



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

San Diego Human Dignity Foundation Consolidated Financial Statements Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12



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INDEPENDENT AUDITOR'S REPORT

San Diego Human Dignity Foundation

Members of the Board of Directors:

We have audited the accompanying consolidated financial statements of San Diego Human Dignity Foundation (a nonprofit corporation) and subsidiary entity, 4545 Park Blvd., LLC, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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.

Basis for Qualified Opinion

Due to multiple accounting difficulties involving change of fiscal management, major disbursement of restricted funds, and sale of subsidiary, we were unable to obtain sufficient appropriate audit evidence about the amounts recognized for funds revenues and disbursements, and the sale and dissolution of subsidiary. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Diego Human Dignity Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited San Diego Human Dignity Foundation's December 31, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 21, 2018



Sonnenberg & Company, CPAs

SAN DIEGO HUMAN DIGNITY FOUNDATION
Consolidated Statement of Financial Position
December 31, 2017
(With comparative totals for December 31, 2016)

	2017	2016
ASSETS:		
Cash	\$ 369,942	\$ 448,122
Accounts Receivable	1,373	-
Prepaid Expenses and Deposits	2,099	35,549
Investments	1,090,716	4,583,890
Endowment - San Diego Foundation	67,195	61,500
Furniture & Equipment, net of depreciation	2,831	4,231
	1,534,156	5,133,292
4545 Park Blvd Assets	4,989	1,212,303
Total Assets	\$ 1,539,145	\$ 6,345,595
 LIABILITIES:		
Accounts Payable	\$ 168,338	\$ 6,828
Accrued Payroll Liabilities	-	21,460
Bank Line of Credit	149,734	314,291
Fiscal Agent Funds Liability	23,844	15,253
	341,916	357,832
4545 Park Blvd Liabilities	-	1,187,987
Total Liabilities	341,916	1,545,819
 NET ASSETS:		
Unrestricted-4545 Park Blvd	\$ -	\$ 24,316
Unrestricted	316,488	230,984
Temporarily Restricted	785,280	1,307,542
Permanently Restricted	95,461	3,236,934
Total Net Assets	1,197,229	4,799,776
Total Liabilities & Net Assets	\$ 1,539,145	\$ 6,345,595

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Consolidated Statement of Activities
For the Year Ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
SUPPORT & REVENUE:					
Grants & Contributions	\$ 46,891	\$ 20,338	\$ 1,200	\$ 68,429	\$ 146,714
Special Events - net	(85,482)			(85,482)	122,635
Fund advisory fees	36,552			36,552	158,997
Fund Contributions	32,613			32,613	24,050
Grant Pass through	30,440			30,440	44,611
Donations In-kind	-			-	2,000
Investment income	61,432	146,543	37,178	245,153	281,649
Rent income 4545 Park Blvd	60,579			60,579	72,693
Net Assets Released from Restrictions:				-	
Satisfaction of Program Restrictions	977,460	(689,143)	(288,317)	-	-
Total Support & Revenue	1,160,485	(522,262)	(249,939)	388,284	853,349
EXPENSES:					
Program Services	752,431			752,431	1,291,076
Supporting Services:					
Management & General	72,562			72,562	151,609
Fund Raising	19,259			19,259	240,349
Rental Expenses	105,198			105,198	82,997
Total Expenses	949,449	-	-	949,449	1,766,031
Change in Net Assets-Operations	211,036	(522,262)	(249,939)	(561,165)	(912,682)
Less Disbursement of La Pietra			(2,891,534)	(2,891,534)	
Loss on Dissolution of 4545 Park Blvd	(10,620)			(10,620)	
Loss on Sale of 4545 Park Blvd	(139,228)			(139,228)	
Net Change in Net Assets	61,188	(522,262)	(3,141,473)	(3,602,547)	(912,682)
Net Assets, Beginning of Year	255,300	1,307,542	3,236,934	4,799,776	5,712,458
Net Assets, End of Year	\$ 316,488	\$ 785,280	\$ 95,461	\$ 1,197,229	\$ 4,799,776

