



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

**SAN DIEGO HUMAN
DIGNITY FOUNDATION
Audited Financial Statements
December 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

San Diego Human Dignity Foundation

Members of the Board of Directors:

We have audited the accompanying statement of assets, liabilities, and net assets—cash basis of San Diego Human Dignity Foundation, as of December 31, 2002, and the related statements of revenues, expenses, and other changes in net assets—cash basis and of functional expenses—cash basis for the year then ended. These financial statements are the responsibility of San Diego Human Dignity Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of San Diego Human Dignity Foundation as of December 31, 2002, and its revenues, expenses, and other changes in net assets for the year then ended on the basis of accounting described in Note 3.

Sonnenberg & Company, CPAs

April 2, 2003

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Assets, Liabilities, and Net Assets--Cash Basis
December 31, 2002
(With Summarized Totals for 2001)

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash - Checking	\$ 23,481	\$ 5,339
Cash - Savings	45,153	70,784
Cash - Bill Silva Endowment	57,040	31,455
Cash - SDHDF Endowment	78,993	77,877
Cash - Anderson & Pecus Endowment	2,497	
Cash - Anderson & Pecus Charitable Fund	5,004	
Cash - Nicole Murray Ramirez	5,666	
Deposits	500	
Total Assets	\$ <u>218,334</u>	\$ <u>185,455</u>
 LIABILITIES:		
Payroll Taxes Payable	\$ 1,497	\$ 1,870
Total Liabilities	1,497	1,870
 NET ASSETS:		
Unrestricted	71,986	77,850
Temporarily Restricted	0	0
Permanently Restricted	144,851	105,735
Total Net Assets	<u>216,837</u>	<u>183,585</u>
Total Liabilities and Net Assets	\$ <u>218,334</u>	\$ <u>185,455</u>

See accompanying notes to financial statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Revenues, Expenses, and Other Changes in Net Assets--Cash Basis
For the Year Ended December 31, 2002
(With Summarized Totals for the Year ended December 31, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2002 Totals</u>	<u>2001 Totals</u>
REVENUES AND OTHER SUPPORT:					
Grants - Pass through Received	\$ 24,000	\$	\$	\$ 24,000	\$ 22,500
Grants - Pass through Submitted	(24,000)			(24,000)	(22,500)
Contributions	88,272			88,272	49,007
Bill Silva Matching Endowment			25,000	25,000	0
Endowment Contribution			14,116	14,116	8,010
Special Event Revenue - Gala	100,342			100,342	153,286
In-Kind Donations	52,000			52,000	
Interest	2,607			2,607	4,214
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Support	243,221	0	39,116	282,337	214,517
EXPENSES:					
Program Services	155,549			155,549	99,281
Management & General	28,480			28,480	28,878
Fund Raising	6,988			6,988	6,422
Special Event Expense - Gala	58,069			58,069	56,102
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	249,085	0	0	249,085	190,683
Change in Net Assets	(5,864)	0	39,116	33,252	23,834
Net Assets, Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	77,850		105,735	183,585	159,751
Net Assets, End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 71,986	\$ 0	\$ 144,851	\$ 216,837	\$ 183,585

See accompanying notes to financial statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Functional Expenses--Cash Basis
For the Year Ended December 31, 2002
(With Summarized Totals for the Year ended December 31, 2001)

	<u>SUPPORTING SERVICES</u>					
	<u>Program</u>	<u>Management</u>	<u>Fund</u>	<u>Special</u>	<u>2002</u>	<u>2001</u>
	<u>Services</u>	<u>& General</u>	<u>Raising</u>	<u>Event</u>	<u>Totals</u>	<u>Totals</u>
FUNCTIONAL EXPENSES:						
Salaries and Wages	\$ 45,665	\$ 19,571	\$	\$	\$ 65,236	\$ 57,770
Payroll Taxes	<u>3,510</u>	<u>1,504</u>			<u>5,014</u>	<u>4,635</u>
Total Payroll Expense	49,175	21,075	0	0	70,250	62,405
Bank Charges		2,334			2,334	2,233
Conference					0	0
Contract Labor	0	0				3,000
Development	10,164		2,541		12,705	
Dues and Subscriptions	660	165			825	675
Education	0	0				1,280
Gifts	388				388	398
Grants Made	20,000				20,000	24,476
In-Kind Donations	52,000				20,900	
Insurance	3,530	883			4,413	3,063
Licenses & Permits	0	0				190
Marketing	6,389		1,597		7,986	5,458
Miscellaneous	158	40			198	892
Office Supplies	2,292	573			2,865	3,140
Professional Fees	1,923	641	641		3,205	3,925
Printing & Postage	4,043	1,348	1,348		6,738	8,444
Rent	672	168			840	2,383
Repairs & Maintenance	1,572	393			1,965	839
Special Event Expense				58,069	58,069	56,102
Telephone	1,675	558	558		2,791	4,941
Travel & Entertainment	<u>908</u>	<u>303</u>	<u>303</u>		<u>1,513</u>	<u>6,839</u>
Total Expenses	\$ <u>155,549</u>	\$ <u>28,480</u>	\$ <u>6,988</u>	\$ <u>58,069</u>	\$ <u>217,985</u>	\$ <u>190,683</u>

