

Audited Financial Statements

HISPANICS IN PHILANTHROPY

December 31, 2016 & 2015

JWT & Associates, LLP
Certified Public Accountants

HISPANICS IN PHILANTHROPY

Audited Financial Statements

December 31, 2016

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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, 2016 and 2015, 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, 2016 and 2015, 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.

JWT & Associates, LLP

Fresno, California

March 4, 2017

HISPANICS IN PHILANTHROPY

Statements of Financial Position

	December 31,	
	2016	2015
Assets		
Cash and cash equivalents	\$ 1,458,052	\$ 1,446,958
Investments	4,929,538	4,498,658
Contributions and grants receivable	226,370	365,000
Assets limited as to use	2,142,765	2,150,102
Prepaid expenses and deposits	91,475	33,826
Furniture, equipment and IT, net	121,061	150,306
Total assets	<u>\$ 8,969,261</u>	<u>\$ 8,644,850</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 46,562	\$ 25,222
Accrued payroll and other related liabilities	164,129	159,042
Deferred revenue and grants payable	951,549	719,523
Total liabilities	<u>1,162,240</u>	<u>903,787</u>
Net assets		
Unrestricted	5,664,256	5,590,961
Temporarily restricted	2,142,765	2,150,102
Total net assets	<u>7,807,021</u>	<u>7,741,063</u>
Total liabilities and net assets	<u>\$ 8,969,261</u>	<u>\$ 8,644,850</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,					
	2016		2015			
	<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	\$ 842,022	\$ 3,879,323	\$ 4,721,345	\$ 1,678,788	\$ 2,812,363	\$ 4,491,151
Investment income	173,735	-	173,735	210,367	-	210,367
Net assets released from restriction	3,886,661	(3,886,661)	-	3,596,250	(3,596,250)	-
Total operating revenue	<u>4,902,418</u>	<u>(7,338)</u>	<u>4,895,080</u>	<u>5,485,405</u>	<u>(783,887)</u>	<u>4,701,518</u>
Operating expenses						
Program services						
Grants awarded	2,554,226	-	2,554,226	2,262,691	-	2,262,691
Other program expenses	1,300,102	-	1,300,102	1,430,807	-	1,430,807
Supporting services						
General and administrative	512,036	-	512,036	550,720	-	550,720
Fundraising and development	587,602	-	587,602	493,721	-	493,721
Total operating expenses	<u>4,953,966</u>	<u>-</u>	<u>4,953,966</u>	<u>4,737,939</u>	<u>-</u>	<u>4,737,939</u>
Changes in net assets from operations	(51,548)	(7,338)	(58,886)	747,466	(783,887)	(36,421)
Unrealized gain/(losses) on investments	124,844	-	124,844	(290,382)	-	(290,382)
Total change in net assets	73,296	(7,338)	65,958	457,084	(783,887)	(326,803)
Net assets at beginning of year	5,590,960	2,150,103	7,741,063	5,133,876	2,933,990	8,067,866
Net assets at end of year	<u>\$ 5,664,256</u>	<u>\$ 2,142,765</u>	<u>\$ 7,807,021</u>	<u>\$ 5,590,960</u>	<u>\$ 2,150,103</u>	<u>\$ 7,741,063</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statements of Cash Flows

	For the year ended December 31,	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 65,958	\$ (326,803)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	62,976	52,598
Change in operating assets and liabilities		
Accrued interest	321	8,289
Contributions and grants receivable	138,630	(225,000)
Prepaid expenses and deposits	(57,649)	(7,257)
Accounts payable and accrued expenses	21,340	(18,073)
Accrued payroll	5,087	(13,942)
Deferred revenue and grants payable	232,026	(176,747)
Net cash provided by (used in) operating activities	<u>468,689</u>	<u>(706,935)</u>
Cash flows from investing activities		
Net change in investments	(431,201)	(640,531)
Loss on disposal	-	20,549
Net change in assets whose use is limited	7,338	783,888
Purchases of furniture and equipment, net	(33,732)	(160,552)
Net cash provided by (used in) investing activities	<u>(457,595)</u>	<u>3,354</u>
Net increase/(de) in cash and cash equivalents	11,094	(703,581)
Cash and cash equivalents, beginning of year	1,446,958	2,150,539
Cash and cash equivalents, end of year	<u>\$ 1,458,052</u>	<u>\$ 1,446,958</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2016

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, 2016

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.

Board Designated Reserve -The board of directors has designated \$2,055,000 from Unrestricted Net Assets, which can only be used for purposes the board has approved. As of December 31, 2016, the designation is considered to be from Investments, and is stated at fair market value.

