

AUDITED FINANCIAL STATEMENTS
HISPANICS IN PHILANTHROPY

December 31, 2009

TCA Partners, LLP
Certified Public Accountants

Hispancis in Philanthropy

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TCA Partners, LLP

Certified Public Accountants

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Report of Independent Auditors

Board of Directors
Hispanics in Philanthropy
San Francisco, California

We have audited the accompanying statement of financial position of Hispanics in Philanthropy (the "Organization") as of December 31, 2009 and the related statement of revenues, expenses, and change in net assets, and cash flow for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hispanics in Philanthropy, as of December 31, 2009, and the results of its operations, changes in equity, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

TCA Partners, LLP

June 15, 2010

HISPANICS IN PHILANTHROPY

Statement of Financial Position

December 31, 2009

Assets

Cash and cash equivalents	\$ 3,679,952
Investments	5,068,915
Contributions receivable	2,398,588
Other receivables	6,847
Furniture and equipment, net	20,942
Other assets	10,495
Total assets	<u>\$ 11,185,739</u>

Liabilities and net assets

Accounts payable	\$ 35,073
Accrued expenses	76,328
Grants payable	1,516,932
Deferred revenue	1,412,039
Total liabilities	<u>3,040,372</u>

Net assets:

Unrestricted	2,076,134
Temporarily restricted	6,069,233
Total net assets	<u>8,145,367</u>
Total liabilities and net assets	<u>\$ 11,185,739</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statement of Activities

December 31, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue			
Contributions	\$ 1,354,682	\$ 2,153,003	\$ 3,507,685
In-kind donations	67,100		67,100
Investment income	265,974		265,974
Net assets released from restriction	1,832,510	(1,832,510)	-
Total revenue	<u>3,520,266</u>	<u>320,493</u>	<u>3,840,759</u>
Expenses			
Program services:			
Grants awarded	1,473,654		1,473,654
Other program expenses	1,391,247		1,391,247
Supporting services:			
General and administrative	668,606		668,606
Fundraising and development	197,785		197,785
Total expenses	<u>3,731,292</u>	<u>-</u>	<u>3,731,292</u>
Changes in net assets	(211,026)	320,493	109,467
Net assets at beginning of year	2,984,651	7,357,106	10,341,757
Prior period adjustment	(697,491)	(1,608,366)	(2,305,857)
Net assets at end of year	<u>\$ 2,076,134</u>	<u>\$ 6,069,233</u>	<u>\$ 8,145,367</u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statement of Cash Flows

For the Year Ended December 31, 2009

Cash flows from operating activities:

Change in net assets	\$	109,467
Prior period adjustment		(2,305,857)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation		6,252
Change in operating assets and liabilities:		
Accrued interest		(6,899)
Accounts receivable		363,581
Contributions receivable		(24,788)
Other current assets		3,262
Accounts payable		(24,261)
Accrued expenses		(9,655)
Grants payable		(1,229,919)
Deferred revenue		1,388,929
Net cash used in operating activities		<u>(1,729,888)</u>

Cash flows from investing activities:

Net change in investments		<u>436,675</u>
Net cash provided by investing activities		<u>436,675</u>
Net decrease in cash and cash equivalents		(1,293,213)
Cash and cash equivalents, beginning of year		<u>4,973,165</u>
Cash and cash equivalents, end of year	\$	<u><u>3,679,952</u></u>

See accompanying notes to the financial statements

HISPANICS IN PHILANTHROPY

Statement of Functional Expenses

December 31, 2009

	Program Services	General Operation and Administrative	Fundraising and Development	Total
Personnel expenses:				
Salaries	\$ 730,715	\$ 197,291	\$ 162,875	\$ 1,090,881
Fringe benefits	81,671	89,784	19,113	190,567
Total personnel expenses	<u>812,386</u>	<u>287,075</u>	<u>181,988</u>	<u>1,281,448</u>
Operating expenses:				
Grants awarded	1,473,654			1,473,654
Evaluation	77,520			77,520
Consultants	288,993	80,017	1,117	370,127
Training	21,604	797		22,401
Conference and meetings	1,369	4,529	204	6,103
Travel	45,226	29,846	5,284	80,356
Information technology	212	42,631		42,843
Occupancy	36,157	67,224		103,381
Insurance		13,726		13,726
Equipment rental and maintenance		3,258		3,258
Supplies	6,338	4,418	186	10,942
Postage and shipping	1,193	4,255	1,109	6,557
Printing and publication	56	10,588		10,643
Communication and publications	19,708	10,780	1,497	31,985
Events	9,170	3,370	4,513	17,053
Fees	111	36,636		36,747
Depreciation		6,252		6,252
Bad debts		46,306		46,306
Interest expense		137		137
In-Kind donations	67,100			67,100
Other expenses	4,106	16,763	1,885	22,753
Total operating expenses	<u>2,052,515</u>	<u>381,532</u>	<u>15,797</u>	<u>2,449,844</u>
Total expenses	<u>\$ 2,864,901</u>	<u>\$ 668,606</u>	<u>\$ 197,785</u>	<u>\$ 3,731,292</u>

See accompanying notes to the financial statements

Hispanics in Philanthropy

Notes to Financial Statements

December 31, 2009

Note 1 – Summary of Significant Accounting Policies

Hispanics in Philanthropy (HIP) was founded in 1983 to promote stronger partnerships between organized philanthropy and Latino communities. HIP has developed into a trans-national network of grantmakers committed to strengthening Latino communities across the Americas. HIP's mission is to strengthen Latino communities by increasing resources for the Latino and Latin American civil sector; by increasing Latino participation and leadership throughout the field of philanthropy; and to foster policy change to enhance equity and inclusiveness.

