

Audited Financial Statements

**HISPANICS IN PHILANTHROPY**

For the years ended December 31, 2017 & 2016

JWT & Associates, LLP  
Certified Public Accountants

# HISPANICS IN PHILANTHROPY

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# **JWT & Associates, LLP**

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## Independent Auditor's Report

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, 2017 and 2016, 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 Hispanics in Philanthropy at December 31, 2017 and 2016, 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.

*JWT & Associates, LLP*

Fresno, California

May 19, 2018

# HISPANICS IN PHILANTHROPY

## Statements of Financial Position

	December 31,	
	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 1,952,601	\$ 1,458,052
Investments	5,578,079	4,929,538
Contributions and grants receivable	26,625	226,370
Assets limited as to use	2,171,217	2,142,765
Prepaid expenses and deposits	410,182	91,475
Furniture, equipment and IT, net	59,175	121,061
Total assets	<u>\$ 10,197,879</u>	<u>\$ 8,969,261</u>
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 113,302	\$ 46,562
Accrued payroll and other related liabilities	558,065	164,129
Deferred revenue and grants payable	1,363,882	951,549
Total liabilities	<u>2,035,249</u>	<u>1,162,240</u>
Net assets		
Without donor restrictions	5,991,413	5,664,256
With donor restrictions	2,171,217	2,142,765
Total net assets	<u>8,162,630</u>	<u>7,807,021</u>
Total liabilities and net assets	<u>\$ 10,197,879</u>	<u>\$ 8,969,261</u>

*See accompanying notes to the financial statements*

# HISPANICS IN PHILANTHROPY

## Statements of Activities and Changes in Net Assets

For the years ended December 31,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Operating revenue</b>						
Contributions and grant revenue	\$ 1,456,506	\$ 3,196,102	\$ 4,652,608	\$ 393,097	\$ 3,879,323	\$ 4,272,420
Membership fee revenue	491,575		491,575	448,925		448,925
Investment income	165,885	-	165,885	173,735	-	173,735
Net assets released from restriction	3,167,650	(3,167,650)	-	3,886,661	(3,886,661)	-
Total operating revenue	5,281,616	28,452	5,310,068	4,902,418	(7,338)	4,895,080
<b>Operating expenses</b>						
Program services						
Grants awarded	2,229,094	-	2,229,094	2,554,226	-	2,554,226
Other program expenses	1,633,080	-	1,633,080	1,300,102	-	1,300,102
Supporting services						
General and administrative	801,822	-	801,822	512,036	-	512,036
Fundraising and development	516,679	-	516,679	587,602	-	587,602
Total operating expenses	5,180,675	-	5,180,675	4,953,966	-	4,953,966
Changes in net assets from operations	100,941	28,452	129,393	(51,548)	(7,338)	(58,886)
Unrealized gain/(losses) on investments	226,216	-	226,216	124,844	-	124,844
Total change in net assets	327,157	28,452	355,609	73,296	(7,338)	65,958
Net assets at beginning of year	5,664,256	2,142,765	7,807,021	5,590,960	2,150,103	7,741,063
Net assets at end of year	\$ 5,991,413	\$ 2,171,217	\$ 8,162,630	\$ 5,664,256	\$ 2,142,765	\$ 7,807,021

*See accompanying notes to the financial statements*

# HISPANICS IN PHILANTHROPY

## Statements of Cash Flows

	For the year ended December 31,	
	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 355,609	\$ 65,958
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	71,905	62,976
Change in operating assets and liabilities		
Accrued interest	776	321
Contributions and grants receivable	886,308	138,630
Prepaid expenses and deposits	(318,707)	(57,649)
Accounts payable and accrued expenses	133,644	21,340
Accrued payroll	393,936	5,087
Deferred revenue and grants payable	412,333	232,026
Net cash provided by operating activities	<u>1,935,804</u>	<u>468,689</u>
<b>Cash flows from investing activities</b>		
Net change in investments	(1,422,822)	(431,201)
Net change in assets whose use is limited	(28,452)	7,338
Purchases of furniture and equipment, net	10,019	(33,732)
Net cash used in investing activities	<u>(1,441,255)</u>	<u>(457,595)</u>
Net increase in cash and cash equivalents	494,549	11,094
Cash and cash equivalents, beginning of year	1,458,052	1,446,958
Cash and cash equivalents, end of year	<u>\$ 1,952,601</u>	<u>\$ 1,458,052</u>

*See accompanying notes to the financial statements*

# HISPANICS IN PHILANTHROPY

## Notes to Financial Statements

December 31, 2017

### **Note 1 – Summary of Significant Accounting Policies**

Hispanics in Philanthropy (HIP) was founded in 1981 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 leadership, voice and equity.

