

HUMAN LIFE INTERNATIONAL, INC.
AND HLI ENDOWMENT, INC.

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2017

Financial Statements

HUMAN LIFE INTERNATIONAL, INC.
AND HLI ENDOWMENT, INC.

Years Ended September 30, 2017 and 2016

HUMAN LIFE INTERNATIONAL, INC.
AND HLI ENDOWMENT, INC.
Front Royal, Virginia

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September 30, 2017

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RUTHERFORD & JOHNSON, P.C.

Certified Public Accountants & Business Advisors

116 Medical Circle
Winchester, Virginia 22601

Independent Auditor's Report

To the Board of Directors of
Human Life International, Inc.
and HLI Endowment, Inc.

We have audited the accompanying consolidated financial statements of Human Life International, Inc. (a nonprofit organization) and HLI Endowment, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Human Life International, Inc. and HLI Endowment, Inc. as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.


RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

May 24, 2018

HUMAN LIFE INTERNATIONAL, INC
AND HLI ENDOWMENT, INC.
Front Royal, Virginia

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

EXHIBIT "A"

A S S E T S

	September 30,	
	2017	2016
CURRENT ASSETS:		
Cash	\$ 90 732	\$ 62 818
Rent receivable	21 727	9 909
Bequests receivable	265 000	74 750
Inventory	58 682	53 675
Prepaid expenses	25 978	24 454
	<u>462 119</u>	<u>225 606</u>
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT:		
Property and equipment, at cost, net of accumulated depreciation of \$4,279,728 and \$4,102,512, respectively	<u>2 952 468</u>	<u>3 079 224</u>
OTHER ASSETS:		
Investments	932 246	1 157 088
Cash surrender value of life insurance	160 758	154 772
Other assets, net	14 130	33 130
	<u>1 107 134</u>	<u>1 344 990</u>
TOTAL OTHER ASSETS		
TOTAL ASSETS	<u>\$ 4 521 721</u>	<u>\$ 4 649 820</u>

(See accompanying Notes to

LIABILITIES AND NET ASSETS

	September 30,	
	2017	2016
CURRENT LIABILITIES:		
Accounts payable	\$ 129 102	\$ 51 551
Accrued expenses	46 756	47 350
Deferred rental income	2 039	9 696
Current portion of annuities payable	86 790	101 521
TOTAL CURRENT LIABILITIES	264 687	210 118
OTHER LIABILITIES:		
Annuities payable, net of current portion	556 131	659 693
NET ASSETS:		
Unrestricted	3 488 645	3 581 981
Temporarily restricted	212 258	198 028
TOTAL NET ASSETS	3 700 903	3 780 009
TOTAL LIABILITIES AND NET ASSETS	\$ 4 521 721	\$ 4 649 820

HUMAN LIFE INTERNATIONAL, INC
AND HLI ENDOWMENT, INC.
Front Royal, Virginia

CONSOLIDATED STATEMENTS OF ACTIVITIES

EXHIBIT "B"

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2 513 438	\$ 14 230	\$ 2 527 668	\$ 2 624 252	\$ 97 536	\$ 2 721 788
In-kind contributions	7 328	-	7 328	8 471	-	8 471
Rental income	172 115	-	172 115	142 459	-	142 459
Investment return	57 852	-	57 852	61 816	-	61 816
Change in Value of Split-Interest Agreements	18 894	-	18 894	(69 785)	-	(69 785)
Other income	9 768	-	9 768	4 716	-	4 716
Total before Merchandise Sales	2 779 395	14 230	2 793 625	2 771 929	97 536	2 869 465
Merchandise sales	29 045	-	29 045	37 344	-	37 344
Cost of goods sold	(22 723)	-	(22 723)	(31 123)	-	(31 123)
Merchandise Sales, Net	6 322	-	6 322	6 221	-	6 221
Net assets released from restrictions:						
Restrictions satisfied by payments	-	-	-	42 714	(42 714)	-
TOTAL REVENUES, GAINS AND SUPPORT	2 785 717	14 230	2 799 947	2 820 864	54 822	2 875 686
EXPENSES AND LOSSES:						
Net loss on sale of property and equipment	4 000	-	4 000	19 900	-	19 900
Program services:						
Mission general	1 225 537	-	1 225 537	1 313 666	-	1 313 666
Education	309 234	-	309 234	172 977	-	172 977
Communications	207 513	-	207 513	232 743	-	232 743
Supporting services:						
Management and general	634 924	-	634 924	612 710	-	612 710
Fundraising	497 845	-	497 845	354 420	-	354 420
TOTAL EXPENSES AND LOSSES	2 879 053	-	2 879 053	2 706 416	-	2 706 416
CHANGE IN NET ASSETS	(93 336)	14 230	(79 106)	114 448	54 822	169 270
NET ASSETS AT BEGINNING OF YEAR	3 581 981	198 028	3 780 009	3 467 533	143 206	3 610 739
NET ASSETS AT END OF YEAR	\$ 3 488 645	\$ 212 258	\$ 3 700 903	\$ 3 581 981	\$ 198 028	\$ 3 780 009

