

Audited Financial Statements

**HISPANICS IN PHILANTHROPY**

**December 31, 2014**

TCA Partners, LLP  
Certified Public Accountants

# HISPANICS IN PHILANTHROPY

## Audited Financial Statements

December 31, 2014

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# **TCA Partners, LLP**

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## *Independent Auditor's Report on Financial Statements*

To the Board of Directors  
Hispanics in Philanthropy  
Oakland, California

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Hispanics in Philanthropy (HIP) as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 consolidated 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 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 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 HIP at December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***TCA Partners, LLP***

Fresno, California  
February 24, 2015

# HISPANICS IN PHILANTHROPY

## Statements of Financial Position

	December 31,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,150,539	\$ 2,960,039
Investments	3,866,419	1,981,065
Contributions and grants receivable	140,000	1,230,200
Assets limited as to use	2,933,990	2,966,206
Furniture and equipment, net	62,901	37,783
Other assets	26,568	12,181
Total assets	<u>\$ 9,180,417</u>	<u>\$ 9,187,474</u>
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 52,898	\$ 38,648
Accrued payroll and other related liabilities	163,383	161,895
Grants payable	70,000	70,000
Deferred revenue	826,270	778,020
Total liabilities	<u>1,112,551</u>	<u>1,048,563</u>
Net assets		
Unrestricted	5,133,876	5,178,655
Temporarily restricted	2,933,990	2,960,256
Total net assets	<u>8,067,866</u>	<u>8,138,911</u>
Total liabilities and net assets	<u>\$ 9,180,417</u>	<u>\$ 9,187,474</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,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Operating revenue</b>						
Contributions and grant revenue	\$ 687,720	\$ 3,805,402	\$ 4,493,122	\$ 3,559,328	\$ 1,814,039	\$ 5,373,367
Special events (net, expenses of \$100,030 in 2014)	192,609	-	192,609	-	-	-
In-kind donations	2,600	-	2,600	39,428	-	39,428
Investment income	198,040	-	198,040	151,867	-	151,867
Net assets released from restriction	3,831,668	(3,831,668)	-	2,623,740	(2,623,740)	-
Total operating revenue	<u>4,912,637</u>	<u>(26,266)</u>	<u>4,886,371</u>	<u>6,374,363</u>	<u>(809,701)</u>	<u>5,564,662</u>
<b>Operating expenses</b>						
Program services						
Grants awarded	2,623,777	-	2,623,777	2,054,593	-	2,054,593
Other program expenses	1,272,215	-	1,272,215	988,966	-	988,966
Supporting services						
General and administrative	416,580	-	416,580	506,010	-	506,010
Fundraising and development	502,806	-	502,806	757,406	-	757,406
Total operating expenses	<u>4,815,378</u>	<u>-</u>	<u>4,815,378</u>	<u>4,306,975</u>	<u>-</u>	<u>4,306,975</u>
Changes in net assets from operations	97,259	(26,266)	70,993	2,067,388	(809,701)	1,257,687
Unrealized gain/(losses) on investments	(142,038)	-	(142,038)	(197,921)	-	(197,921)
Total change in net assets	<u>(44,779)</u>	<u>(26,266)</u>	<u>(71,045)</u>	<u>1,869,467</u>	<u>(809,701)</u>	<u>1,059,766</u>
Net assets at beginning of year	5,178,655	2,960,256	8,138,911	3,309,188	3,769,957	7,079,145
Net assets at end of year	<u>\$ 5,133,876</u>	<u>\$ 2,933,990</u>	<u>\$ 8,067,866</u>	<u>\$ 5,178,655</u>	<u>\$ 2,960,256</u>	<u>\$ 8,138,911</u>