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 net assets with donor restrictions and net assets without restrictions 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 three years 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.

*Comparative Data* - Certain prior year amounts have been reclassified to conform to current year financial statement presentation.

*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.

*Recent Accounting Pronouncements* - In August 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-14 *Presentation of Financial Statements of Not-for-Profit Entities* which is effective for periods beginning after December 15, 2017, however early application is permitted. This update eliminates the distinction between resources with permanent restrictions and those with temporary restrictions.



# HISPANICS IN PHILANTHROPY

## Notes to Financial Statements

December 31, 2017

### 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, but are not limited to, estimated useful lives and allowances for doubtful accounts.

*Net Assets with Donor Restrictions* – Contributions, including grants and contracts, are recorded as restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, donor restricted assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

*Accrued Payroll and Other Related Liabilities* – At December 31, 2017, accrued payroll and other related liabilities included an accrual for one employee retirement payment of \$402,619.

*Board Designated Reserve* -The board of directors has approved and designated amounts from Net Assets Without Donor Restrictions, which can only be used for purposes the board has approved. As of December 31, 2017, the designation is considered to be from Investments, and totals \$3,524,835.

*Contributed Goods and Services* – Contributed good and 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. Contributed goods as of December 31, 2017 was \$4,000.

### Note 2 – Furniture, equipment and IT

Fixed assets at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Furniture, equipment and IT	\$ 248,980	\$ 287,371
Accumulated depreciation	(189,805)	(166,310)
Furniture, equipment and IT, net	<u>\$ 59,175</u>	<u>\$ 121,061</u>

Depreciation expense was \$71,905 and \$62,977 for the years ended December 31, 2017 and 2016, respectively.

# HISPANICS IN PHILANTHROPY

## Notes to Financial Statements

December 31, 2017

### Note 3 – Investments

Portfolio of investments are in accordance with board reviewed and approved policies and at December 31, 2017 and 2016 consists of the following:

	2017		2016	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ 93,346	\$ 93,346	\$ 90,281	\$ 90,281
Equities - US	1,333,757	1,333,453	1,354,344	1,211,102
Equities - International	333,190	387,698	336,355	317,761
Corporate bonds	2,656,741	2,613,945	1,967,662	1,972,029
Government and agency bonds	2,074,843	2,006,952	2,708,277	2,631,145
International bonds	397,251	403,908	50,486	52,374
Total	<u>\$ 6,889,128</u>	<u>\$ 6,839,302</u>	<u>\$ 6,507,405</u>	<u>\$ 6,274,692</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Interest and dividend income	\$ 201,220	\$ 212,889
Net realized loss on investments	(34,559)	(39,154)
Net unrealized gain/(loss) on investments	226,215	124,844
Total	<u>392,876</u>	<u>298,579</u>

Investment management fees totaled \$29,795 for the year ended December 31, 2017.

### 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 Financial Statements

December 31, 2017

### 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, 2017 and 2016:

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	1,725,151			1,725,151
Government and corporate bonds	-	5,024,805	-	5,024,805
Total	<u>\$ 1,725,151</u>	<u>\$ 5,024,805</u>	<u>\$ -</u>	<u>\$ 6,749,956</u>

  

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	1,528,863			1,528,863
Government and corporate bonds	-	4,655,548	-	4,655,548
Total	<u>\$ 1,528,863</u>	<u>\$ 4,655,548</u>	<u>\$ -</u>	<u>\$ 6,184,411</u>

### Note 5 – Net Assets with Donor Restrictions

Net assets with Donor Restrictions at December 31, 2017 and 2016 were restricted for the following purposes:

	2017	2016
Non US Region	<u>\$ 591,720</u>	<u>\$ 944,724</u>
US Region	<u>1,579,497</u>	<u>1,198,040</u>
Total	<u><u>2,171,217</u></u>	<u><u>2,142,764</u></u>

