

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

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2018

Financial Statements

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

Years Ended September 30, 2018 and 2017

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

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September 30, 2018

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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, 2018 and 2017, 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 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 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 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, 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.

## **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, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Rutherford + Johnson, A.C.".

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

April 19, 2019

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

CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION

EXHIBIT "A"

ASSETS

	September 30,	
	2018	2017
CURRENT ASSETS:		
Cash	\$ 82 526	\$ 90 732
Rent receivable	25 189	21 727
Bequests receivable	138 000	265 000
Inventory, net	54 120	58 682
Prepaid expenses	40 097	25 978
	<u>339 932</u>	<u>462 119</u>
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT:		
Property and equipment, at cost, net of accumulated depreciation of \$4,466,080 and \$4,279,728, respectively	<u>2 837 720</u>	<u>2 952 468</u>
OTHER ASSETS:		
Investments	670 716	932 246
Cash surrender value of life insurance	168 545	160 758
Other assets, net	<u>14 130</u>	<u>14 130</u>
	<u>853 391</u>	<u>1 107 134</u>
TOTAL OTHER ASSETS		
TOTAL ASSETS	<u>\$ 4 031 043</u>	<u>\$ 4 521 721</u>

(See accompanying Notes to

LIABILITIES AND NET ASSETS

	September 30,	
	2018	2017
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 95 150	\$ 129 102
Accrued expenses	46 887	46 756
Deferred rental income	2 371	2 039
Current portion of capital lease	10 742	-
Current portion of annuities payable	77 174	86 790
<b>TOTAL CURRENT LIABILITIES</b>	<b>232 324</b>	<b>264 687</b>
 <b>OTHER LIABILITIES:</b>		
Capital lease, net of current portion	12 315	-
Annuities payable, net of current portion	535 109	556 131
<b>TOTAL OTHER LIABILITIES</b>	<b>547 424</b>	<b>556 131</b>
 <b>NET ASSETS:</b>		
Unrestricted	3 120 325	3 488 645
Temporarily restricted	130 970	212 258
<b>TOTAL NET ASSETS</b>	<b>3 251 295</b>	<b>3 700 903</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4 031 043</b>	<b>\$ 4 521 721</b>

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS AND SUPPORT:</b>						
Contributions	\$ 2 307 873	\$ 33 566	\$ 2 341 439	\$ 2 387 779	\$ 14 230	\$ 2 402 009
In-kind contributions	137 078	-	137 078	132 987	-	132 987
Rental income	174 627	-	174 627	172 115	-	172 115
Net investment return	32 741	-	32 741	57 852	-	57 852
Change in Value of Split-Interest Agreements	-	-	-	18 894	-	18 894
Other income	3 439	-	3 439	9 768	-	9 768
<b>Total before Merchandise Sales</b>	<b>2 655 758</b>	<b>33 566</b>	<b>2 689 324</b>	<b>2 779 395</b>	<b>14 230</b>	<b>2 793 625</b>
Merchandise sales	29 657	-	29 657	29 045	-	29 045
Cost of goods sold	(21 059)	-	(21 059)	(22 723)	-	(22 723)
<b>Merchandise Sales, Net</b>	<b>8 598</b>	<b>-</b>	<b>8 598</b>	<b>6 322</b>	<b>-</b>	<b>6 322</b>
Net assets released from restrictions:						
Restrictions satisfied by payments	114 854	(114 854)	-	-	-	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<b>2 779 210</b>	<b>(81 288)</b>	<b>2 697 922</b>	<b>2 785 717</b>	<b>14 230</b>	<b>2 799 947</b>
<b>EXPENSES AND LOSSES:</b>						
Change in Value of Split-Interest Agreements	50 620	-	50 620	-	-	-
Net loss on sale of property and equipment	-	-	-	4 000	-	4 000
Program services:						
Mission general	1 287 926	-	1 287 926	1 225 537	-	1 225 537
Education	297 063	-	297 063	309 234	-	309 234
Communications	268 386	-	268 386	207 513	-	207 513
Supporting services:						
Management and general	658 721	-	658 721	634 924	-	634 924
Fundraising	584 814	-	584 814	497 845	-	497 845
<b>TOTAL EXPENSES AND LOSSES</b>	<b>3 147 530</b>	<b>-</b>	<b>3 147 530</b>	<b>2 879 053</b>	<b>-</b>	<b>2 879 053</b>
<b>CHANGE IN NET ASSETS</b>	<b>(368 320)</b>	<b>(81 288)</b>	<b>(449 608)</b>	<b>(93 336)</b>	<b>14 230</b>	<b>(79 106)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3 488 645</b>	<b>212 258</b>	<b>3 700 903</b>	<b>3 581 981</b>	<b>198 028</b>	<b>3 780 009</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3 120 325</b>	<b>\$ 130 970</b>	<b>\$ 3 251 295</b>	<b>\$ 3 488 645</b>	<b>\$ 212 258</b>	<b>\$ 3 700 903</b>

