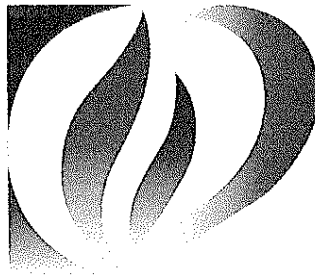


AUDITED FINANCIAL STATEMENTS

December 31, 2006



San Diego
Human Dignity
Foundation

Supporting Our Future
Through Endowment

Presented By
Douglas R. Ashbrook, CPA

**SAN DIEGO HUMAN DIGNITY FOUNDATION
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DECEMBER 31, 2006**

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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, 2006, 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, 2006, 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.



Douglas R. Ashbrook, CPA

June 21, 2007

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Financial Position
December 31, 2006

ASSETS

Cash & cash equivalents	\$ 76,206
Pledges receivable, net of allowance of \$1,745 (Note 8)	10,971
Deposits (Note 5)	2,725
Endowment-SDF (Note 7)	67,963
Investments (Note 7)	1,996
Charitable funds (Note 7)	101,550
Endowment funds (Note 7)	593,562
	<hr/>
Total Assets	\$ 854,973

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 3,686
Accrued payroll liabilities	5,244
	<hr/>
Total Liabilities	8,930

NET ASSETS:

Unrestricted	72,916
Temporarily restricted (Note 10)	214,531
Permanently restricted (Note 10)	558,596
	<hr/>
Total Net Assets	846,043
	<hr/>
Total Liabilities and Net Assets	\$ 854,973

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Activities
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUE & OTHER SUPPORT:</u>				
Grants-pass through	\$ 750	\$	\$	\$ 750
Contributions	85,829	29,817	49,450	165,096
Special events income, net (Note 3)	102,255			102,255
Fund advisory fees	6,618			6,618
In-kind donations (Note 4)	87,851			87,851
Donated services (Note 4)	37,500			37,500
Interest & dividends (Note 7)	1,778	37,869	4,199	43,846
Unrealized & realized gains & losses, net (Note 7)	(83)	37,787		37,704
Net assets released from restriction: Restrictions satisfied by payment	44,793	(44,793)		
Total Revenues and Other Support	367,291	60,680	53,649	481,620
<u>EXPENSES:</u>				
Program Services	275,829			275,829
Supporting Services:				
Management & general	65,540			65,540
Fundraising	16,753			16,753
Total Supporting Services	82,293	-	-	82,293
Total Expenses	358,122	-	-	358,122
Change in Net Assets	9,169	60,680	53,649	123,498
Net Assets, Beginning of Year	235,108	132,490	354,947	722,545
Prior period adjustment (Note 11)	(171,361)	21,361	150,000	0
Net Assets, End of Year	\$ 72,916	\$ 214,531	\$ 558,596	\$ 846,043

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 123,498
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) Operating Activities:	
Unrealized and realized gain on investments	(37,704)
(Increase)/Decrease in Current Assets:	
Deposits	750
Pledges receivable	3,998
Increase/(Decrease) in Current Liabilities:	
Accounts payable	(47,093)
Accrued payroll liabilities	222
Net Cash Provided/(Used) by Operating Activities	43,671

CASH FLOWS FROM INVESTING ACTIVITIES:

Net sales/purchases of investments	27,130
Endowment fund contributions	(56,550)
Charitable fund contributions	(24,967)
Endowment & charitable fund distributions	44,793
Endowment & charitable fund earnings	(42,500)
Net Cash Provided/(Used) by Investing Activities	(52,094)
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,423)

Cash and Cash Equivalents at:

Beginning of Year	84,629
End of Year	\$ 76,206

See accompanying notes

SAN DIEGO HUMAN DIGNITY FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2006

	SUPPORTING SERVICES			Combined Total
	Program Services	Management & General	Fund Raising	
FUNCTIONAL EXPENSES:				
Salaries and wages	\$ 71,756	\$ 30,752	\$ -	\$ 102,508
Payroll taxes	6,013	2,577	-	8,590
Payroll benefits	-	10,279	-	10,279
Bad debt	1,745	-	-	1,745
Bank service charges	4,427	781	-	5,208
Investment fees	-	12,626	-	12,626
Development	-	2,533	5,088	7,621
Dues & subscriptions	1,610	-	-	1,610
Grants made (Note 6)	37,950	-	-	37,950
Insurance	2,633	764	-	3,397
In-kind donations	87,851	-	-	87,851
Donated services	37,500	-	-	37,500
License & permits	-	318	-	318
Marketing	7,855	-	10,000	17,855
Miscellaneous	-	106	-	106
Occupancy	5,760	1,440	-	7,200
Office expense	2,430	872	-	3,302
Postage	1,193	398	398	1,989
Printing	1,304	434	434	2,172
Professional fees	3,305	826	-	4,131
Telephone	532	178	178	888
Travel & entertainment	1,966	655	655	3,276
Total Expenses	\$ 275,829	\$ 65,540	\$ 16,753	\$ 358,122

See accompanying notes

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

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*.

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.

