

Audited Financial Statements

HISPANICS IN PHILANTHROPY

December 31, 2015

**JWT & Associates, LLP
Certified Public Accountants**

HISPANICS IN PHILANTHROPY

Audited Financial Statements

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JWT & Associates, 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, 2015 and 2014, 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, 2015 and 2014, 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 Matters

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.

The financial statements of Hispanics in Philanthropy as of December 31, 2014, were audited by TCA Partners, LLP, who merged into JWT & Associates, LLP as of February 1, 2015. TCA Partners, LLP's report dated February 24, 2015, expressed an unmodified opinion on those statements.

JWT & Associates, LLP

Fresno, California
February 24, 2016

HISPANICS IN PHILANTHROPY

Statements of Financial Position

	December 31,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 1,446,958	\$ 2,150,539
Investments	4,498,658	3,866,419
Contributions and grants receivable	365,000	140,000
Assets limited as to use	2,150,102	2,933,990
Furniture and equipment, net	150,306	62,901
Prepaid expenses and deposits	33,826	26,568
Total assets	<u>\$ 8,644,850</u>	<u>\$ 9,180,417</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 25,222	\$ 52,898
Accrued payroll and other related liabilities	159,042	163,383
Deferred revenue and grants payable	719,523	896,270
Total liabilities	<u>903,787</u>	<u>1,112,551</u>
Net assets		
Unrestricted	5,590,961	5,133,876
Temporarily restricted	2,150,102	2,933,990
Total net assets	<u>7,741,063</u>	<u>8,067,866</u>
Total liabilities and net assets	<u>\$ 8,644,850</u>	<u>\$ 9,180,417</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,					
	2015			2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue						
Contributions and grant revenue	\$ 1,496,056	\$ 2,812,363	\$ 4,308,419	\$ 687,720	\$ 3,805,402	\$ 4,493,122
Special events (net, expenses of \$192,560 and \$100,030 in 2015 & 2014)	182,732	-	182,732	192,609	-	192,609
In-kind donations	-	-	-	2,600	-	2,600
Investment income	210,367	-	210,367	198,040	-	198,040
Net assets released from restriction	3,596,250	(3,596,250)	-	3,831,668	(3,831,668)	-
Total operating revenue	5,485,405	(783,887)	4,701,518	4,912,637	(26,266)	4,886,371
Operating expenses						
Program services						
Grants awarded	2,262,691	-	2,262,691	2,623,777	-	2,623,777
Other program expenses	1,430,807	-	1,430,807	1,272,215	-	1,272,215
Supporting services						
General and administrative	550,720	-	550,720	416,580	-	416,580
Fundraising and development	493,721	-	493,721	502,806	-	502,806
Total operating expenses	4,737,939	-	4,737,939	4,815,378	-	4,815,378
Changes in net assets from operations	747,466	(783,887)	(36,421)	97,259	(26,266)	70,993
Unrealized gain/(losses) on investments	(290,382)	-	(290,382)	(142,038)	-	(142,038)
Total change in net assets	457,084	(783,887)	(326,803)	(44,779)	(26,266)	(71,045)
Net assets at beginning of year	5,133,876	2,933,990	8,067,866	5,178,655	2,960,256	8,138,911
Net assets at end of year	<u>\$ 5,590,960</u>	<u>\$ 2,150,103</u>	<u>\$ 7,741,063</u>	<u>\$ 5,133,876</u>	<u>\$ 2,933,990</u>	<u>\$ 8,067,866</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Cash Flows

	For the year ended December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (326,803)	\$ (71,045)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	52,598	25,004
Change in operating assets and liabilities		
Accrued interest	8,289	1,224
Contributions receivable	(225,000)	1,090,200
Prepaid expenses and deposits	(7,257)	(14,387)
Accounts payable and accrued expenses	(18,073)	14,888
Accrued payroll	(13,942)	(376)
Deferred revenue	(176,747)	48,250
Net cash provided by (used in) operating activities	(706,935)	1,093,758
Cash flows from investing activities		
Net change in investments	(640,531)	(1,885,354)
Loss on disposal	20,549	-
Net change in assets whose use is limited	783,888	32,218
Purchases of furniture and equipment, net	(160,552)	(50,122)
Net cash provided by investing activities	3,354	(1,903,258)
Net decrease in cash and cash equivalents	(703,581)	(809,500)
Cash and cash equivalents, beginning of year	2,150,539	2,960,039
Cash and cash equivalents, end of year	<u>\$ 1,446,958</u>	<u>\$ 2,150,539</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2015

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 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 Financial Statements

December 31, 2015

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, 2015 and 2014 consisted of the following:

	2015	2014
Furniture and equipment	\$ 253,640	\$ 113,637
Accumulated depreciation	(103,334)	(50,736)
Fixed assets, net	<u>\$ 150,306</u>	<u>\$ 62,901</u>

Depreciation expense was \$52,598 and \$25,004 for the years ended December 31, 2015 and 2014, respectively.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2015

Note 3 – Investments

Portfolio of investments at December 31, 2015 and 2014 consists of the following:

	2015		2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ 42,206	\$ 42,206	\$ 44,148	\$ 44,148
Equities - US	1,354,253	1,049,807	1,345,980	1,235,570
Equities - International	361,776	330,764	356,226	333,546
International bonds	2,226,712	2,234,718	2,254,894	2,406,252
Government and agency bonds	2,392,484	2,363,852	2,354,958	2,274,851
Corporate bonds	50,486	50,879	101,141	105,677
Total	<u>\$ 6,427,917</u>	<u>\$ 6,072,226</u>	<u>\$ 6,457,347</u>	<u>\$ 6,400,044</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Interest and dividend income	\$ 222,208	\$ 234,843
Net realized gain/ (loss) in investments	\$ (11,841)	\$ (36,803)
Net unrealized gain/(loss) in investments	(290,382)	(142,038)
Total	<u>\$ (80,015)</u>	<u>\$ 56,002</u>

Investment management fees totaled \$23,355 for the year ended December 31, 2015.

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, 2015

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, 2015 and 2014:

2015				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	1,380,571			1,380,571
Government and corporate bonds	4,649,449	-	-	4,649,449
Total	<u>\$ 6,030,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,030,020</u>
2014				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	1,569,116			1,569,116
Total	4,786,780	-	-	4,786,780
	<u>\$ 6,355,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,355,896</u>

Note 5 – 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, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Donated services	<u>\$ -</u>	<u>\$ 2,600</u>

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 were restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Special Projects	\$ 1,630,240	\$ 1,887,230
Funder's Collaborative	519,862	1,046,760
Total	<u>2,150,102</u>	<u>2,933,990</u>

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2015

Note 7 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2015 and 2014 by incurring expenses that satisfied the restricted purpose as follows:

	2015	2014
Special Projects	\$ 2,442,719	\$ 3,085,019
Funder's Collaborative	1,153,531	746,649
Total	<u>\$ 3,596,250</u>	<u>\$ 3,831,668</u>

Note 8 - 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, 2015 and 2014.

	2015	2014
Donor restricted funds:		
Investments	\$ 1,673,127	\$ 2,620,966
Contributions receivable	476,975	313,024
Total	<u>\$ 2,150,102</u>	<u>\$ 2,933,990</u>

Note 9 – Commitments and Contingencies

HIP leases office space in Oakland under a lease agreement expiring on October 31, 2017. Rent expense was \$73,399 for the year ended December 31, 2015. Future obligations under this lease agreement as of December 31, 2015 are \$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, 2015 are \$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.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2015

Note 10 – 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, 2015 and 2014 of \$30,927 and \$29,112 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 2015 and 2014.

Note 11 – 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 2012 through 2015 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,							
	2015				2014			
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 476,362	\$ 215,088	\$ 323,747	\$ 1,015,197	\$ 539,605	\$ 184,208	\$ 262,575	\$ 986,388
Fringe benefits	93,175	42,922	63,112	199,209	97,068	33,650	47,435	178,153
Total personnel expenses	569,537	258,010	386,859	1,214,406	636,673	217,858	310,010	1,164,541
Operating expenses:								
Grants awarded	2,262,691	-	-	2,262,691	2,623,777	-	-	2,623,777
Evaluation	14,852	-	-	14,852	70,281	-	12,050	82,331
Consultants	434,310	136,210	20,428	590,948	338,887	97,999	67,314	504,200
Training	73,589	2,792	-	76,381	10,675	-	-	10,675
Conference and meetings	17,263	771	10,005	28,039	4,986	1,895	2,234	9,115
Travel	105,283	26,410	19,233	150,926	73,714	4,476	41,535	119,725
Information technology	18,494	7,354	4,737	30,585	20,288	4,715	7,982	32,985
Occupancy	46,510	13,662	24,193	84,365	52,898	15,368	25,127	93,393
Insurance	7,029	1,313	2,485	10,827	4,187	1,153	2,442	7,782
Equipment rental and maintenance	1,999	709	1,258	3,966	1,950	958	1,338	4,246
Supplies	14,195	3,973	3,757	21,925	10,196	1,737	2,588	14,521
Postage and shipping	2,299	994	1,193	4,486	2,687	618	1,824	5,129
Printing and publication	14,874	3,500	645	19,019	3,884	869	1,448	6,201
Communication and publications	15,609	3,828	5,469	24,906	10,429	3,157	8,268	21,854
Membership and fees	31,087	77,194	7,657	115,938	11,113	49,062	6,953	67,128
Depreciation	43,335	3,461	5,802	52,598	10,745	3,991	10,268	25,004
In-Kind donations	-	-	-	-	2,600	-	-	2,600
Other expenses	20,542	10,539	-	31,081	6,022	12,724	1,425	20,171
Total operating expenses	3,123,961	292,710	106,862	3,523,533	3,259,319	198,722	192,796	3,650,837
Total expenses	\$ 3,693,498	\$ 550,720	\$ 493,721	\$ 4,737,939	\$ 3,895,992	\$ 416,580	\$ 502,806	\$ 4,815,378

See accompanying notes to the financial statements