(See accompanying Consolidated Notes to Financial Statements.)



EXPENSES:	Year Ended September 30, 2018						
	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
Personnel costs:							
Salaries	\$ 150 710	\$ 219 416	\$ 112 812	\$ 482 938	\$ 213 756	\$ 162 146	\$ 858 840
Employee benefits	19 830	48 282	24 824	92 936	56 786	35 679	185 401
Payroll taxes	6 960	16 947	8 713	32 620	16 510	12 523	61 653
Total Personnel Costs	177 500	284 645	146 349	608 494	287 052	210 348	1 105 894
Other operating expenses:							
Advertising	1 043	-	11 696	12 739	59	9 348	22 146
Bank and credit card fees	2 816	-	-	2 816	23 571	-	26 387
Contractors	43 544	8 378	14 228	66 150	62 445	60 083	188 678
Depreciation	127 775	-	-	127 775	57 627	950	186 352
Grants and donations	615 501	-	-	615 501	-	-	615 501
Insurance	1 615	-	-	1 615	32 170	-	33 785
Interest expense	-	-	-	-	1 954	-	1 954
Miscellaneous	6 412	-	1 352	7 764	858	14 662	23 284
Office expense	7 902	270	1 512	9 684	7 274	10 727	27 685
Printing and postage	2 599	71	70 256	72 926	14 139	228 436	315 501
Professional fees	211	-	-	211	31 750	-	31 961
Repairs and maintenance	54 311	-	-	54 311	37 301	6 124	97 736
Rent	14 082	-	-	14 082	650	-	14 732
Subscriptions	-	-	-	-	5 617	27 816	33 433
Supplies	1 031	-	-	1 031	586	10	1 627
Taxes and licenses	26 166	-	-	26 166	31 470	1 818	59 454
Telephone	26 119	-	-	26 119	14 826	244	41 189
Training	-	-	199	199	7 589	-	7 788
Travel, conferences and meetings	126 951	3 699	22 794	153 444	12 069	13 758	179 271
Utilities	52 348	-	-	52 348	29 714	490	82 552
Subtotal	1 110 426	12 418	122 037	1 244 881	371 669	374 466	1 991 016
Total Functional Expenses	\$ 1 287 926	\$ 297 063	\$ 268 386	\$ 1 853 375	\$ 658 721	\$ 584 814	\$ 3 096 910

(See accompanying Consolidated Notes to Financial Statements.)

EXPENSES:	Year Ended September 30, 2017						
	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
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.)

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

CONSOLIDATED STATEMENTS OF  
CASH FLOWS

EXHIBIT "D"

	Years Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (449 608)	\$ (79 106)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	186 352	178 965
Realized/unrealized (gain) on sale of investments	(2 712)	(33 001)
Loss on disposal of assets	-	4 000
(Increase) decrease in assets:		
Rent receivable	(3 462)	(11 818)
Bequests receivable	127 000	(190 250)
Inventory	4 562	(5 007)
Prepaid expenses	(14 119)	(1 524)
Cash surrender value of life insurance	(7 787)	(5 986)
Increase (decrease) in liabilities:		
Accounts payable	(33 952)	77 551
Accrued expenses	131	( 594)
Deferred revenue	332	(7 657)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(193 263)</b>	<b>(74 427)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1 941 805)	(712 114)
Purchase of fixed assets	(39 200)	(52 209)
Proceeds from sale of other assets	-	15 000
Proceeds from sale of investments	2 206 047	969 957
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>225 042</b>	<b>220 634</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in liabilities from new annuities	5 885	-
Change in value of annuities	50 620	(18 894)
Payments on capital lease	(9 347)	-
Payments on annuities	(87 143)	(99 399)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(39 985)</b>	<b>(118 293)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(8 206)</b>	<b>27 914</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>90 732</b>	<b>62 818</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 82 526</b>	<b>\$ 90 732</b>

(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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017 was \$27,151 and \$28,204, 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 Property and Services**

Donated property is recorded as revenue and expenses at their estimated fair value at the date of donation.

