

Audited Financial Statements

HISPANICS IN PHILANTHROPY

For the years ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1, the HIP adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

JWT & Associates, LLP

Fresno, California
June 5, 2019

HISPANICS IN PHILANTHROPY

Statements of Financial Position

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 3,176,341	\$ 1,952,601
Investments	5,017,439	5,578,079
Contributions and grants receivable	94,581	26,625
Assets limited as to use	1,651,583	2,171,217
Prepaid expenses and deposits	114,480	410,182
Furniture, equipment and IT, net	16,309	59,175
Total assets	<u>\$ 10,070,733</u>	<u>\$ 10,197,879</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 72,304	\$ 113,302
Accrued payroll and other related liabilities	233,838	558,065
Deferred revenue and grants payable	2,756,110	1,363,882
Total liabilities	<u>3,062,252</u>	<u>2,035,249</u>
Net assets		
Without donor restrictions	5,356,898	5,991,413
With donor restrictions	1,651,583	2,171,217
Total net assets	<u>7,008,481</u>	<u>8,162,630</u>
Total liabilities and net assets	<u>\$ 10,070,733</u>	<u>\$ 10,197,879</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,

	2018			2017		
	Donor		Total	Donor		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
Operating revenue						
Contributions and grant revenue	\$ 2,413,396	\$ 2,188,242	\$ 4,601,638	\$ 1,456,506	\$ 3,196,102	\$ 4,652,608
Membership fee revenue	526,510		526,510	491,575		491,575
Investment income, net	171,828	-	171,828	132,966	-	132,966
Net assets released from restriction	2,707,876	(2,707,876)	-	3,167,650	(3,167,650)	-
Total operating revenue	5,819,610	(519,634)	5,299,976	5,248,697	28,452	5,277,149
Operating expenses						
Program services						
Grants awarded	3,192,404	-	3,192,404	2,229,094	-	2,229,094
Other program expenses	2,483,918	-	2,483,918	1,600,420	-	1,600,420
Supporting services						
General and administrative	256,252	-	256,252	801,822	-	801,822
Fundraising and development	245,582	-	245,582	516,679	-	516,679
Total operating expenses	6,178,156	-	6,178,156	5,148,015	-	5,148,015
Changes in net assets from operations	(358,546)	(519,634)	(878,180)	100,941	28,452	129,393
Unrealized gain/(losses) on investments	(275,969)	-	(275,969)	226,216	-	226,216
Total change in net assets	(634,515)	(519,634)	(1,154,149)	327,157	28,452	355,609
Net assets at beginning of year	5,991,413	2,171,217	8,162,630	5,664,256	2,142,765	7,807,021
Net assets at end of year	\$ 5,356,898	\$ 1,651,583	\$ 7,008,481	\$ 5,991,413	\$ 2,171,217	\$ 8,162,630

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Cash Flows

	For the year ended December 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,154,149)	\$ 355,609
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	42,867	71,905
Change in operating assets and liabilities		
Accrued interest	-	776
Contributions and grants receivable	(67,956)	886,308
Prepaid expenses and deposits	295,702	(318,707)
Accounts payable and accrued expenses	(40,999)	133,644
Accrued payroll	(324,227)	393,936
Deferred revenue and grants payable	1,392,228	412,333
Net cash provided by operating activities	<u>143,466</u>	<u>1,935,804</u>
Cash flows from investing activities		
Net change in investments	560,640	(1,422,822)
Net change in assets whose use is limited	519,634	(28,452)
Purchases of furniture and equipment, net	-	10,019
Net cash used in investing activities	<u>1,080,274</u>	<u>(1,441,255)</u>
Net increase in cash and cash equivalents	1,223,740	494,549
Cash and cash equivalents, beginning of year	1,952,601	1,458,052
Cash and cash equivalents, end of year	<u>\$ 3,176,341</u>	<u>\$ 1,952,601</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2018

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 2018-14 *Presentation of Financial Statements of Not-for-Profit Entities* which is effective for periods beginning after December 15, 2018, 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, 2018

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, 2018 and 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, 2018 and 2017 was \$53,600 and \$4,000.

Note 2 – Furniture, equipment and IT

Fixed assets at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Furniture, equipment and IT	\$ 220,521	\$ 248,980
Accumulated depreciation	(204,212)	(189,805)
Furniture, equipment and IT, net	<u>\$ 16,309</u>	<u>\$ 59,175</u>

Depreciation expense was \$42,866 and \$71,905 for the years ended December 31, 2018 and 2017, respectively.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2018

Note 3 – Investments

Portfolio of investments are in accordance with board reviewed and approved policies and at December 31, 2018 and 2017 consists of the following:

	2018		2017	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ -	\$ -	\$ 93,346	\$ 93,346
Equities - US	1,214,210	1,030,282	1,333,757	1,333,453
Equities - International	303,869	289,021	333,190	387,698
Corporate bonds	1,859,106	1,793,004	2,656,741	2,613,945
Government and agency bonds	2,323,799	2,270,246	2,074,843	2,006,952
International bonds	346,188	343,254	397,251	403,908
Total	<u>\$ 6,047,172</u>	<u>\$ 5,725,807</u>	<u>\$ 6,889,128</u>	<u>\$ 6,839,302</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unrestricted		
Interest and dividend income	\$ 195,675	\$ 201,220
Net realized loss on investments	9,563	(34,559)
Net unrealized gain/(loss) on investments	(275,969)	226,215
Total	<u>(70,731)</u>	<u>392,876</u>