*See accompanying notes to the financial statements*

# HISPANICS IN PHILANTHROPY

## Statements of Cash Flows

	For the year ended December 31,	
	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (71,045)	\$ 1,059,766
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	25,004	29,197
Change in operating assets and liabilities		
Contributions receivable	1,090,200	(1,161,450)
Prepaid expenses and deposits	(14,387)	(650)
Accounts payable and accrued expenses	16,112	10,561
Accrued payroll	(376)	19,864
Deferred revenue	48,250	(162,105)
Net cash provided by (used in) operating activities	<u>1,093,758</u>	<u>(204,817)</u>
<b>Cash flows from investing activities</b>		
Net change in investments	(1,885,354)	(497,920)
Net change in assets whose use is limited	32,218	809,701
Purchases of furniture and equipment, net	(50,122)	(7,875)
Net cash provided by investing activities	<u>(1,903,258)</u>	<u>303,906</u>
Net increase in cash and cash equivalents	(809,500)	99,089
Cash and cash equivalents, beginning of year	2,960,039	2,860,950
Cash and cash equivalents, end of year	<u><u>\$ 2,150,539</u></u>	<u><u>\$ 2,960,039</u></u>

*See accompanying notes to the financial statements*

# HISPANICS IN PHILANTHROPY

## Notes to the Audited Financial Statements

December 31, 2014

### **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 FASB ASC 958, *Not-for-Profit Entities*.

**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.

**Subsequent Events** – Subsequent events have been evaluated through the date the financial statements were available to be issued.

**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 the Audited Financial Statements

December 31, 2014

### 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 FASB ASC 958-605, *Revenue Recognition*, 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, 2014 and 2013 consisted of the following:

	2014	2013
Furniture and equipment	\$ 113,637	\$ 81,825
Accumulated depreciation	(50,736)	(44,042)
Fixed assets, net	<u>\$ 62,901</u>	<u>\$ 37,783</u>

Depreciation expense was \$25,004 and \$29,197 for the years ended December 31, 2014 and 2013, respectively.

# HISPANICS IN PHILANTHROPY

## Notes to the Audited Financial Statements

December 31, 2014

### Note 3 – Investments

Portfolio of investments at December 31, 2014 and 2013 consists of the following:

	2014		2013	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ 44,148	\$ 44,148	\$ 28,327	\$ 28,327
Equities - US	1,345,980	1,235,570	-	-
Equities - International	356,226	333,546	-	-
International bonds	2,254,894	2,406,252	-	-
Government and agency bonds	2,354,958	2,274,851	2,432,303	2,468,278
Corporate bonds	101,141	105,677	2,334,558	2,384,844
Total	<u>\$ 6,457,347</u>	<u>\$ 6,400,044</u>	<u>\$ 4,795,188</u>	<u>\$ 4,881,449</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unrestricted:		
Interest and dividend income	\$ 236,067	\$ 222,179
Net realized gain/ (loss) in investments	\$ (38,027)	\$ 21,796
Net unrealized gain/(loss) in investments	(142,038)	(197,921)
Total	<u>\$ 56,002</u>	<u>\$ 46,054</u>

Investment management fees totaled \$24,074 for the year ended December 31, 2014.

### Note 4 – Fair Value of Financial Instruments

ASC 820 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 ASC 820 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 ASC 820 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 the Audited Financial Statements

December 31, 2014

### 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 ASC 820, the following table represents HIP's fair value hierarchy for its financial assets measured at fair value on a recurring basis at December 31, 2014 and 2013:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	1,569,116			1,569,116
Government and corporate bonds	4,830,928	-	-	4,830,928
Total	<u>\$6,400,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,400,044</u>
	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	\$4,881,449	\$ -	\$ -	\$4,881,449
Total	<u>\$4,881,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,881,449</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.

	<u>2014</u>	<u>2013</u>
Grants payable	<u>\$ 70,000</u>	<u>\$ 70,000</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, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Donated services	<u>\$ 2,600</u>	<u>\$ 39,428</u>

# HISPANICS IN PHILANTHROPY

## Notes to the Audited Financial Statements

December 31, 2014

### Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 were restricted for the following purposes:

	2014	2013
Special Projects	\$ 1,887,230	\$ 1,360,417
Funder's Collaborative	1,046,760	1,599,839
Total	<u>2,933,990</u>	<u>2,960,256</u>

### Note 8 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2014 and 2013 by incurring expenses that satisfied the restricted purpose as follows:

	2014	2013
Special Projects	\$ 3,085,019	\$ 956,028
Funder's Collaborative	746,649	1,667,712
Total	<u>\$ 3,831,668</u>	<u>\$ 2,623,740</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, 2014 and 2013.