(See accompanying Consolidated Notes to Financial Statements.)

Year Ended September 30, 2017

	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	\$ 145 134	\$ 212 047	\$ 108 827	\$ 466 008	\$ 204 658	\$ 95 216	\$ 765 882
Employee benefits	24 203	57 465	29 492	111 160	62 594	25 803	199 557
Payroll taxes	7 351	17 453	8 958	33 762	16 845	7 837	58 444
Total Personnel Costs	176 688	286 965	147 277	610 930	284 097	128 856	1 023 883
Other operating expenses:							
Advertising	849	-	32 121	32 970	869	-	33 839
Bank and credit card fees	2 638	-	-	2 638	18 665	5 806	27 109
Contractors	61 313	20 650	5 579	87 542	64 041	38 834	190 417
Depreciation	121 939	-	-	121 939	56 101	925	178 965
Grants and donations	607 356	-	-	607 356	-	-	607 356
Insurance	5 295	-	-	5 295	35 989	-	41 284
Miscellaneous	5 023	62	352	5 437	6 305	34 528	46 270
Office expense	7 482	114	1 599	9 195	11 041	3 013	23 249
Printing and postage	5 195	43	297	5 535	19 073	241 830	266 438
Professional fees	211	-	-	211	31 017	-	31 228
Repairs and maintenance	32 289	-	-	32 289	21 350	296	53 935
Rent	13 493	-	-	13 493	-	-	13 493
Subscriptions	-	-	-	-	-	30 963	30 963
Supplies	349	-	-	349	198	3	550
Taxes and licenses	25 341	-	-	25 341	31 316	1 736	58 393
Telephone	21 779	-	1 204	22 983	13 046	215	36 244
Training	60	-	104	164	5 375	3 870	9 409
Travel, conferences and meetings	90 151	1 400	18 980	110 531	9 146	6 520	126 197
Utilities	48 086	-	-	48 086	27 295	450	75 831
Subtotal	1 048 849	22 269	60 236	1 131 354	350 827	368 989	1 851 170
Total Functional Expenses	\$ 1 225 537	\$ 309 234	\$ 207 513	\$ 1 742 284	\$ 634 924	\$ 497 845	\$ 2 875 053

(See accompanying Consolidated Notes to Financial Statements.)