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.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

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

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, 2006, 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, 2006, revenue from special events is as follows:

	<u>Revenue</u>	<u>Expense</u>	<u>Net Income</u>
Springtime Gala	\$ 207,765	\$ 106,836	\$ 100,929
Cruise	12,185	10,859	1,326
Total Special Events	<u>\$ 219,950</u>	<u>\$ 117,695</u>	<u>\$ 102,255</u>

Note 4 - In-kind Donations and Donated Services

The Foundation received \$87,851 in donations for the 2006 Gala silent and live auction. As of December 31, 2006, \$37,500 was recorded for various donated services that met the criteria for recognition under FASB 116, *Accounting for Contributions Received and Contributions Made*. Services included advertising and web hosting.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

Note 5 - Deposits

Deposits as of December 31, 2006 are as follows:

Rental deposit	\$ 600
Gala 2007 venue and entertainment deposit	<u>2,125</u>
Total Deposits	<u>\$ 2,725</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, 2006, the Foundation awarded the following grants:

The Old Globe Theatre	\$ 10,000
Diversionary Theatre	2,700
J-Pride	500
PAWS San Diego County, Inc.	500
San Diego Crime Stoppers	1,000
San Diego Harm Reduction Center	5,000
San Diego Foundation	5,000
San Diego HIV Funding Collaborative	2,500
San Diego LGBT Community Center	6,500
Service Members Legal Defense Network	2,500
Stepping Stone of San Diego	500
Wigfest 2006	<u>500</u>
Total Grants Awarded	<u>\$ 37,200</u>

The Foundation may also help facilitate donations to specific organizations from individuals or other donors with pass-through grants. As of December 31, 2006, pass-through grants were distributed as follows:

San Diego Youth Symphony	\$ 500
Lambda Archives of San Diego	<u>250</u>
Total Pass-through Grants	<u>\$ 750</u>

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

Note 7 - Investments, Charitable Funds, and Endowment Funds

Investments, charitable funds and endowment funds are combined in one investment account. Earnings are allocated accordingly among the various funds. The San Diego Foundation (SDF) Endowment is a separate investment established to encourage contributions for the SDHDF's exempt purpose. Investments are carried at market or appraised value; realized and unrealized gains and losses are reflected in the statement of activities. The Investment accounts as of December 31, 2006 consists of the following:

	Carrying Value
Endowment-SDF	\$ 67,963
Money funds	28,248
Mutual Funds	668,860
Total	\$ 765,071

Investment return is summarized as follows:

Interest & dividend income	\$ 42,500
Net realized & unrealized gains & losses	37,704
Total investment return	\$ 80,204

Additional interest and dividend income of \$1,346 was earned on savings and other investments considered as cash and cash equivalents.

Note 8 - Pledges Receivable

Pledges receivable consists of unconditional promises to give that are expected to be collected within one year. A provision for estimated uncollectible pledges is based on past experience adjusted by management estimates of current economic factors and applied to gross pledges.

As of December 31, 2006 pledges receivable are as follows:

Gross pledges receivable	\$ 12,716
Allowance for uncollectible pledges	(1,745)
Net pledges receivable	\$ 10,971

Note 9 - Employee Benefits

The Foundation has a Simple IRA for the staff's retirement. The plan requires a 3% matching contribution, except that in 2 out of 5 years the Foundation can reduce the matching contribution to 1% with proper advance notification to all employees. For the year ending December 31, 2006, the Foundation contributed \$3,066.

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

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.

As of December 31, 2006, temporarily restricted and permanently restricted net assets are classified as follows:

<u>Fund</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
SDHDF Endowment	\$ 63,587	\$ 251,400
Silva Higher Education Endowment	15,544	55,000
SDLGBT Community Center Endowment	1,633	5,200
Blachford-Cooper Endowment	9,092	80,000
Anderson-Pecus Athletic Endowment	2,784	10,000
Murray-Ramirez Civil Rights Fund	5,239	10,080
Geysler President's Ethics Award Fund	3,955	16,270
Higgins-Miles Endowment	994	5,500
Beck-Huskey Endowment	399	6,050
Collingsworth-Simmons Endowment	1,399	20,100
SD Lambda Archives Endowment	1,537	21,000
Unitt Charitable Fund	-	3,000
Benton Charitable Fund	-	3,800
LGBT Fund of SDHDF & The SD Foundation	1,967	65,996
Anderson-Pecus Charitable Fund	3,714	-
Pierce Charitable Fund	3,238	-
Cornell Charitable Fund	5,442	-
Casari-Kam Charitable Fund	5,000	-
MMVCS Charitable Fund	1,879	-
BCause Fund	29,066	-
McCusker Education Fund	23,563	-
Oster Charitable Fund	5,696	-
Nelson-Olson Charitable Fund	23,803	-
Whalen Charitable Fund	150	-
Accrued promises to give	4,850	5,200
Total Funds	<u>\$ 214,531</u>	<u>\$ 558,596</u>

San Diego Human Dignity Foundation
Notes to Financial Statements
December 31, 2006

Note 11 - Prior Period Adjustment

Net assets at the beginning of 2006 have been adjusted to correct the permanently restricted, temporarily restricted and unrestricted balances. The Foundation transferred \$150,000 into the SDHDF Endowment account in 2005 with the intent to treat the funds as part of the endowment and not as an investment. During the previous year the Foundation received contributions in the amount of \$21,361, these contributions were temporarily restricted by the donor for the McCusker Education Fund and not designated to the fund by the Board as previously reported. The correction has no effect on the results of the current year's activities and did not increase nor decrease beginning net assets.