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 \$22,146 and \$33,839 in advertising expense for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 247 999	\$ 247 999	\$ -
Equities	77 961	76 362	(1 599)
Real estate investment trusts	160	149	( 11)
Corporate bonds	30 000	28 242	(1 758)
Mutual funds	181 019	181 094	75
Exchange traded products	136 738	136 870	132
	<u>\$ 673 877</u>	<u>\$ 670 716</u>	<u>\$ (3 161)</u>

3. INVESTMENTS: (Continued)

	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
	<u>\$ 903 725</u>	<u>\$ 932 246</u>	<u>\$ 28 521</u>

Investment return for the years ended September 30, 2018 and 2017 consists of the following:

	September 30,	
	2018	2017
Dividends	\$ 23 116	\$ 19 756
Interest	10 493	12 415
Investment fees	(10 995)	(14 869)
Foreign taxes	( 48)	( 65)
Realized gains (losses)	34 395	17 772
Unrealized gains (losses)	<u>(31 683)</u>	<u>16 642</u>
	25 278	51 651
Other interest (bank accounts and life insurance)	<u>7 463</u>	<u>6 201</u>
Net investment return	<u>\$ 32 741</u>	<u>\$ 57 852</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. The plan provides for discretionary annual employer contributions. The Organization did not make any contributions for the years ended September 30, 2018 and 2017.

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	September 30,		Depreciable Lives
	2018	2017	
Buildings	\$ 5 154 171	\$ 5 147 915	39 years
Computer systems	244 260	207 863	3 years
Furniture and fixtures	953 926	953 926	5-15 years
Land	224 447	224 447	
Leasehold improvements	647 688	618 737	10-31.5 years
Vehicles	79 308	79 308	7 years
	7 303 800	7 232 196	
Less: accumulated depreciation	<u>(4 466 080)</u>	<u>(4 279 728)</u>	
Net Property and Equipment	<u>\$ 2 837 720</u>	<u>\$ 2 952 468</u>	

Depreciation expense was \$186,352 and \$178,965 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017 are summarized as follows:

	September 30,	
	2018	2017
Beginning balance	\$ 642 921	\$ 761 214
Increase from new gift annuities received	5 885	-
Payments made to annuitants	(87 143)	(99 399)
Change in value of split-interest agreement	50 620	(18 894)
Total annuities payable	612 283	642 921
Less: Current portion	77 174	86 790
Annuities payable, net of current portion	<u>\$ 535 109</u>	<u>\$ 556 131</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, 2018:

<u>Year Ending September 30</u>	
2019	\$ 163 929
2020	136 787
2021	136 503
2022	134 200
2023	123 016
	<u>\$ 694 435</u>

8. CAPITAL LEASE:

The Organization began leasing computer equipment under a capital lease during fiscal year 2018. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

8. CAPITAL LEASE: (Continued)

Minimum future lease payments under the capital lease as of September 30, 2018, are as follows:

<u>Year Ending September 30</u>	
2019	\$ 10 742
2020	11 342
2021	<u>973</u>
	<u>\$ 23 057</u>

9. TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>September 30, 2018</u>			
	<u>Beginning Restricted</u>	<u>Total Contributions</u>	<u>Restrictions Satisfied</u>	<u>Ending Restricted</u>
Africa	\$ 1 600	\$ 250	\$ (1 850)	\$ -
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	52 239	9	(37 023)	15 225
International prayer congree	16	-	( 16)	-
Irish 4D Ultrasound	160	-	( 160)	-
Irish Media	116	-	( 116)	-
Ireland	25	-	( 25)	-
Kenya	300	-	( 300)	-
Latin America - Mexico City	-	400	( 400)	-
Latin America - Firewall	756	-	( 756)	-
Latin America - Costa Rica	-	400	( 400)	-
Liberia	80	-	-	80
Ligaya's Car	500	-	( 500)	-
Mongolia	32	-	( 32)	-
Opus Bonum	600	-	( 600)	-
Poland	1 500	-	(1 500)	-
Poland - Europe leaders mtg.	-	10 000	(10 000)	-
(subtotal)	<u>62 260</u>	<u>11 059</u>	<u>(57 995)</u>	<u>15 324</u>