Year Ended September 30, 2016

	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	\$ 301 486	\$ 103 809	\$ 139 974	\$ 545 269	\$ 181 083	\$ 75 734	\$ 802 086
Employee benefits	56 368	23 706	31 965	112 039	52 390	17 295	181 724
Payroll taxes	19 345	8 194	11 048	38 587	14 293	5 977	58 857
Total Personnel Costs	377 199	135 709	182 987	695 895	247 766	99 006	1 042 667
Other operating expenses:							
Advertising	1 312	-	12 940	14 252	1 271	-	15 523
Bad debts	-	-	-	-	1 176	-	1 176
Bank and credit card fees	1 488	-	-	1 488	11 650	10 715	23 853
Contractors	40 428	23 225	6 227	69 880	66 259	23 331	159 470
Depreciation	132 703	-	-	132 703	54 975	906	188 584
Grants and donations	583 452	-	-	583 452	-	-	583 452
Insurance	898	-	-	898	34 859	-	35 757
Miscellaneous	5 348	-	504	5 852	2 799	4 563	13 214
Office expense	10 527	142	1 992	12 661	4 792	2 294	19 747
Printing and postage	4 058	456	19 085	23 599	16 257	191 307	231 163
Professional fees	570	-	-	570	40 156	-	40 726
Repairs and maintenance	25 078	-	-	25 078	21 881	235	47 194
Rent	12 655	-	-	12 655	2 400	-	15 055
Subscriptions	-	-	-	-	-	11 955	11 955
Supplies	1 412	-	-	1 412	802	13	2 227
Taxes and licenses	23 954	-	-	23 954	30 718	2 489	57 161
Telephone	22 356	-	470	22 826	12 957	214	35 997
Training	-	-	-	-	3 147	-	3 147
Travel, conferences and meetings	31 693	13 445	8 538	53 676	36 971	7 031	97 678
Utilities	38 535	-	-	38 535	21 874	361	60 770
Subtotal	936 467	37 268	49 756	1 023 491	364 944	255 414	1 643 849
Total Functional Expenses	\$ 1 313 666	\$ 172 977	\$ 232 743	\$ 1 719 386	\$ 612 710	\$ 354 420	\$ 2 686 516

(See accompanying Consolidated Notes to Financial Statements.)

HUMAN LIFE INTERNATIONAL, INC.
AND HLI ENDOWMENT, INC.
Front Royal, Virginia

CONSOLIDATED STATEMENTS OF
CASH FLOWS

EXHIBIT "D"

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (79 106)	\$ 169 270
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	178 965	188 584
Realized/unrealized (gain) loss on sale of investments	(33 001)	40 739
Loss on disposal of assets	4 000	-
(Increase) decrease in assets:		
Rent receivable	(11 818)	(88)
Bequests receivable	(190 250)	(27 728)
Inventory	(5 007)	15 092
Prepaid expenses	(1 524)	11 932
Cash surrender value of life insurance	(5 986)	(9 202)
Other assets	-	19 989
Increase (decrease) in liabilities:		
Accounts payable	77 551	(16 098)
Accrued wages	(594)	(15 395)
Deferred revenue	(7 657)	370
NET CASH FROM OPERATING ACTIVITIES	<u>(74 427)</u>	<u>377 465</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(712 114)	(987 632)
Purchase of fixed assets	(52 209)	(38 777)
Proceeds from sale of other assets	15 000	-
Proceeds from sale of investments	969 957	631 811
NET CASH FROM INVESTING ACTIVITIES	<u>220 634</u>	<u>(394 598)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from annuities	-	14 376
Change in value of annuities	(18 894)	69 785
Payments on annuities	(99 399)	(100 643)
NET CASH FROM FINANCING ACTIVITIES	<u>(118 293)</u>	<u>(16 482)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27 914	(33 615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>62 818</u>	<u>96 433</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 90 732</u></u>	<u><u>\$ 62 818</u></u>

(See accompanying Consolidated Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Human Life International, Inc. (HLI) was organized in 1981 as a nonprofit corporation under the laws of the District of Columbia. The primary purpose of HLI is to receive, administer and expense funds for religious, charitable and educational purposes in connection with the rights of persons born and unborn.

HLI Endowment, Inc. (HLI Endowment) was formed in 1991 and is the legal instrument through which HLI holds its land, buildings and building improvements. The specific and exclusive purpose of HLI Endowment is to hold title to the real property, to collect income from that property and to remit such income, less expenses, to HLI.

Consolidated Financial Statements

The consolidated financial statements are those of the Organization and its wholly owned subsidiary, HLI Endowment, Inc., collectively, "the Organization."

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization does not have any permanently restricted net assets as of September 30, 2017 and 2016, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Tax Status

Human Life International, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Human Life International, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

HLI Endowment, Inc. is exempt from federal income tax under Section 501(c)(2) of the Internal Revenue Code, which exempts the Corporation organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to Human Life International, Inc.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. At September 30, 2017 and 2016, management believes that outstanding balances are fully collectible, and there is no valuation allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Inventory consists of publications, CDs and DVDs. The inventory includes literature that is donated by the Organization to others. The reserve for obsolete inventory as of the years ended September 30, 2017 and 2016 was \$28,204 and \$29,307, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the activities for the respective period.

