year	<u>\$ 2,860,950</u>	<u>\$ 2,169,480</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 1 – Summary of Significant Accounting Policies

Hispanics in Philanthropy (HIP) was founded in 1983 to promote stronger partnerships between organized philanthropy and Latino communities. HIP has developed into a transnational network of grant-makers committed to strengthening Latino communities across the Americas. HIP's mission is to strengthen Latino communities by increasing resources for the Latino and Latin American civil sector; by increasing Latino participation and leadership throughout the field of philanthropy; and to foster policy change to enhance equity and inclusiveness.

Through its grant making activities, HIP channels philanthropic resources from multiple sources to organizations operating at the local level throughout the Americas.

Basis of Presentation – The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets pursuant to Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, HIP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets – Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair market value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between three and ten years. HIP capitalizes fixed assets in excess of \$2,500.

Investments – HIP carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and represent the change in the fair value of investments from one year to another.

Fair Value of Financial Instruments – Effective January 1, 2008, HIP adopted SFAS No. 157, *Fair Value Measurements*. See Note 4.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies and management estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of HIP.

Assets limited as to use – Assets limited as to use include assets under certain restrictions imposed by grantor agencies and donors and not available for use in support of general operations. These assets are required to be used as specified by the grantor or donor.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions – HIP reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, HIP reports the support as unrestricted. Donated assets are recorded at their estimated fair market values at the date of receipt.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include estimated useful lives and allowances for doubtful accounts.

Net Assets – HIP classifies its net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All contributions and grants are considered to be unrestricted unless specifically restricted by the donor. Temporarily restricted net assets become unrestricted when the funds are used for their restricted purpose, at which time they are reported in the statement of activities as net assets released from restriction. HIP currently has no permanently restricted net assets.

Contributed Services – Contributed services are recognized in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HIP.

Note 2 – Fixed Assets

Fixed assets at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Furniture and equipment	\$ 137,482	\$ 90,658
Accumulated depreciation	(78,377)	(66,638)
Fixed assets, net	<u>\$ 59,105</u>	<u>\$ 24,020</u>

Depreciation expense was \$13,482 and \$10,870 for the years ended December 31, 2012 and 2011, respectively.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 3 – Investments

Investments are stated at fair market value and consisted of government and agency bonds and corporate bonds at December 31, 2012 and 2011 as follows:

	2012		2011	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ 79,038	\$ 79,047	\$ -	\$ -
Government and agency bonds	2,448,781	2,572,894	\$ 2,623,817	\$ 2,769,339
Corporate bonds	2,348,217	2,515,799	2,267,948	2,454,911
Total	<u>\$ 4,876,036</u>	<u>\$ 5,167,740</u>	<u>\$ 4,891,765</u>	<u>\$ 5,224,250</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrestricted:		
Interest and dividend income	\$ 221,931	\$ 233,669
Net appreciation/(depreciation) in investments	<u>(37,278)</u>	<u>90,954</u>
Total	<u>\$ 184,653</u>	<u>\$ 324,623</u>

Note 4 – Fair Value of Financial Instruments

SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 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. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable as:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 4 – Fair Value of Financial Instruments (continued)

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with SFAS 157, the following table represents HIP’s fair value hierarchy for its financial assets measured at fair value on a recurring basis at December 31, 2012 and 2011:

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	\$ 5,167,740	\$ -	\$ -	\$ 5,167,740
Total	<u>\$ 5,167,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,167,740</u>
	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	\$ 5,224,250	\$ -	\$ -	\$ 5,224,250
Total	<u>\$ 5,224,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,224,250</u>

Note 5 – Grants Payable

Grants payable represent unconditional promises to give primarily to the Funders’ Collaborative program. Such grants are to be substantially disbursed over the next two years.

	2012	2011
Grants payable	<u>\$ 70,000</u>	<u>\$ 152,320</u>

Note 6 – Donated Goods and Services

Donated goods and services that would otherwise have been purchased are shown as in-kind donations in the accompanying statements of activities. Such donated goods and services for the years ended December 31, 2012 and 2011 consisted of the following:

	2012	2011
Donated services	<u>\$ 11,900</u>	<u>\$ 14,036</u>
Total	<u>\$ 11,900</u>	<u>\$ 14,036</u>

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 were restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Special Projects	\$ 1,114,840	\$ 1,127,392
Funder's Collaborative	<u>2,655,117</u>	<u>2,824,386</u>
Total	<u>\$ 3,769,957</u>	<u>\$ 3,951,778</u>

Note 8 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2012 and 2011 by incurring expenses that satisfied the restricted purpose as follows:

	<u>2012</u>	<u>2011</u>
Special Projects	\$ 653,767	\$ 856,228
Funder's Collaborative	<u>883,816</u>	<u>1,082,258</u>
Total	<u>\$ 1,537,583</u>	<u>\$ 1,938,486</u>

Note 9 - Assets Limited as to Use

Assets limited as to use include assets under certain restrictions imposed by grantor agencies and donors and not available for use in support of general operations. These assets are required to be used as specified by the grantor or donor. Assets limited as to use consisted of the following at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Donor restricted funds:		
Investments	\$ 3,744,957	\$ 3,600,945
Contributions receivable	<u>25,000</u>	<u>350,833</u>
Total	<u>\$ 3,769,957</u>	<u>\$ 3,951,778</u>

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2012

Note 10 – Commitments and Contingencies

HIP leases office space in Oakland and New York under lease agreements expiring on October 31, 2017 and January 31, 2014 respectively. Rent expense was \$69,555 for the year ended December 31, 2012. Future obligations under these lease agreements as of December 31, 2012 are 88,377 in 2013; 60,747 in 2014; \$60,747 in 2015; \$60,747 in 2016; \$40,499 in 2017.

In the ordinary course of conducting its business, HIP may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on HIP's financial position or results of future operations.

Note 11 – Post Retirement Benefits

HIP has a 401(k) savings plan for all eligible employees with at least three months of service during the plan year and employed by HIP as of the last day of the plan year. At its discretion, HIP may make a contribution, to be determined annually. There were employer contributions during the years ended December 31, 2012 and 2011 of \$22,868 and \$18,362 respectively.

In December of 2011, HIP introduced a 457(b) plan for deferred compensation offered to certain employees. There were no employer contributions during fiscal year 2012 and 2011.

Note 12 – Income Taxes

HIP is a not-for-profit organization, exempt from federal income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as described by the Code. HIP has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and de- recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to HIP's financial statements as a result of the adoption of FIN 48.