9. TEMPORARILY RESTRICTED NET ASSETS: (Continued)

(subtotal)	62 260	11 059	(57 995)	15 324
Regional Coordinators Program	12 500	-	(12 500)	-
Rome	-	1 000	(1 000)	-
Seminarians	13 355	1 207	(14 562)	-
South America	36	-	(36)	-
Spiritual treasury	10	-	-	10
Switzerland	600	200	(800)	-
Tanzania	4 050	-	(4 050)	-
Togo	3 181	-	(3 181)	-
Translation Services	317	-	-	317
Uganda	630	15 100	(15 730)	-
United Kingdom	115 319	-	-	115 319
Zimbabwe	-	5 000	(5 000)	-
	<u>\$ 212 258</u>	<u>\$ 33 566</u>	<u>\$ (114 854)</u>	<u>\$ 130 970</u>

September 30, 2017

	<u>Beginning</u>	<u>Total</u>	<u>Restrictions</u>	<u>Ending</u>
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
(subtotal)	65 277	9 483	-	74 760

9. TEMPORARILY RESTRICTED NET ASSETS: (Continued)

(subtotal)	65 277	9 483	-	74 760
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>

10. 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.

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.

10. FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis as of the years ended September 30, 2018 and 2017 are as follows:

	September 30, 2018			
	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	\$ 247 999	\$ 247 999	\$ -	\$ -
Equities	76 362	76 362	-	-
Real Estate Investment Trusts	149	-	149	-
Corporate Bonds	28 242	-	28 242	-
Mutual Funds	181 094	181 094	-	-
Exchanged traded products	136 870	136 870	-	-
Total Investments	<u>\$ 670 716</u>	<u>\$ 642 325</u>	<u>\$ 28 391</u>	<u>\$ -</u>
	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>\$ 591 426</u>	<u>\$ 340 820</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.

11. RELATED PARTY:

The Organization rents office space to a member of the board of directors. Total rents due during the years ended September 30, 2018 and 2017 were \$6,732 and \$10,812, respectively. Also, there was a related receivable balance for unpaid rent of \$25,057 and \$20,671 as of the years ended September 30, 2018 and 2017, respectively.

12. AFFILIATES:

The Organization has established affiliate relationships with organizations and/or individuals located in various foreign countries. These relationships are supported by an Affiliate Agreement, that among other things, indicates that the affiliates are an independent organization in their host country. As such, the financial statements do not reflect the consolidated activity of these affiliates, including any assets or liabilities related to these affiliates. Instead, all of the funding sent to these affiliates is reflected as a program grant expense on the Statements of Functional Expenses. For the years ended September 30, 2018 and 2017, the Organization awarded grants of \$615,501 and \$607,356, respectively.

13. SUPPLEMENTARY STATEMENT OF CASH FLOWS INFORMATION:

Cash paid for:

	September 30,	
	2018	2017
Equipment purchased under capital lease	\$ 32 404	\$ -

14. SUBSEQUENT EVENTS:

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

15. 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, 2018							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
<b>SUPPORT AND REVENUE:</b>								
Contributions	\$ 2 307 873	\$ 33 566	\$ 2 341 439	\$ -	\$ -	\$ -	\$ -	\$ 2 341 439
In-kind contributions	137 078	-	137 078	-	-	-	-	137 078
Rental income	5 571	-	5 571	169 056	-	169 056	-	174 627
Investment income	32 741	-	32 741	-	-	-	-	32 741
Other income	3 439	-	3 439	-	-	-	-	3 439
<b>Total before Merchandise Sales</b>	<b>2 486 702</b>	<b>33 566</b>	<b>2 520 268</b>	<b>169 056</b>	<b>-</b>	<b>169 056</b>	<b>-</b>	<b>2 689 324</b>
Merchandise sales	29 657	-	29 657	-	-	-	-	29 657
Cost of goods sold	(21 059)	-	(21 059)	-	-	-	-	(21 059)
<b>Merchandise Sales, Net</b>	<b>8 598</b>	<b>-</b>	<b>8 598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 598</b>
Net assets released from restrictions:								
Restrictions satisfied by payments	114 854	(114 854)	-	-	-	-	-	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<b>2 610 154</b>	<b>(81 288)</b>	<b>2 528 866</b>	<b>169 056</b>	<b>-</b>	<b>169 056</b>	<b>-</b>	<b>2 697 922</b>
<b>EXPENSES AND LOSSES:</b>								
Change in Value of Split-Interest Agreements	50 620	-	50 620	-	-	-	-	50 620
Program services:								
Mission general	1 287 926	-	1 287 926	-	-	-	-	1 287 926
Education	297 063	-	297 063	-	-	-	-	297 063
Communications	268 386	-	268 386	-	-	-	-	268 386
Supporting services:								
Management and general	505 963	-	505 963	152 758	-	152 758	-	658 721
Fundraising	584 814	-	584 814	-	-	-	-	584 814
<b>TOTAL EXPENSES AND LOSSES</b>	<b>2 994 772</b>	<b>-</b>	<b>2 994 772</b>	<b>152 758</b>	<b>-</b>	<b>152 758</b>	<b>-</b>	<b>3 147 530</b>
<b>CHANGE IN NET ASSETS</b>	<b>(384 618)</b>	<b>(81 288)</b>	<b>(465 906)</b>	<b>16 298</b>	<b>-</b>	<b>16 298</b>	<b>-</b>	<b>(449 608)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2 716 561</b>	<b>212 258</b>	<b>2 928 819</b>	<b>772 084</b>	<b>-</b>	<b>772 084</b>	<b>-</b>	<b>3 700 903</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2 331 943</b>	<b>\$ 130 970</b>	<b>\$ 2 462 913</b>	<b>\$ 788 382</b>	<b>\$ -</b>	<b>\$ 788 382</b>	<b>\$ -</b>	<b>\$ 3 251 295</b>

(See Independent Auditor's report.)



	Year Ended September 30, 2017							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
<b>SUPPORT AND REVENUE:</b>								
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
<b>Total before Merchandise Sales</b>	<b>2 611 923</b>	<b>14 230</b>	<b>2 626 153</b>	<b>167 472</b>	<b>-</b>	<b>167 472</b>	<b>-</b>	<b>2 793 625</b>
Merchandise sales	29 045	-	29 045	-	-	-	-	29 045
Cost of goods sold	(22 723)	-	(22 723)	-	-	-	-	(22 723)
<b>Merchandise Sales, Net</b>	<b>6 322</b>	<b>-</b>	<b>6 322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 322</b>
Net assets released from restrictions:								
Restrictions satisfied by payments	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<b>2 618 245</b>	<b>14 230</b>	<b>2 632 475</b>	<b>167 472</b>	<b>-</b>	<b>167 472</b>	<b>-</b>	<b>2 799 947</b>
<b>EXPENSES AND LOSSES:</b>								
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
<b>TOTAL EXPENSES AND LOSSES</b>	<b>2 740 107</b>	<b>-</b>	<b>2 740 107</b>	<b>138 946</b>	<b>-</b>	<b>138 946</b>	<b>-</b>	<b>2 879 053</b>
<b>CHANGE IN NET ASSETS</b>	<b>(121 862)</b>	<b>14 230</b>	<b>(107 632)</b>	<b>28 526</b>	<b>-</b>	<b>28 526</b>	<b>-</b>	<b>(79 106)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2 838 423</b>	<b>198 028</b>	<b>3 036 451</b>	<b>743 558</b>	<b>-</b>	<b>743 558</b>	<b>-</b>	<b>3 780 009</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2 716 561</b>	<b>\$ 212 258</b>	<b>\$ 2 928 819</b>	<b>\$ 772 084</b>	<b>\$ -</b>	<b>\$ 772 084</b>	<b>\$ -</b>	<b>\$ 3 700 903</b>

(See Independent Auditor's report.)