Deferred Revenue

Deferred revenue represents rent payments received for the next fiscal year.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIS: (Continued)

Advertising

The Organization expenses all advertising costs as incurred. The Organization incurred \$33,839 and \$15,523 in advertising expense for the years ended September 30, 2017 and 2016, respectively.

2. CASH CONCENTRATIONS:

The Organization maintains its cash accounts at financial institutions in Virginia, which are insured by the FDIC up to \$250,000 per institution. As of the years ended September 30, 2017 and 2016, the cash balances did not exceed FDIC coverage.

3. INVESTMENTS:

The portfolio of investments is carried at fair market value using a level one measurement. For donated investments, cost is determined to be fair market value at the date of gift.

The primary investment financial objective of the Organization is to preserve the funds' capital (adjusted for inflation). The secondary investment financial objective is to optimize investment earnings.

Market values and net unrealized gains and losses pertaining to the investment portfolio are as follows:

	September 30, 2017		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 115 281	\$ 115 281	\$ -
Equities	319 881	338 697	18 816
U.S. Treasuries	20 977	20 272	(705)
Real estate investment trusts	75 545	81 279	5 734
Corporate bonds	215 026	212 096	(2 930)
Mortgage pools	43 935	27 173	(16 762)
Mutual funds	96 323	119 588	23 265
Exchange traded products	16 757	17 860	1 103
	\$ 903 725	\$ 932 246	\$ 28 521

3. INVESTMENTS: (Continued)

	September 30, 2016		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 255 745	\$ 255 745	\$ -
Equities	354 477	371 851	17 374
U.S. Treasuries	20 900	21 319	419
Real Estate Investment Trusts	86 113	92 743	6 630
Corporate Bonds	224 286	216 433	(7 853)
Mortgage Pools	56 974	40 984	(15 990)
Mutual Funds	129 957	140 213	10 256
Exchange Traded Products	16 757	17 800	1 043
	<u>\$ 1 145 209</u>	<u>\$ 1 157 088</u>	<u>\$ 11 879</u>

Investment return for the years ended September 30, 2017 and 2016 consists of the following:

	September 30,	
	2017	2016
Dividends	\$ 19 756	\$ 14 316
Interest	12 415	20 841
Investment fees	(14 869)	(14 000)
Foreign taxes	(65)	(80)
Realized gains (losses)	17 772	(5 810)
Unrealized gains (losses)	16 642	46 549
	<u>\$ 51 651</u>	<u>\$ 61 816</u>

4. RETIREMENT PLAN:

The Organization has a 401(k) profit-sharing plan covering all eligible employees. Employees may participate in employer discretionary contributions once they have reached age 21 and completed 12 months of service. Participants are 100% vested in employee contributions, and a vesting schedule applies to employer contributions. Retirement benefits are payable beginning at age 65. The plan provides for discretionary annual employer contributions. The Organization did not make any contributions for the years ended September 30, 2017 and 2016.

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	September 30,		Depreciable Lives
	2017	2016	
Buildings	\$ 5 147 915	\$ 5 147 915	39 years
Computer systems	207 863	200 403	3 years
Furniture and fixtures	953 926	953 926	5-15 years
Land	224 447	224 447	
Leasehold improvements	618 737	575 737	10-31.5 years
Vehicles	79 308	79 308	7 years
	7 232 196	7 181 736	
Less: accumulated depreciation	<u>(4 279 728)</u>	<u>(4 102 512)</u>	
Net Property and Equipment	<u>\$ 2 952 468</u>	<u>\$ 3 079 224</u>	

Depreciation expense was \$178,965 and \$188,584 for the years ended September 30, 2017 and 2016, respectively.

