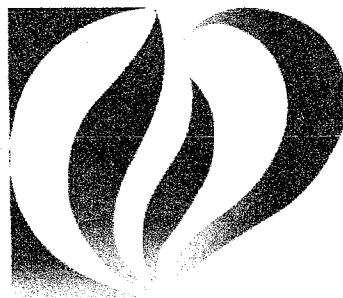


AUDITED FINANCIAL STATEMENTS

December 31, 2005



San Diego
Human Dignity
Foundation

Supporting Our Future
Through Endowment

Presented By
Douglas R. Asfibrook, CPA

**SAN DIEGO HUMAN DIGNITY FOUNDATION
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DECEMBER 31, 2005**

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Auditing, Taxation, Consulting

Member: American Institute of Certified Public Accountants and California Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT


To the Board of Directors of
San Diego Human Dignity Foundation

I have audited the accompanying statement of financial position of San Diego Human Dignity Foundation (SDHDF) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the SDHDF's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Human Dignity Foundation as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 28, 2006


Douglas R. Ashbrook, CPA

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Financial Position
December 31, 2005

ASSETS

Cash & cash equivalents	\$	84,629
Investments		50,000
Pledges receivable		14,969
Deposits		3,475
Endowment-SDF		63,761
Charitable fund accounts (note 8)		64,430
Endowment fund accounts (note 8)		<u>497,082</u>
 Total Assets	 \$	 <u><u>778,346</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	50,779
Accrued payroll liabilities		<u>5,022</u>
 Total Liabilities		 55,801

NET ASSETS:

Unrestricted	235,108
Temporarily restricted	132,490
Permanently restricted	<u>354,947</u>
 Total Net Assets	 <u>722,545</u>
 Total Liabilities and Net Assets	 \$ <u><u>778,346</u></u>

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Activities
For the Year Ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUE & OTHER SUPPORT:</u>				
Grants-pass through	\$ 100	\$	\$	\$ 100
Contributions	252,715	136,800	44,850	434,365
Special events income, net	87,311	4,897		92,208
Fund advisory fees	4,199			4,199
In-kind donations	36,744			36,744
Donated services	22,538			22,538
Interest & Dividends	1,236	26,202	898	28,336
Unrealized and realized gains, net	1,442	25,518		26,960
Net assets released from restriction:				
Restrictions satisfied by payment	144,716	(144,716)		
Total Revenues and Other Support	551,001	48,701	45,748	645,450
 <u>EXPENSES:</u>				
Program Services	312,990			312,990
Supporting Services:				
Management & general	53,381			53,381
Fund-raising	3,937			3,937
Total Supporting Services	57,318	-	-	57,318
Total Expenses	370,308	-	-	370,308
 Change in Net Assets	 180,693	 48,701	 45,748	 275,142
Net Assets, Beginning of Year	54,415	79,194	248,300	381,909
Prior period adjustment (Note 12)	-	4,595	60,899	65,494
 Net Assets, End of Year	 \$ 235,108	 \$ 132,490	 \$ 354,947	 \$ 722,545

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 275,142
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) Operating Activities:	
Unrealized and realized gain on investments	(25,518)
Prior period adjustment	65,494
(Increase)/Decrease in Current Assets:	
Deposits	1,625
Pledges receivable	(11,369)
Increase/(Decrease) in Current Liabilities:	
Accounts payable	49,033
Accrued payroll liabilities	<u>381</u>
Net Cash Provided/(Used) by Operating Activities	354,788

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Sales/Purchases of investments	(50,000)
Endowment contributions	(243,649)
Charitable fund contributions	(139,196)
Endowment & charitable fund distributions	137,684
Endowment & charitable fund earnings	<u>(27,100)</u>
Net cash used by investing activities	(322,261)
Net Increase/(Decrease) in Cash and Cash Equivalents	32,527
Cash and Cash Equivalents at:	
Beginning of Year	<u>52,102</u>
End of Year	<u>\$ 84,629</u>