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	Program Services	Supporting Services			2017 Totals	2016 Totals
		Management & General	Fund Raising	4545 Park Blvd		
Payroll & Related						
Salaries & Wages	75,695	\$ 15,139	\$ 10,093	\$	100,927	270,528
Payroll Taxes	7,381	1,476	984		9,841	26,558
Payroll Processing	765	153	102		1,020	
Employee Benefits	5,373	1,075	716		7,164	29,572
Total Payroll & Related	89,214	17,843	11,895	-	118,952	326,658
Other Expenses						
Accounting	9,304	1,861	1,241		12,405	32,627
Audit	7,350	1,470	980		9,800	9,000
Bad Debts		1,806			1,806	
Bank fees and interest	2,754	551	367		3,672	6,682
Capital Campaign Exp	-				-	141,590
Depreciation		1,400		12,987	14,387	14,611
Dues & subscriptions		2,050			2,050	4,855
Investment fees		26,285			26,285	143,521
Grants made	611,618				611,618	735,447
Insurance	13,737	2,747	1,832	5,115	23,431	62,912
Interest		3,848		23,740	27,588	26,962
Legal		11,205		36,451	47,656	24,810
Marketing			484		484	63,698
Computer & website	4,501	900	600		6,001	12,810
Office supplies	258	52	34		344	5,467
Postage	488	98	65		650	2,843
Power Office	1,350	270	180		1,800	
Printing	251	50	34		335	28,834
Professional fees		225		3,421	3,646	9,328
Property Management				9,000	9,000	10,800
Reconciliation		(3,340)			(3,340)	
Rent	8,327	1,665	1,110		11,103	23,715
Repairs & maintenance				4,219	4,219	14,129
Travel & education		920			920	47,996
Taxes-property & filing				2,495	2,495	1,227
Telephone/Internet	3,279	656	437		4,372	5,992
Utilities				7,770	7,770	9,517
Total Other Expenses	663,217	54,719	7,364	105,198	830,497	1,439,373
Total Expenses	\$ 752,431	\$ 72,562	\$ 19,259	\$ 105,198	\$ 949,449	1,766,031

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM:		
Operating Activities:		
Total Change in Net Assets	\$ (3,602,547)	\$ (912,682)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized gains on investments		
Depreciation - SDHDF	1,400	1,483
Depreciation - 4545 Park Blvd	12,987	13,128
(Increase) / Decrease in:		
Accounts Receivable	(1,373)	87,700
Prepaid Expenses and Deposits	33,450	(31,631)
Advances to 4545 Park Blvd, LLC, net	-	7,740
Increase / (Decrease) in:		
Accounts Payable	161,510	1,522
Accrued Payroll Liabilities	(21,460)	(13,316)
Grants Payable	-	(29,796)
Fiscal Agent Funds Liability	8,591	3,695
Net Cash Provided (Used) by Operating Activities	(3,407,442)	(872,157)
Investing Activities:		
Increase in SD Foundation Endowment	(5,695)	-
Proceeds from SD Foundation Endowment	-	5,976
Proceeds from Sales of Investments	3,493,174	673,884
Proceeds from Sales of 4545 Park Blvd LLC	1,194,327	
Purchase of Investments	-	-
Net Cash Provided (Used) by Investing Activities	4,681,806	679,860
Financing Activities:		
Repayment of Line of Credit - 4545 Park Blvd	(1,187,987)	(9,397)
Net Borrowing from Line of Credit	(164,557)	314,291
Net Cash Provided (Used) by Financing Activities	(1,352,544)	304,894
Net Change in Cash	(78,180)	112,597
Cash at Beginning of Year	448,122	335,525
Cash at End of Year	\$ 369,942	\$ 448,122
Other Disclosures:		
Cash Paid for Interest	\$ 27,588	\$ 892

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 1. Organization and Purpose:

San Diego Human Dignity Foundation (SDHDF) was incorporated as a California non-profit corporation on August 22, 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. The Foundation also owned 100% of 4545 Park Blvd, LLC, which was sold in November 2017. See Note 10 to the financial statements.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). All revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

According to U.S. GAAP, net assets, revenue, gains, expenses, and losses must be classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (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 operations as released from restrictions. Temporarily restricted contributions associated with special events may be recorded as unrestricted activities if expended during the current period.

The accompanying consolidated financial statements include the assets and liabilities of 4545 Park Blvd., LLC. The remaining balance at December 31, 2017 after the sale consists of cash in bank of \$4,989.

Cash and Cash Equivalents

Cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less.

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair market value at the date of donation. SDHDF capitalizes expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the useful lives of the assets. Depreciation expense for the year ended December 31, 2017 was \$14,387.

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 2. Summary of Significant Accounting Policies (continued):

Donated Goods and Services

Donated goods, if any, are recorded in the financial statements at the estimated fair value in the period received. Contributions of donated services that create or enhance a non-financial asset, or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. During the year ended December 31, 2017, no donated services meeting the requirements of recognition were recorded.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected that measure in accordance with SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

Functional Expenses

A functional classification of expenses has been used to analyze the cost of providing various services or other activities, including Program Services and Supporting Services. Certain costs are allocated within the various categories. Program Services include all expenses incurred by SDHDF for activities directly related to the purposes for which the organization exists. Supporting Services include all expenses incurred by SDHDF for activities not directly related to the organization's purpose; these are grouped into "Management and General" and "Fundraising" costs.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 3. Income Taxes

SDHDF is exempt from Federal and State income taxes under the Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. SDHDF has reviewed its position for all open tax years and believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. 4545 Park Blvd., LLC is considered to be a disregarded entity for tax reporting purposes, whereby all assets, liabilities, and operating income and expense are included in SDHDF's federal and state exempt returns. All federal and state tax returns are subject to examination, generally for three years after they were filed.