### Note 6 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2017 and 2016 by incurring expenses that satisfied the restricted purpose as follows:

	2017	2016
Non US Region	<u>\$ 753,922</u>	<u>\$ 1,479,451</u>
US Region	<u>2,413,728</u>	<u>2,407,210</u>
Total	<u><u>\$ 3,167,650</u></u>	<u><u>\$ 3,886,661</u></u>

# HISPANICS IN PHILANTHROPY

## Notes to Financial Statements

December 31, 2017

### Note 7 - 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, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Donor restricted funds:		
Investments	\$ 1,267,836	\$ 1,464,265
Contributions receivable	<u>903,381</u>	<u>678,500</u>
Total	<u>\$ 2,171,217</u>	<u>\$ 2,142,765</u>

### Note 8 – Commitments and Contingencies

HIP leases office space in Oakland and Mexico under lease agreements expiring on various dates throughout 2022. Rent expense was \$81,030 for the year ended December 31, 2017. Future obligations under this lease agreement as of December 31, 2017 are \$105,948 in 2018, \$109,128 in 2019, \$112,404 in 2020, \$115,764 in 2021, and \$119,244 in 2022.

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 9 – 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, 2017 and 2016 of \$32,082 and \$27,572 respectively.

In 2011, HIP introduced a 457(b) plan for deferred compensation offered to certain employees. There were no employer contributions during fiscal year 2017 and 2016. The cash balance and corresponding liability are recorded in the Statements of Financial Position.

# HISPANICS IN PHILANTHROPY

## Notes to Financial Statements

December 31, 2017

### **Note 10 – 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.

HIP is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, HIP is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. HIP has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The preparation of financial statements in accordance with U.S. GAAP requires HIP to report information regarding its exposure to various tax positions taken by HIP. HIP has determined whether any tax positions have met the recognition threshold and have measured any exposure to those tax positions. Management believes that HIP has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to HIP are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements. The tax years of 2014 through 2017 remain open and subject to examination by the appropriate government agencies in the United States and California.

**Note 11- Functional Expenses**

**HISPANICS IN PHILANTHROPY**

Statements of Functional Expenses

	For the year ended December 31,							
	2017				2016			
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 641,113	\$ 305,308	\$ 217,833	\$ 1,164,254	\$ 418,623	\$ 192,700	\$ 366,068	\$ 977,391
Fringe benefits	100,200	54,826	34,030	189,056	82,145	37,992	71,988	192,125
Total personnel expenses	741,313	360,134	251,863	1,353,310	500,768	230,692	438,056	1,169,516
Operating expenses:								
Grants awarded	2,229,094	-	-	2,229,094	2,554,226	-	-	2,554,226
Consultants	507,353	255,451	177,479	940,283	492,892	133,901	44,647	671,440
Training and events	106,176	2,462	487	109,125	8,783	1,299	6,299	16,381
Conference and meetings	7,481	1,693	1,578	10,752	19,337	2,514	10,168	32,019
Travel	103,631	44,823	31,774	180,228	78,745	19,442	22,362	120,549
Information technology	22,519	12,314	5,902	40,735	28,514	4,059	7,558	40,131
Occupancy	53,503	20,418	12,221	86,142	45,856	21,046	22,099	89,001
Insurance	3,090	1,691	1,049	5,830	5,090	1,422	3,539	10,051
Equipment rental and maintenance	2,190	1,198	744	4,132	1,306	663	1,846	3,815
Supplies	12,719	8,953	5,655	27,327	6,344	6,378	5,741	15,190
Printing and publication	7,941	3,811	7,018	18,770	4,672	4,719	1,566	10,957
Communication and marketing	5,868	376	3,912	10,156	25,823	4,459	9,393	39,675
Membership and fees	7,283	8,928	2,599	18,810	25,930	78,908	8,164	113,002
Depreciation	38,110	20,852	12,943	71,905	54,542	2,271	6,164	62,977
Other expenses	13,903	58,718	1,455	74,076	1,500	263	-	1,763
Total operating expenses	3,120,861	441,688	264,816	3,827,365	3,353,560	281,344	149,546	3,784,450
Total expenses	\$ 3,862,174	\$ 801,822	\$ 516,679	\$ 5,180,675	\$ 3,854,328	\$ 512,036	\$ 587,602	\$ 4,953,966

See accompanying notes to the financial statements