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2005

	Program Services	SUPPORTING SERVICES		Combined Total
		Management & General	Fund Raising	
<u>FUNCTIONAL EXPENSES:</u>				
Salaries and wages	\$ 68,890	\$ 29,524	\$	\$ 98,414
Payroll taxes	5,838	2,502		8,340
Payroll benefits		6,404		6,404
Bank service charges	3,288	580		3,868
Investment fees		8,851		8,851
Development		690	1,356	2,046
Dues & subscriptions	1,380			1,380
Grants made	148,750			148,750
Insurance	3,745	936		4,681
In-kind donations	36,744			36,744
Donated services	22,538			22,538
License & permits		25		25
Marketing	6,763		1,691	8,454
Miscellaneous	138	138		276
Occupancy	5,760	1,440		7,200
Office expense	3,488	872		4,360
Postage	953	317	317	1,587
Printing	1,098	367	366	1,831
Professional fees	2,995	528		3,523
Telephone	509	170	170	849
Travel & entertainment	113	37	37	187
Total Expenses	\$ 312,990	\$ 53,381	\$ 3,937	\$ 370,308

See accompanying notes

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

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.

Basis of Accounting

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Foundation, in substance and unconditionally. It is the agency's policy to treat donor restricted contributions whose restrictions are met in the same reporting period as unrestricted.

Donated Services

The Foundation receives a substantial amount of donated services, however, not all donated services meet the criteria for recognition established by FASB 116, *Accounting for Contributions Received and Contributions Made*. As of December 31, 2005, \$22,538 was recorded for various donated services that met the criteria for recognition. Services included advertising, web hosting, Gala entertainment, and consulting services.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (cont.)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment costing \$1,000 or more is capitalized at cost and depreciated. The fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. As of December 31, 2005, the Foundation did not have property and equipment that met the capitalization requirement.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, money market funds and certificates of deposits with an original maturity of three months or less.

Note 2 - Income Tax Status

The Foundation is a private not-for-profit corporation organized under the laws of the State of California. As a Section 501(c)(3) organization, it is exempt from income taxes on the basis that it qualifies for exemption under section 501(a) of the Internal Revenue Code, and Section 23701(d) of the State Revenue and Taxation Code. The Foundation is liable for income tax on unrelated business income. This income is limited to advertising income received for ads placed in their Springtime Gala program. The advertising income is offset by the direct costs of the advertising. The net amount of this unrelated business income is immaterial and therefore no provision for income taxes is included in the accompanying financial statements.

Note 3 - Special Events

The Foundation hosts special events to raise funds. As of December 31, 2005, revenue from special events is as follows:

	<u>Revenue</u>	<u>Expense</u>	<u>Net Income</u>
Springtime Gala	\$ 144,858	\$ 62,723	\$ 82,135
Cruise	15,985	10,809	5,176
Wigfest	7,205	2,308	4,897
Total Special Events	<u>\$ 168,048</u>	<u>\$ 75,840</u>	<u>\$ 92,208</u>

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 4 - In-kind Donations

The Foundation received \$36,744 in donations for the 2005 Gala Silent Auction.

Note 5 - Deposits

Deposits as of December 31, 2005 are as follows:

Rental deposit	\$ 600
Seminar	400
Gala 2006 venue and entertainment deposit	<u>2,475</u>
Total Deposits	<u>\$ 3,475</u>

Note 6 - Grants

San Diego Human Dignity Foundation makes various grants in accordance with donors, donor advised fund agreements, and its mission to improve the quality of life within San Diego's lesbian, gay, bisexual and transgender community by addressing specific needs. During the year ended December 31, 2005, the Foundation awarded the following grants:

Auntie Helen's Fluff n Fold	\$ 4,000
Big Brothers & Big Sisters of San Francisco	100
Cystinosis Research Foundation	500
Diversionary Theatre	15,000
ElderHelp of San Diego	13,750
Gay Men's Chorus San Diego	7,500
Heart Care International	1,000
J-Pride	5,000
Live & Let Live Alano Club	6,000
Midge Costanza Institute	1,800
SAGE	8,000
San Diego Human Dignity Foundation	2,000
San Diego HIV Funding Collaborative	5,000
San Diego LGBT Community Center	33,250
San Diego Women's Chorus	5,000
Special Delivery	3,250
Stepping Stone of San Diego	15,000
SYTES	7,500
Walden Family Services	<u>15,000</u>
Total Grants Awarded	<u>\$148,650</u>