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 – Furniture, equipment and IT

Fixed assets at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Furniture, equipment and IT	\$ 287,371	\$ 253,640
Accumulated depreciation	(166,310)	(103,334)
Furniture, equipment and IT, net	<u>\$ 121,061</u>	<u>\$ 150,306</u>

Depreciation expense was \$62,977 and \$52,598 for the years ended December 31, 2016 and 2015, respectively.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2016

Note 3 – Investments

Portfolio of investments at December 31, 2016 and 2015 consists of the following:

	2016		2015	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash savings account	\$ 90,281	\$ 90,281	\$ 42,206	\$ 42,206
Equities - US	1,354,344	1,211,102	1,354,253	1,049,807
Equities - International	336,355	317,761	361,776	330,764
Corporate bonds	1,967,662	1,972,029	2,226,712	2,234,718
Government and agency bonds	2,708,277	2,631,145	2,392,484	2,363,852
International bonds	50,486	52,374	50,486	50,879
Total	<u>\$ 6,507,405</u>	<u>\$ 6,274,692</u>	<u>\$ 6,427,917</u>	<u>\$ 6,072,226</u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted		
Interest and dividend income	\$ 212,889	\$ 222,208
Net realized loss on investments	\$ (39,154)	\$ (11,841)
Net unrealized gain/(loss) on investments	124,844	(290,382)
Total	<u>298,579</u>	<u>(80,015)</u>

Investment management fees totaled \$27,978 for the year ended December 31, 2016.

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, 2016

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, 2016 and 2015:

	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>\$6,184,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,184,411</u>

	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	1,380,571			1,380,571
Total	4,649,449	-	-	4,649,449
	<u>\$6,030,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,030,020</u>

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 were restricted for the following purposes:

	2016	2015
Special Projects	<u>\$ 1,864,428</u>	<u>\$ 1,630,240</u>
Funder's Collaborative	<u>278,337</u>	<u>519,862</u>
Total	<u>2,142,765</u>	<u>2,150,102</u>

Note 6 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2016 and 2015 by incurring expenses that satisfied the restricted purpose as follows:

	2016	2015
Special Projects	<u>\$ 2,833,291</u>	<u>\$ 2,442,719</u>
Funder's Collaborative	<u>1,053,370</u>	<u>1,153,531</u>
Total	<u>\$ 3,886,661</u>	<u>\$ 3,596,250</u>

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2016

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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Donor restricted funds:		
Investments	\$ 1,464,265	\$ 1,673,127
Contributions receivable	678,500	476,975
Total	<u>\$ 2,142,765</u>	<u>\$ 2,150,102</u>

Note 8 – Commitments and Contingencies

HIP leases office space in Oakland, Mexico and North Carolina under lease agreements expiring on various dates throughout 2017. Rent expense was \$75,711 for the year ended December 31, 2016. Future obligations under this lease agreement as of December 31, 2016 are \$64,644 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, 2016 are \$2,505 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 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, 2016 and 2015 of \$27,572 and \$30,927 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 2016 and 2015.

HISPANICS IN PHILANTHROPY

Notes to Financial Statements

December 31, 2016

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.

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 2013 through 2015 remain open and subject to examination by the appropriate government agencies in the United States and California.

HISPANICS IN PHILANTHROPY

Statements of Functional Expenses

	For the year ended December 31,							
	2016		2015					
	Program Services	General Operation and Administrative	Fundraising and Development	Total	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:								
Salaries	\$ 418,623	\$ 192,700	\$ 366,068	\$ 977,391	\$ 476,362	\$ 215,088	\$ 323,747	\$ 1,015,197
Fringe benefits	82,145	37,992	71,988	192,125	93,175	42,922	63,112	199,209
Total personnel expenses	500,768	230,692	438,056	1,169,516	569,537	258,010	386,859	1,214,406
Operating expenses:								
Grants awarded	2,554,226	-	-	2,554,226	2,262,691	-	-	2,262,691
Evaluation	-	-	-	-	14,852	-	-	14,852
Consultants	492,892	133,901	44,647	671,440	434,310	136,210	20,428	590,948
Training	8,783	1,299	6,299	16,381	73,589	2,792	-	76,381
Conference and meetings	19,337	2,514	10,168	32,019	17,263	771	10,005	28,039
Travel	78,745	19,442	22,362	120,549	105,283	26,410	19,233	150,926
Information technology	28,514	4,059	7,558	40,131	18,494	7,354	4,737	30,585
Occupancy	45,856	21,046	22,099	89,001	46,510	13,662	24,193	84,365
Insurance	5,090	1,422	3,539	10,051	7,029	1,313	2,485	10,827
Equipment rental and maintenance	1,306	663	1,846	3,815	1,999	709	1,258	3,966
Supplies	5,917	4,333	4,940	15,190	14,195	3,973	3,757	21,925
Postage and shipping	427	2,045	801	3,273	2,299	994	1,193	4,486
Printing and publication	4,672	4,719	1,566	10,957	14,874	3,500	645	19,019
Communication and publications	25,823	4,459	9,393	39,675	15,609	3,828	5,469	24,906
Membership and fees	25,930	78,908	8,164	113,002	31,087	77,194	7,657	115,938
Depreciation	54,542	2,271	6,164	62,977	43,335	3,461	5,802	52,598
Other expenses	1,500	263	-	1,763	20,542	10,539	-	31,081
Total operating expenses	3,353,560	281,344	149,546	3,784,450	3,123,961	292,710	106,862	3,523,533
Total expenses	\$ 3,854,328	\$ 512,036	\$ 587,602	\$ 4,953,966	\$ 3,693,498	\$ 550,720	\$ 493,721	\$ 4,737,939

See accompanying notes to the financial statements