6. SPLIT-INTEREST AGREEMENTS:

The Organization established a charitable gift annuity program in which donors make irrevocable gifts and receive an annuity payment for their lifetime, their named beneficiary's lifetime, or jointly. The payments to the individuals are based on rates suggested by the American Council on Gift Annuities, and the lifetime annuity obligations are determined by State Street Global Advisors using the Annuity 2000 CM table with an assumed rate of interest ranging from 4.4% to 9.7%. The differences between the fair value of the assets transferred by the donor and the lifetime annuity obligation (that is, the gift portions) are recognized as contributions when received. The obligation to make payments to the annuitants is a general liability of the Organization. On an annual basis, the Organization re-measures the estimated fair market value of the annuities payable based on applicable mortality tables. Any adjustments to the fair market value are reported as a change in value of split-interest agreements.

6. SPLIT-INTEREST AGREEMENTS: (Continued)

Annuities payable as of the years ended September 30, 2017 and 2016 are summarized as follows:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 761 214	\$ 777 696
New charitable gift annuities received	-	14 376
Payments made to annuitants	(99 399)	(100 643)
Change in value of split-interest agreement	<u>(18 894)</u>	<u>69 785</u>
Total annuities payable	642 921	761 214
Less: Current portion	<u>86 790</u>	<u>101 521</u>
Annuities payable, net of current portion	<u>\$ 556 131</u>	<u>\$ 659 693</u>

7. LEASES:

The Organization leases office space to tenants under non-cancelable operating leases with terms of one to three years. The following is a schedule by years of future minimum rentals to be received under the leases at September 30, 2017:

<u>Year Ending September 30</u>	
2018	\$ 135 110
2019	<u>11 943</u>
	<u>\$ 147 053</u>

8. TEMPORARILY RESTRICTED NET ASSETS:

Restrictions placed by donors limit the expendability of the Organization's resources. The limitations placed by donors are as follows:

	September 30, 2017			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Africa	\$ 1 600	\$ -	\$ -	\$ 1 600
African billboard campaign	2 285	-	-	2 285
Africa radio campaign	1 320	-	-	1 320
Columbia	300	-	-	300
Dominican Republic	12	-	-	12
Ecuador	400	-	-	400
Fetal Model	19	-	-	19
Francophone Africa	44 681	7 558	-	52 239
International prayer congree	16	-	-	16
Irish 4D Ultrasound	160	-	-	160
Irish Media	116	-	-	116
Ireland	-	25	-	25
Kenya	-	300	-	300
Latin America - Firewall	756	-	-	756
Liberia	80	-	-	80
Ligaya's Car	-	500	-	500
Mongolia	32	-	-	32
Opus Bonum	-	600	-	600
Poland	1 000	500	-	1 500
Regional Coordinators Program	12 500	-	-	12 500
Seminarians	13 105	250	-	13 355
South America	36	-	-	36
Spiritual treasury	10	-	-	10
Switzerland	600	-	-	600
Tanzania	-	4 050	-	4 050
Togo	3 181	-	-	3 181
Translation Services	-	317	-	317
Uganda	500	130	-	630
United Kingdom	115 319	-	-	115 319
	<u>\$ 198 028</u>	<u>\$ 14 230</u>	<u>\$ -</u>	<u>\$ 212 258</u>

8. TEMPORARILY RESTRICTED NET ASSETS: (Continued)

	September 30, 2016			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Africa	\$ 1 600	\$ -	\$ -	\$ 1 600
African billboard campaign	2 285	-	-	2 285
Africa radio campaign	1 320	-	-	1 320
Columbia	300	-	-	300
Dominican Republic	12	-	-	12
Ecuador	400	-	-	400
Fetal Model	19	-	-	19
Francophone Africa	14 354	42 693	(12 366)	44 681
International prayer congree	16	-	-	16
Irish 4D Ultrasound	160	-	-	160
Irish Media	116	-	-	116
Liberia	80	-	-	80
Latin America - Firewall	-	756	-	756
Mongolia	32	-	-	32
Picture of St. Teresa	2 667	2 331	(4 998)	-
Poland	-	1 000	-	1 000
Regional Coordinators Program	-	12 500	-	12 500
Seminarians	945	12 160	-	13 105
South America	-	36	-	36
Spiritual treasury	-	10	-	10
Switzerland	400	200	-	600
Togo	3 181	-	-	3 181
Uganda	-	500	-	500
United Kingdom	115 319	-	-	115 319
	<u>\$ 143 206</u>	<u>\$ 72 186</u>	<u>\$ (17 364)</u>	<u>\$ 198 028</u>

9. FAIR VALUE MEASUREMENTS:

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and established three-tier hierarchy as a framework for measuring fair value, which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements.