See accompanying notes to financial statements

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2002

Note 1. Organization and Purpose:

San Diego Human Dignity Foundation (the Foundation) was incorporated as a California non-profit corporation in 1996. The Foundation is committed to providing perpetual and significant funding to community based organizations serving the San Diego area's lesbian, gay, bisexual and transgender population. The Foundation raises, invests and distributes funds in partnership with donors and grantees.

Note 2. Income Tax Status:

San Diego Human Dignity Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and California R & T code 23701(d) whereby it is exempt from income taxes.

Note 3. Summary of Significant Accounting Policies:

Basis of Accounting:

The accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from accounting principles generally accepted in the United States of America because San Diego Human Dignity Foundation has not recognized receivables, prepaid expenses, interest accruals, accounts payable to vendors, and their related effects on the change in net assets. Revenues are recognized when collected. All contributions and donations are considered available for unrestricted use unless specifically restricted by the donors. Pledges for contributions are recorded as received.

San Diego Human Dignity Foundation accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, any contributions received would be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is the Foundation's policy to treat donor restricted contributions, whose restrictions are met in the same reporting period as unrestricted. Donated assets are recorded at their estimated fair market value.

The Foundation presents its financial statements in accordance with Statement of Financial Auditing Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2002

Note 3. Summary of Significant Accounting Policies: (Continued)

Comparative Financial Information:

The financial statements include comparative summary information which should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2001, from which such information has been derived. The comparative summary information is not intended to be a complete presentation in accordance with U.S. generally accepted accounting principles.

Functional Expenses:

Functional expenses have been allocated between Program Services and Supporting Services based on reasonable estimations of personnel time, space utilized, and other factors charged to each activity.

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 4. Net Assets:

As of December 31, 2002, there are permanently restricted net assets of \$144,851. In 1999, the Foundation received the Bill Silva Higher Education Endowment. Its goal is to assist higher education students with programs which serve both LGBT and non- LGBT community in San Diego county. The permanently restricted balance in this endowment account as of December 31, 2002 is \$55,000.

The Foundation also has the San Diego Human Dignity Foundation Endowment , whose goal is to provide perpetual and significant funding to community based organizations serving San Diego area's lesbian, gay, bisexual and transgender population. The permanently restricted balance in this endowment account as of December 31, 2002 is \$89,851.

Note 5. Grants:

San Diego Human Dignity Foundation makes grants in different ways.

Direct grants - The Foundation directs grants to address specific needs. During the year ended December 31, 2002, the Foundation awarded a grant of \$15,000 to The San Diego Foundation.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2002

Note 5. Grants: (Continued)

Pass-Through Grant - to facilitate donations to specific organizations. Under this program, the Foundation facilitated donations in the amount of \$24,000 to organizations like Stepping Stone of San Diego, Inc., San Diego Family Justice Center, San Diego Lesbian and Gay funding Partnership, and Special Delivery San Diego for the year ending December 31, 2002.

Note 6. Donated Materials and Services:

The estimated fair value of donated materials and volunteer services over which the organization exercises control is recorded in the financial statements. The materials are estimated at fair value as if the organization were to purchase the items themselves. The materials and services donated to the Foundation consists mainly of artwork and hotel accomodations used for their Springtime Gala event.

The Foundation also received in-kind rent for use of their administrative offices at 2445 Fifth Avenue. The donated office space rental expense was \$8,400. Bookkeeping services were donated by a local public accounting firm at an estimated value of \$2,000. For the year ended December 31, 2002, management has estimated the total value of the donated materials and services at about \$52,000.

Note 7. Special Events:

Every year the Foundation holds a Springtime Gala to raise funds. The revenue from the 2002 Gala was \$87,017 and the expenses were \$54,041. During 2002, the Foundation also hosted six different cruises traveling to several different world destinations. The revenue from the cruises were \$13,325 and the expenses were \$4,029

Note 8. Partnership Program:

The Foundation is in partnership with the National Gay and Lesbian Funding Partnership and the San Diego Foundation in a two year matching grant program. During the year ended December 31, 2002, the Foundation made a contribution of \$15,000 to this partnership and arranged a pass through donation of \$2,000 to the partnership.

Note 9. Concentration of risk and uncertainties

The Foundation maintains a bank account at one institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Cash at the bank did exceed federally insured limits at December 31, 2002 by \$125,101. The Foundation does not expect the funds to be at risk in 2003.