Note 4. Concentration of Credit Risk:

Financial instruments that potentially subject SDHDF to concentrations of credit risk consist principally of cash and promises to give receivable. The Organization places its cash with major financial institutions and limits the amount of credit exposure to any one financial institution.

Note 5. Prepaid Expenses:

Prepaid Expenses as of December 31, 2017 are as follows:

Prepaid Insurance	\$	993
Security Deposit		1,106
Total	\$	<u>2,099</u>

Note 6. Fixed Assets:

Fixed Assets as of December 31, 2017 are as follows:

	Cost	Accum Depr	Book Value
Office Furn & Computers	\$ 8,522	\$ 5,691	\$ 2,831
Total Fixed Assets	<u>\$ 8,522</u>	<u>\$ 5,691</u>	<u>\$ 2,831</u>

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 7. Fair Value Measurements:

Accounting Standard Codification (ASC) 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).
- Level 3: Significant unobservable inputs and assumptions.

Note 8. Investments:

Investments, charitable donor-advised funds, and endowment funds are combined in two separate investments accounts. Earnings are allocated accordingly among the various funds. The primary investments are held at U.S. Trust Bank of America Private Wealth Management. The San Diego Foundation (SDF) Endowment Fund is a separate investment established to encourage contributions for Investments are carried at fair market value; realized and unrealized gains and losses are reflected in the statement of activities:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash/Currency	\$ 27,058	\$	\$	\$ 27,058
Equities	730,489			730,489
Fixed income-Bonds	269,407			269,407
Hedge Funds	63,762			63,762
Sub-total U.S. Trust	<u>1,090,716</u>			<u>1,090,716</u>
SD Foundation Endowment	67,195			67,195
	<u>\$ 1,157,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,911</u>

Note 9. Line of Credit Payable – Bank of America:

SDHDF obtained a line of credit from U.S. Trust - Bank of America in the amount of \$150,000. The current balance is \$149,734. Interest on the line is payable at 2.526%.

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 10. Property Acquisition and Sale - Line of Credit Payable – Bank of America:

SDHDF formed 4545 Park Blvd., LLC in December 2014 for the purpose of acquiring the land and building at that location in San Diego, CA for an initial investment of \$1,203,269. SDHDF obtained a line of credit with Bank of America in the amount of \$1,500,000. The interest rate was approximately 3 percent annual, with monthly payments of interest only. Payments were being made at the rate of \$3,000 per month including interest. Interest paid during 2017 was \$23,740. The property was leased to two tenants who were paying a total of \$9,057 per month. The property was sold in November 2017 and the loan balance of \$1,184,761 was paid off in the sale escrow. Legal, interest, and other expenses were also incurred on the sale.

Note 11. Lease Commitments:

SDHDF rents its office facilities located at the San Diego Foundation. The initial lease which expired April 30, 2017 required a monthly rent of \$1,173. Under a new 3-year lease agreement which began effective May 1, 2017, the first year monthly rent of \$697, second year is \$718, and in the third year increased to \$739. In addition, real estate tax is passed through, and SDHDF also pays another vendor for monthly storage rent. Total rent expense for the year ended December 31, 2017 was \$11,104. Future minimum lease payments as of December 31, 2017, are as follows:

Years Ending December 31:		
	2018	\$ 8,532
	2019	8,784
	2020	2,876
Total minimum lease payments		\$ 17,316

Note 12. Special Events:

The Foundation hosts special events to raise funds and promote community awareness. For the year ended December 31, 2017, net gain (loss) from special events was as follows:

Revenue \$36,620 Less Expenses \$122,147 = Net Loss (\$85,482).

Note 13. Employee Pension:

SDHDF offers a SIMPLE-IRA for the staff's retirement. Employees are eligible to participate in the plan upon hire. The Plan allows a 10% 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, 2017, the Foundation contributed \$6,202 based on a 5% matching contribution.

SAN DIEGO HUMAN DIGNITY FOUNDATION
Notes to Financial Statements
December 31, 2017

Note 14. Major Distribution of Restricted Funds and Subsequent Event Disclosure:

The La Pietra Foundation contributed the sum of \$2,900,000 in August 2015 to be managed by SDHDF as an endowed fund restricted for specific purposes. Upon demand of La Pietra in 2017, the unexpended balance of \$2,724,033 was returned in February 2017. Subsequently, according to a Settlement Agreement in December 2017, an additional amount of \$167,500 was accrued in 2017 and payment made in February 2018.

Note 15. Contingencies:

SDHDF is supported primarily by grants and contributions. There is no assurance that such grants will be renewed annually.

Note 16. Date of Management's Review:

SDHDF's management has evaluated subsequent events through May 21, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.