9. FAIR VALUE MEASUREMENTS: (Continue)

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 – Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 – Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

Fair values of assets measured on a recurring basis as of the years ended September 30, 2017 and 2016 are as follows:

	September 30, 2017			
	Fair Value	Quoted in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 115 281	\$ 115 281	\$ -	\$ -
Equities	338 697	338 697	-	-
U.S. Treasuries	20 272	-	20 272	-
Real estate investment trusts	81 279	-	81 279	-
Corporate bonds	212 096	-	212 096	-
Mortgage pools	27 173	-	27 173	-
Mutual funds	119 588	119 588	-	-
Exchanged traded products	17 860	-	17 860	-
Total Investments	<u>\$ 932 246</u>	<u>\$ 573 566</u>	<u>\$ 358 680</u>	<u>\$ -</u>

9. FAIR VALUE MEASUREMENTS: (Continued)

	September 30, 2016			
	Fair Value	Quoted in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 255 745	\$ 255 745	\$ -	\$ -
Equities	371 851	371 851	-	-
U.S. Treasuries	21 319	-	21 319	-
Real Estate Investment Trusts	92 743	-	92 743	-
Corporate Bonds	216 433	-	216 433	-
Mortgage Pools	40 984	-	40 984	-
Mutual Funds	140 213	140 213	-	-
Exchanged traded products	17 800	-	17 800	-
Total Investments	<u>\$ 1 157 088</u>	<u>\$ 767 809</u>	<u>\$ 389 279</u>	<u>\$ -</u>

Promises to give and bequests receivable 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. All current receivables are expected to be received in one year or less.

10. RELATED PARTY:

The Organization rents office space to a member of the board of directors. Total rents charged during the years ended September 30, 2017 and 2016 were \$10,812 and \$10,214, respectively. Also, there was a related receivable balance of \$20,671 and \$9,859 as of the years ended September 30, 2017 and 2016, respectively.

11. CONTINGENCIES:

The Organization was a defendant in a complaint initiated in 2012. During the fiscal year ended September 20, 2016, the plaintiff failed to take the necessary action to advance the case, and as a result the case was terminated. The Organization does not believe it will incur any possible loss from this complaint in the future.

12. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date which the financial statements were available to be issued.

12. SUBSEQUENT EVENTS: (Continued)

The Organization has entered a non-cancelable operating lease agreement with Kieren Dickinson on January 1, 2018 to rent office space from HLI Endowment from January 2018 through December 2018 for the amount of \$1,704 payable in monthly installments of \$142.

The Organization has entered a non-cancelable operating lease agreement with LifeSite News on January 1, 2018 to rent office space from HLI Endowment from January 2018 through December 2018 for the amount of \$4,704 payable in monthly installments of \$392.

The Organization has entered a non-cancelable operating lease agreement with Premier Sports Fields on November 1, 2017 to rent office space from HLI Endowment from November 2017 through October 2018 for the amount of \$3,372 payable in monthly installments of \$281.

The Organization has entered into a financing agreement with Premium Assignment Corporation on October 1, 2017 to finance commercial property insurance from October 1, 2017 to September 30, 2018. Total policy premiums including taxes and fees are \$19,688. Total amount of financing related to the premiums is \$14,766 payable in monthly installments of \$548. The financing agreement has an 8.01% annual interest rate.