Through its Funders' Collaborative, HIP channels philanthropic resources from multiple sources to organizations operating at the local level throughout the Americas.

Basis of Presentation – The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets pursuant to Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, HIP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets – Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair market value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between three and ten years. HIP capitalizes fixed assets in excess of \$500.

Investments – HIP carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and represent the change in the fair value of investments from one year to another.

Fair Value of Financial Instruments – Effective January 1, 2008, HIP adopted SFAS No. 157, *Fair Value Measurements*. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and nonfinancial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, HIP has adopted the provisions of SFAS 157 with respect to its financial assets and liabilities only. SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for 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. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable as:

Hispanics in Philanthropy

Notes to Financial Statements

December 31, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement did not have a material impact on HIP's results of operations and financial condition.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies and management estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of HIP.

Contributions – HIP reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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 activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, HIP reports the support as unrestricted. Donated assets are recorded at their estimated fair market values at the date of receipt.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include estimated useful lives and allowances for doubtful accounts.

Net Assets – HIP classifies its net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All contributions and grants are considered to be unrestricted unless specifically restricted by the donor. Temporarily restricted net assets become unrestricted when the funds are used for their restricted purpose, at which time they are reported in the statement of activities as net assets released from restriction. HIP currently has no permanently restricted net assets.

Contributed Services – Contributed services are recognized in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HIP.

Hispanics in Philanthropy

Notes to Financial Statements

December 31, 2009

Note 2 – Fixed Assets

Fixed assets at December 31, 2009 consisted of the following:

		<u>2009</u>
Furniture and equipment	\$	178,048
Accumulated depreciation		<u>(157,106)</u>
Fixed assets, net	\$	<u><u>20,942</u></u>

Depreciation expense was \$6,252 for the year ended December 31, 2009.

Note 3 – Investments

Investments are stated at fair market value and consisted of government and agency bonds, corporate bonds, and certificates of deposit at December 31, 2009 as follows:

		<u>Cost</u>		<u>Fair Value</u>
Government and agency bonds	\$	3,123,193	\$	2,801,790
Corporate bonds		<u>1,812,415</u>		<u>2,267,125</u>
Total	\$	<u><u>4,935,608</u></u>	\$	<u><u>5,068,915</u></u>

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2009:

		<u>2009</u>
Unrestricted:		
Interest and dividend income	\$	264,292
Net appreciation in investments		<u>1,682</u>
Total	\$	<u><u>265,974</u></u>

Note 4 – Fair Value of Financial Instruments

In accordance with SFAS 157, the following table represents HIP's fair value hierarchy for its financial assets measured at fair value on a recurring basis at December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government and corporate bonds	<u>\$5,068,915</u>	<u>-</u>	<u>-</u>	<u>\$5,068,915</u>
Total	<u><u>\$5,068,915</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$5,068,915</u></u>

Hispanics in Philanthropy

Notes to Financial Statements

December 31, 2009

Note 5 – Grants Payable

Grants payable represent unconditional promises to give primarily to the Funders' Collaborative program. Such grants are to be substantially disbursed over the next two years.

Note 6 – Donated Goods and Services

Donated goods and services that would otherwise have been purchased are shown as in-kind donations in the accompanying statements of activities. Such donated goods and services for the years ended December 31, 2009 consisted of the following:

	<u>2009</u>
Use of office space	\$ 67,100
Total	<u>\$ 67,100</u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 were restricted for the following purposes:

	<u>2009</u>
Special Projects	\$ 1,427,506
Funder's Collaborative	4,612,383
Transnational	29,344
Total	<u>\$ 6,069,233</u>

Note 8 – Net Assets Released From Restriction

Net assets were released from restriction during the years ended December 31, 2009 by incurring expenses that satisfied the restricted purpose as follows:

	<u>2009</u>
Special Projects	\$ 276,121
Funder's Collaborative	1,556,389
Total	<u>\$ 1,832,510</u>

Hispanics in Philanthropy

Notes to Financial Statements

December 31, 2009

Note 9 – Post Retirement Benefits

HIP has a 401(k) savings plan for all eligible employees with at least three months of service during the plan year and employed by HIP as of the last day of the plan year. At its discretion, HIP may make a contribution to be determined annually. There was no employer contribution during the year ended December 31, 2009.

Note 10 – Commitments and Contingencies

HIP leases office space in San Francisco under a lease agreement that expires on October 31, 2012. Rent expense was \$157,851 and includes the estimated value of donated office space in the amount of \$67,100 for the year ended December 31, 2009. Future obligations under this lease agreement as of December 31, 2009 are \$28,800 in 2010; \$28,800 in 2011 and \$24,000 in 2012.

In the ordinary course of conducting its business, HIP may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on HIP's financial position or results of future operations.

Note 11 – Income Taxes

HIP is a not-for-profit organization, exempt from federal income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as described by the Code. HIP has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the Institute's financial statements as a result of the adoption of FIN 48.

Note 12 – Prior Period Adjustment

During the financial statement audit for the year ended December 31, 2009, it was determined that certain revenue items were improperly recognized in prior years. As a result, \$2,305,857 has been recorded as a prior period adjustment to recognize these transactions in the proper accounting period. The adjustment decreased temporarily restricted net assets by \$1,608,366 and unrestricted net assets by \$697,491 at December 31, 2008.