Investment management fees totaled \$32,919 and \$32,600 for the year ended December 31, 2018 and 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, 2018

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, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Equities	1,319,303			1,319,303
Government and corporate bonds	-	4,406,504	-	4,406,504
Total	<u>\$ 1,319,303</u>	<u>\$ 4,406,504</u>	<u>\$ -</u>	<u>\$ 5,725,807</u>

	2017			
	Level 1	Level 2	Level 3	Total
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>

Note 5 – Net Assets with Donor Restrictions

Net assets with Donor Restrictions at December 31, 2018 and 2017 were restricted for the following purposes:

	2018	2017
Non US Region	<u>\$ 301,308</u>	<u>\$ 591,720</u>
US Region	<u>1,350,275</u>	<u>1,579,497</u>
Total	<u><u>1,651,583</u></u>	<u><u>2,171,217</u></u>

Note 6 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2018 and 2017 by incurring expenses that satisfied the restricted purpose as follows:

	2018	2017
Non US Region	<u>\$ 806,686</u>	<u>\$ 753,922</u>
US Region	<u>1,901,190</u>	<u>2,413,728</u>
Total	<u><u>\$ 2,707,876</u></u>	<u><u>\$ 3,167,650</u></u>

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2018

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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Donor restricted funds:		
Investments	\$ 539,383	\$ 1,267,836
Contributions receivable	1,112,200	903,381
Total	<u>\$ 1,651,583</u>	<u>\$ 2,171,217</u>

Note 8 – Commitments and Contingencies

HIP leases office space in Oakland under a lease agreement expiring in 2022. Rent expense was \$124,215 and \$81,030 for the year ended December 31, 2018 and 2017. Future obligations under this lease agreement as of December 31, 2018 are \$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, 2018 and 2017 of \$22,399 and \$32,082 respectively.

In 2011, HIP introduced a 457(b) plan for deferred compensation offered to certain employees. There were no employer contributions during fiscal year 2018 and 2017. The cash balance and corresponding liability are recorded within the Statements of Financial Position.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2018

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 2015 through 2017 remain open and subject to examination by the appropriate government agencies in the United States and California.

Note 11: Information Regarding Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, various receivables, and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing program related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures. The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2018

Note 11: Information Regarding Liquidity and Availability of Resources (continued)

	<u>2018</u>
Cash and cash equivalents	\$ 3,176,341
Investments	5,017,439
Grant receivables	<u>94,581</u>
Total financial assets	8,288,361
Deferred revenue	<u>2,756,110</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,532,251

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient program revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2018.

Note 12- Functional Expenses

HISPANICS IN PHILANTHROPY

Statements of Functional Expenses

For the year ended December 31,

	2018				2017			
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 972,657	\$ 160,598	\$ 161,894	\$ 1,295,149	\$ 641,113	\$ 305,308	\$ 217,833	\$ 1,164,254
Fringe benefits	159,005	26,254	26,466	211,725	100,200	54,826	34,030	189,056
Total personnel expenses	1,131,662	186,852	188,360	1,506,874	741,313	360,134	251,863	1,353,310
Operating expenses:								
Grants awarded	3,192,404	-	-	3,192,404	2,229,094	-	-	2,229,094
Consultants	550,086	45,504	34,071	629,661	507,353	255,451	177,479	940,283
Training and events	231,126	160	107	231,393	106,176	2,462	487	109,125
Conference and meetings	17,036	-	-	17,036	7,481	1,693	1,578	10,752
Travel	261,824	1,821	4,520	268,165	103,631	44,823	31,774	180,228
Information technology	60,079	5,511	6,030	71,620	22,519	12,314	5,902	40,735
Occupancy	119,886	6,385	4,257	130,528	53,503	20,418	12,221	86,142
Insurance	9,853	2,237	769	12,859	3,090	1,691	1,049	5,830
Equipment rental and maintenance	2,725	181	121	3,027	2,190	1,198	744	4,132
Supplies	15,061	1,350	1,492	17,903	12,719	8,953	5,655	27,327
Printing and publication	16,113	226	840	17,179	7,941	3,811	7,018	18,770
Communication and marketing	2,077	-	-	2,077	5,868	376	3,912	10,156
Membership and fees	6,953	22	659	7,634	7,283	8,928	2,599	18,810
Depreciation	38,580	2,572	1,715	42,867	38,110	20,852	12,943	71,905
Other expenses	24,125	1,470	1,334	26,929	13,903	26,058	1,455	74,076
Total operating expenses	4,547,928	67,439	55,915	4,671,282	3,120,861	409,028	264,816	3,794,705
Total expenses	\$ 5,679,590	\$ 254,291	\$ 244,275	\$ 6,178,156	\$ 3,862,174	\$ 769,162	\$ 516,679	\$ 5,148,015

See accompanying notes to the financial statements