

**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2012**



San Diego  
Human Dignity  
Foundation

**Presented By**  
***Douglas R. Ashbrook, CPA***

**SAN DIEGO HUMAN DIGNITY FOUNDATION  
TABLE OF CONTENTS  
DECEMBER 31, 2012**

	<u>Page Number</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-14

# ***Douglas R. Ashbrook, CPA***

**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, 2012, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

August 28, 2013

Douglas R. Ashbrook, CPA

**SAN DIEGO HUMAN DIGNITY FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2012**

ASSETS

Cash & cash equivalents	\$	298,823
Investments held at Vanguard (Note 12)		3,010,474
Prepaid expenses (Note 7)		531
Deposits		1,028
Endowment-SDF (Note 13)		61,271
Computer equipment, net of accumulated depreciation of \$3,765		1,480
		1,480
Total Assets	\$	3,373,607

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	(805)
Accrued payroll liabilities		1,251
		446
Total Liabilities		446

NET ASSETS:

Unrestricted		147,622
Temporarily restricted (Note 14)		2,618,539
Permanently restricted (Note 14)		607,000
		3,373,161
Total Net Assets		3,373,161
Total Liabilities and Net Assets	\$	3,373,607

See accompanying notes

**SAN DIEGO HUMAN DIGNITY FOUNDATION**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>REVENUE &amp; OTHER SUPPORT:</u></b>				
Contributions	\$ 286,933	\$ 477,372	\$ 1,700	\$ 766,005
Special events income, net (Note 5)	24,572	-	-	24,572
Fund advisory fees	45,277	-	-	45,277
Program fees	59,000	-	-	59,000
Donated services (Note 5)	2,650	-	-	2,650
Interest & dividends (Note 12)	72,009	24,390	-	96,399
Net assets released from restriction:				
Restrictions satisfied by payment	243,233	(227,233)	(16,000)	-
Total Revenues and Other Support	733,674	274,529	(14,300)	993,903
<b><u>EXPENSES:</u></b>				
Program Services:				
Grants	577,149	-	-	577,149
Operating Expenses	213,318	-	-	213,318
Total Program Services	790,467	-	-	790,467
Supporting Services:				
Management & general	49,622	-	-	49,622
Fundraising	14,953	-	-	14,953
Total Supporting Services	64,575	-	-	64,575
Total Expenses	855,042	-	-	855,042
Change in Net Assets before Net Realized and Unrealized Gains/(Losses)	(121,368)	274,529	(14,300)	138,861
Net Realized and Unrealized Gains/(Losses)	187,719	62,645	-	250,364
Change in Net Assets	66,351	337,174	(14,300)	389,225
Net Assets, Beginning of Year	81,479	2,271,893	630,564	2,983,936
Reclassification of Net Assets	(208)	9,472	(9,264)	-
Net Assets, End of Year	\$ 147,622	\$ 2,618,539	\$ 607,000	\$ 3,373,161

See accompanying notes

**SAN DIEGO HUMAN DIGNITY FOUNDATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$	389,225
<u>Adjustments to Reconcile Change in Net Assets to</u> <u>Net Cash Provided/(Used) Operating Activities:</u>		
Net gain on investments		(242,967)
Depreciation		982
<u>(Increase)/Decrease in Current Assets:</u>		
Prepaid expenses		(773)
Investment Accounts and Endowments (net of realized and unrealized gains)		(97,872)
Pledges receivable net of bad debt expense		225
<u>Increase/(Decrease) in Current Liabilities:</u>		
Accounts payable		(4,632)
Accrued payroll liabilities		(9,353)
Net Cash Provided/(Used) by Operating Activities		34,835

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales of investments		476,839
Purchases of investments		(422,438)
Net Cash Provided/(Used) by Investing Activities		54,401
Net Increase/(Decrease) in Cash and Cash Equivalents		89,236

Cash and Cash Equivalents at:

Beginning of Year		209,587
End of Year	\$	298,823

See accompanying notes

**SAN DIEGO HUMAN DIGNITY FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**

	Program Services	SUPPORTING SERVICES		Combined Total
		Management & General	Fund Raising	
<b>FUNCTIONAL EXPENSES:</b>				
Salaries and wages	\$ 56,925	\$ 17,401	7,430	\$ 81,756
Payroll taxes	5,868	(478)	687	6,077
Payroll benefits	1,363	266	201	1,830
Bank service fees	26	1,307	-	1,333
Depreciation	-	982	-	982
Dues & Subscriptions	275	1,695	-	1,970
Investment fees	117,126	-	-	117,126
Board Development	-	68	-	68
Grants made (Note 8)	577,149	-	-	577,149
Insurance	2,722	788	389	3,899
In-kind services	-	2,650	-	2,650
Computer Maintenance	444	41	52	537
Occupancy	9,358	920	1,182	11,460
Office expense	25	1,792	329	2,146
Outside Services	-	6,719	-	6,719
Postage & delivery	13	826	548	1,387
Printing	250	446	-	696
Professional fees	13,901	9,505	1,928	25,334
Telephone	2,122	234	300	2,656
Travel, Meetings & Education	2,900	4,460	1,907	9,267
<b>Total Expenses</b>	<b>\$ 790,467</b>	<b>\$ 49,622</b>	<b>\$ 14,953</b>	<b>\$ 855,042</b>

See accompanying notes



**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 1 - 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.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting** – The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles in the United States (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 ASC 958, *Not-for-Profit Entities*. Under ASC 958, 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 ASC 958, *Not-for-Profit Entities*.

**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.

**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.

**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 computed using the straight-line method based on the estimated useful lives of the assets, generally five years. Depreciation expense for the year ended December 31, 2012 is \$982.

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 3 - 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 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 4 - Concentration of Credit Risk**

The Foundation maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012, the foundation has no uninsured balances.

**Note 5 - Special Events**

The Foundation hosts special events to raise funds. As of December 31, 2012, revenue from special events is as follows:

	<u>Revenue</u>	<u>Expense</u>	<u>Net Income</u>
Senior Event	\$ 9,875	\$ 3,685	\$ 6,190
Gala/Reunion	<u>26,045</u>	<u>7,663</u>	<u>18,382</u>
Total	<u>\$ 35,920</u>	<u>\$ 11,348</u>	<u>\$ 24,572</u>

**Note 6 - In-kind Donations and Donated Services**

As of December 31, 2012, \$2,650 was recorded for various donated services that met the criteria for recognition under FASB ASC 958, *Not-for-Profit Entities*. Services include magazine advertising and discounted accounting fees. There were no In-Kind Donations received in 2012.

**Note 7 - Prepaid Expenses**

Prepaid expenses as of December 31, 2012 are as follows:

Insurance	\$ <u>530</u>
-----------	---------------

**Note 8 – Subsequent Events**

Subsequent events are events or transactions occurring subsequent to the balance sheet date but prior to the issuance of financial statements that have a material effect on the financial statements that would require adjustment to or disclosure in the financial statements. Management has evaluated subsequent events through August 28, 2013, the date on which the financial statements were available to be issued.

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 9 - 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, 2012, the Foundation awarded the following grants:

Blachford, Norman	2,000
Christie's Place	40,000
Diversionary Theater	600
Family Health Centers of San Diego	55,502
Fraternity House	40,000
Father Joe's Villages/Josue Homes	5,000
Gay & Lesbian Leadership Institute	2,400
Mama's Kitchen	45,000
Mingei International Museum	3,247
Mira Costa College Foundation	500
North County Health Service	34,831
PFLAG San Diego	7,000
San Diego Volunteer Lawyer Program	37,500
San Diego Youth Services	26,600
San Ysidro Health Center	40,000
San Diego Gay Men's Chorus	3,700
San Diego Hospice Foundation	18,813
San Diego LGBT Pride	5,000
Stepping Stone of San Diego	9,456
The Center	25,000
HFC Pool	100,000
SDHDF-Aging with Dignity	200
SDHDF-Richard Sagar	1,800
SDHDF-Admin Fees PAN & Legacy	2,500
The Imperial Court of San Diego	500
UCSD	20,000
Vista Community Clinic	<u>40,000</u>
 Total	 \$ <u><u>577,149</u></u>

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 10 - 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, 2012, the Foundation contributed \$1,830.