13. PRIOR YEAR COMPARATIVE TOTALS:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

	Year Ended September 30, 2017							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
SUPPORT AND REVENUE:								
Contributions	\$ 2 513 438	\$ 14 230	\$ 2 527 668	\$ -	\$ -	\$ -	\$ -	\$ 2 527 668
In-kind contributions	7 328	-	7 328	-	-	-	-	7 328
Rental income	4 643	-	4 643	167 472	-	167 472	-	172 115
Investment income	57 852	-	57 852	-	-	-	-	57 852
Change in Value of Split-Interest Agreements	18 894	-	18 894	-	-	-	-	18 894
Other income	9 768	-	9 768	-	-	-	-	9 768
Total before Merchandise Sales	2 611 923	14 230	2 626 153	167 472	-	167 472	-	2 793 625
Merchandise sales	29 045	-	29 045	-	-	-	-	29 045
Cost of goods sold	(22 723)	-	(22 723)	-	-	-	-	(22 723)
Merchandise Sales, Net	6 322	-	6 322	-	-	-	-	6 322
Net assets released from restrictions:								
Restrictions satisfied by payments	-	-	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	2 618 245	14 230	2 632 475	167 472	-	167 472	-	2 799 947
EXPENSES AND LOSSES:								
Net loss on property and equipment	-	-	-	4 000	-	4 000	-	4 000
Program services:								
Mission general	1 225 537	-	1 225 537	-	-	-	-	1 225 537
Education	309 234	-	309 234	-	-	-	-	309 234
Communications	207 513	-	207 513	-	-	-	-	207 513
Supporting services:								
Management and general	499 978	-	499 978	134 946	-	134 946	-	634 924
Fundraising	497 845	-	497 845	-	-	-	-	497 845
TOTAL EXPENSES AND LOSSES	2 740 107	-	2 740 107	138 946	-	138 946	-	2 879 053
CHANGE IN NET ASSETS	(121 862)	14 230	(107 632)	28 526	-	28 526	-	(79 106)
NET ASSETS AT BEGINNING OF YEAR	2 838 423	198 028	3 036 451	743 558	-	743 558	-	3 780 009
NET ASSETS AT END OF YEAR	\$ 2 716 561	\$ 212 258	\$ 2 928 819	\$ 772 084	\$ -	\$ 772 084	\$ -	\$ 3 700 903

(See Independent Auditor's report.)

	Year Ended September 30, 2016							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
SUPPORT AND REVENUE:								
Contributions	\$ 2 624 252	\$ 97 536	\$ 2 721 788	\$ -	\$ -	\$ -	\$ -	\$ 2 721 788
In-kind contributions	8 471	-	8 471	-	-	-	-	8 471
Rental income	5 567	-	5 567	136 892	-	136 892	-	142 459
Investment income	61 816	-	61 816	-	-	-	-	61 816
Change in Value of Split-Interest Agreements	(69 785)	-	(69 785)	-	-	-	-	(69 785)
Other income	4 716	-	4 716	-	-	-	-	4 716
Total before Merchandise Sales	2 635 037	97 536	2 732 573	136 892	-	136 892	-	2 869 465
Merchandise sales	37 344	-	37 344	-	-	-	-	37 344
Cost of goods sold	(31 123)	-	(31 123)	-	-	-	-	(31 123)
Merchandise Sales, Net	6 221	-	6 221	-	-	-	-	6 221
Net assets released from restrictions:								
Restrictions satisfied by payments	42 714	(42 714)	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	2 683 972	54 822	2 738 794	136 892	-	136 892	-	2 875 686
EXPENSES AND LOSSES:								
Net loss on property and equipment	19 900	-	19 900	-	-	-	-	19 900
Program services:								
Mission general	1 313 666	-	1 313 666	-	-	-	-	1 313 666
Education	172 977	-	172 977	-	-	-	-	172 977
Communications	232 743	-	232 743	-	-	-	-	232 743
Supporting services:								
Management and general	488 851	-	488 851	123 859	-	123 859	-	612 710
Fundraising	354 420	-	354 420	-	-	-	-	354 420
TOTAL EXPENSES AND LOSSES	2 582 557	-	2 582 557	123 859	-	123 859	-	2 706 416
CHANGE IN NET ASSETS	101 415	54 822	156 237	13 033	-	13 033	-	169 270
NET ASSETS AT BEGINNING OF YEAR	2 737 008	143 206	2 880 214	730 525	-	730 525	-	3 610 739
NET ASSETS AT END OF YEAR	\$ 2 838 423	\$ 198 028	\$ 3 036 451	\$ 743 558	\$ -	\$ 743 558	\$ -	\$ 3 780 009

(See Independent Auditor's report.)