	2014	2013
Donor restricted funds:		
Investments	\$ 2,620,966	\$ 2,843,506
Contributions receivable	313,024	122,700
Total	<u>\$ 2,933,990</u>	<u>\$ 2,966,206</u>

# HISPANICS IN PHILANTHROPY

## Notes to the Audited Financial Statements

December 31, 2014

### **Note 10 – Commitments and Contingencies**

HIP leases office space in Oakland under a lease agreement expiring on October 31, 2017. Rent expense was \$83,079 for the year ended December 31, 2014. Future obligations under this lease agreement as of December 31, 2014 are \$60,747 in 2015; \$60,747 in 2016; \$40,499 in 2017.

HIP leases a copier under a non-cancelable operating lease arrangement. HIP's total future minimum lease payments under this non-cancelable operating lease as of December 31, 2014 are \$2,687 in 2014; \$2,687 in 2015; \$2,687 in 2016 and \$2,015 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, 2014 and 2013 of \$29,112 and \$30,275 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 2014 and 2013.

### **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. The tax years of 2011 through 2014 remain open and subject to examination by the appropriate government agencies in the United States and California.

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.

# HISPANICS IN PHILANTHROPY

## Statements of Functional Expenses

	For the year ended December 31,							
	2014				2013			
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 539,605	\$ 184,208	\$ 262,575	\$ 986,388	\$ 466,156	\$ 210,065	\$ 449,683	\$ 1,125,904
Fringe benefits	97,068	33,650	47,435	178,153	85,630	38,175	66,007	189,812
Total personnel expenses	636,673	217,858	310,010	1,164,541	551,786	248,240	515,690	1,315,716
Operating expenses:								
Grants awarded	2,623,777	-	-	2,623,777	2,054,593	-	-	2,054,593
Evaluation	70,281	-	12,050	82,331	35,011	-	-	35,011
Consultants	338,887	97,999	67,314	504,200	215,691	66,119	84,494	366,304
Training	10,675	-	-	10,675	5,969	-	-	5,969
Conference and meetings	4,986	1,895	2,234	9,115	4,072	4,399	1,801	10,272
Travel	73,714	4,476	41,535	119,725	32,003	34,204	50,350	116,557
Information technology	20,288	4,715	7,982	32,985	12,118	8,988	8,044	29,150
Occupancy	52,898	15,368	25,127	93,393	39,142	26,121	42,373	107,636
Insurance	4,187	1,153	2,442	7,782	6,894	2,743	4,577	14,214
Equipment rental and maintenance	1,950	958	1,338	4,246	769	1,106	1,669	3,544
Supplies	10,196	1,737	2,588	14,521	5,248	3,925	4,763	13,936
Postage and shipping	2,687	618	1,824	5,129	2,529	1,671	1,826	6,026
Printing and publication	3,884	869	1,448	6,201	3,949	1,750	4,365	10,064
Communication and publications	10,429	3,157	8,268	21,854	8,976	3,572	8,719	21,267
Events	-	-	-	-	-	-	17,683	17,683
Fees	11,113	49,062	6,953	67,128	-	53,969	-	53,969
Depreciation	10,745	3,991	10,268	25,004	14,160	5,635	9,402	29,197
Bad debts	-	-	-	-	-	28,000	-	28,000
In-Kind donations	2,600	-	-	2,600	39,428	-	-	39,428
Other expenses	6,022	12,724	1,425	20,171	11,221	15,568	1,651	28,440
Total operating expenses	3,259,319	198,722	192,796	3,650,837	2,491,773	257,770	241,717	2,991,260
Total expenses	\$ 3,895,992	\$ 416,580	\$ 502,806	\$ 4,815,378	\$ 3,043,559	\$ 506,010	\$ 757,407	\$ 4,306,976

See accompanying notes to the financial statements