**Note 11 - Fair Value Measurement**

Effective January 1, 2008, the Foundation adopted ASC 820 -10 *Fair Value Measurements and Disclosures*, for measuring and reporting financial assets and liabilities at fair value. ASC 820 -10 defines fair value as the price that would be received to sell 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.

ASC 820 -10 establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements.

**Level 1** – Quoted prices in active markets for identical assets or liabilities as of the reporting date.

**Level 2** – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves).

**Level 3** – Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

Financial assets and liabilities, by level, for items measured at fair value on a recurring basis as of December 31, 2012, are as follows:

**Note 12 - Investments**

Investments, charitable donor-advised funds and endowment funds are combined in two separate investment accounts. Earnings are allocated accordingly among the various funds. The San Diego Foundation (SDF) Endowment Fund is a separate investment established to encourage contributions for the SDHDF's exempt purpose and held by The San Diego Foundation. Investments are carried at fair market value; realized and unrealized gains and losses are reflected in the statement of activities.

	Level 1	Level 2	Level 3	Total
<u>Investments:</u>				
SD Foundation Endowment Fund \$	61,271	\$ -	\$ -	\$ 61,271
Fixed income-Bonds	1,168,304	-	-	1,168,304
Equities	1,842,170	-	-	1,842,170
	\$ 3,071,745	\$ -	\$ -	\$ 3,071,745

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 12 – Investments (cont)**

The Investment accounts as of December 31, 2012 consist of the following:

SD Foundation Endowment Fund	\$ 61,271
Fixed income-Bonds	1,168,304
Equities	<u>1,842,170</u>
Total investments	\$ <u>3,071,745</u>

Investment return is summarized as follows:

Interest & dividend income	\$ 96,059
Net realized & unrealized gains & (losses)	<u>250,364</u>
Total investment return	\$ <u>346,423</u>

Additional interest income of \$340 was earned on savings accounts considered as cash and cash equivalents.

**Note 13 - Endowments**

The Foundation has approximately ten (10) individual endowment funds established for a variety of purposes maintained in two separate investment accounts. The primary purpose of the majority of the funds is to support qualified lesbian, gay, bisexual and transgender organizations in San Diego County and throughout the United States and to support qualified arts, sciences, health, and educational organizations as well.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment Funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the organization.
- (7) The investment policies of the organization.

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 13 - Endowments (cont.)**

**Endowment Net Asset Composition by Type of Fund**  
**as of December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (818)	\$ 16,710	\$ 221,434	\$ 237,326
SD Human Dignity Fdn. general endowment		168,850	385,566	554,416
Total Funds	<u>\$ (818)</u>	<u>\$ 185,560</u>	<u>\$ 607,000</u>	<u>\$ 791,742</u>

**Change in Endowment Net Assets**  
**for the Year Ended December 31, 2012**

**Description of Amounts Classified as Permanently Restricted Net Assets and**  
**Temporarily Restricted Net Assets (Endowment Only)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ (8,905)	\$ 4,347	\$ 630,564	\$ 626,006
<u>Investment return:</u>				
Investment income	4,131	20,626	-	24,757
Brokerage fees	(1,627)	(13,424)	-	(15,051)
Net gain/(loss) (realized and unrealized)	<u>3,412</u>	<u>52,838</u>	<u>-</u>	<u>56,250</u>
Total investment return	5,916	60,040	-	65,956
Contributions	-	126,320	1,700	128,020
Appropriation of endowment assets for expenditure	2,380	(2,000)	(16,000)	(15,620)
Reclassify/Adjustment	<u>(209)</u>	<u>(3,147)</u>	<u>(9,264)</u>	<u>(12,620)</u>
Endowment net assets, end of year	<u>\$ (818)</u>	<u>\$ 185,560</u>	<u>\$ 607,000</u>	<u>\$ 791,742</u>