The Foundation may also help facilitate donations to specific organizations from individuals or other donors with pass-through grants. As of December 31, 2005, a pass-through grant was distributed to the San Diego LGBT Leadership Council for \$100.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 7 - Concentration of risk and uncertainties

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. At December 31, 2005, the Foundation's uninsured cash balance total \$464,719. Management believes the risk of loss by having uninsured cash is remote.

Note 8 - Investments, Charitable Funds, and Endowment Accounts

Charitable funds and endowment funds are combined in an investment account. Earnings are allocated accordingly among the various funds. Investments are carried at market or appraised value; realized and unrealized gains and losses are reflected in the statement of activities. Investments as of December 31, 2005 consist of the following:

	Carrying Value
Money funds	\$ 33,726
Mutual Funds	527,786
Other securities	50,000
Total	\$ 611,512

Investment return is summarized as follows:

Interest Income	\$ 24,241
Net realized and unrealized gains	26,960
Total investment return	\$ 51,201

Note 9 - Pledges Receivable

Pledges receivable consists of promises to give. Management believes all pledges to be collectible, therefore no allowance for uncollectible accounts is deemed necessary. As of December 31, 2005, pledges receivable are \$14,969.

Note 10 - Net Assets

The Foundation has received funds to establish permanently restricted endowments funds. Earnings allocated by the Foundation to the endowment funds are available for distribution for various purposes under the endowment agreements. The Foundation also received funds to establish temporarily restricted charitable funds; principal and earnings allocated by the Foundation to the charitable funds are available for distribution for various purposes under the donor advised agreements and become unrestricted at date of distribution.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 10 - Net Assets (cont.)

As of December 31, 2005, temporarily restricted and permanently restricted net assets are classified as follows:

<u>Fund</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
SDHDF Endowment	\$ 36,388	\$ 96,950
LGBT Fund of SDHDF & The SD Foundation	1,964	61,797
Silva Higher Education Endowment	8,978	55,000
SDLGBT Community Center Endowment	1,005	5,050
Blachford-Cooper Endowment	10,847	70,000
Anderson-Pecus Athletic Endowment	1,594	10,000
Murray-Ramirez Civil Rights Fund	4,746	10,080
Geyser President's Ethics Award Fund	2,088	15,570
Higgins-Miles Endowment	387	5,500
Beck-Huskey Endowment	-	5,000
Collingsworth-Simmons Endowment	-	10,000
Unitt Charitable Fund	-	5,000
Benton Charitable Fund	-	5,000
Pierce Charitable Fund	5,000	-
Cornell Charitable Fund	1,076	-
Casari-Kam Charitable Fund	5,000	-
MMVCS Charitable Fund	1,879	-
BCause Fund	12,820	-
Oster Charitable Fund	3,500	-
Nelson-Olson Charitable Fund	26,476	-
Anderson-Pecus Charitable Fund	8,742	-
Total Funds	<u>\$ 132,490</u>	<u>\$ 354,947</u>

Note 11 - Employee Benefits

The Foundation approved a Simple IRA for the staff's retirement. The plan will match employee contributions up to one percent (1%) of their salary for the first year and up to three percent (3%) for subsequent years. For the year ending December 31, 2005, the Foundation contributed \$983.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2005

Note 12 - Prior Period Adjustment

Net assets at the beginning of 2005 have been adjusted by \$65,494 for an understatement of assets. An endowment was established in 1999 with the San Diego Foundation; however, the endowment was never recorded and was discovered through discussions during the current audit. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases net assets by \$65,494.

Note 13 - Subsequent Events

The Foundation was named as a beneficiary of a Trust; however, due to the uncertainty of the amount the Foundation will receive and when, no amounts have been recorded in the financial statements as of December 31, 2005.