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 13 - Endowments (cont.)**

Permanently Restricted Net Assets

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ <u>607,000</u>
--	-------------------

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time Restriction under SPMIFA	\$ <u>185,500</u>
---	-------------------

**Endowment Investment Policies**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration.

In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$818 as of December 31, 2012. These deficiencies are a result from prior year unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Foundation's primary investment objective is to earn a reasonable rate of return while preserving capital over a market cycle. The success of the program at achieving this objective shall be to calculate performance results in terms of the total rate of return, and compare the results to appropriate market benchmarks.

The Foundation's assets will be adequately diversified by asset class in order to manage risk and volatility of overall results from year-to-year, relative to market performance. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on total investment performance.

The Board recognizes that attainment of these objectives is, for any given period of time, largely dictated by the returns available from the capital markets in which the Foundation assets are invested. It is also recognized that the appropriate measurement period for evaluation must be of sufficient length to cover complete economic and capital market cycles.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 10% annually based on total return (income and capital appreciation) appraisal of investment performance. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's finance committee shall supervise the management of the assets maintained and shall, as appropriate, obtain investment advice from independent sources, including other Foundations, Registered Investment Advisors, Securities Dealers, and other Financial Institutions.

**San Diego Human Dignity Foundation**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 13 - Endowments (cont.)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of appropriating for distribution an amount equivalent to the income from investments. Appropriations from the Endowment shall be made in accordance with the Foundations procedures for requesting disbursements.

This process includes preparing a formal request of funds including a description of the proposed use of the funds, the proposed budget, the amount requested, and a statement as to how the intended request meets the objectives of the endowment fund as well as other detail information regarding the request for distribution.

**Note 14 - Net Assets**

Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor stipulations on their use. Temporarily restricted net assets are the portion of net assets resulting from contributions or other inflows whose use is limited by donor imposed stipulations that can be removed by the passage of time or action of the Foundation pursuant to those stipulations. If a restriction is fulfilled in the same reporting period in which the contribution is received, the Foundation reports the contribution as unrestricted. Permanently restricted net assets are the portion of net assets whose use is limited by donor imposed stipulations that cannot be removed by the passage of time or action of the Foundation.

As of December 31, 2012, net assets are classified as follows:

<u>Description of Purpose</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SD Fdtn.Endowment Fund	\$ -	\$ 61,271	\$ -	\$ 61,271
Endowment Funds	(818)	185,560	607,000	791,742
Donor Advised Funds	-	2,217,979	-	2,217,979
Alliance Grant	-	-	-	-
HFC Pool Grant	-	153,729	-	153,729
Operating - unrestricted	<u>148,440</u>	<u>-</u>	<u>-</u>	<u>148,440</u>
Total Net Assets	<u>\$ 147,622</u>	<u>\$ 2,618,539</u>	<u>\$ 607,000</u>	<u>\$ 3,373,161</u>

The Foundation has received funds to establish permanently restricted endowment funds. Earnings allocated by the Foundation to the endowment funds are available for distribution for various purposes under the endowment agreements. The Foundation also maintains donor-advised charitable funds. Donors are given the opportunity to make recommendations for grants to charities to be paid from the fund, but the Foundation keeps control over these funds and makes grants at its sole discretion. Principal and earnings allocated by the Foundation to the donor-advised funds are available for distribution for various purposes under the donor advised agreements and become unrestricted at date of distribution.