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

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2020

Consolidated Financial Statements

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

Years Ended September 30, 2020 and 2019

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

CONTENTS
September 30, 2020

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, 2020 and 2019, 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 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 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.

Reply To: P.O. Box 3252, Winchester, Virginia 22604
Telephone: 540-662-7070 • Fax: 540-722-4899 • Web Page: www.rjpccpa.com • Email: rjpccpa@rjpccpa.com

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, 2020 and 2019, 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 consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Rutherford & Johnson, P.C.

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

March 8, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30, 2020		September 30, 2019	
CURRENT ASSETS:				
Cash	$	95 023	$	132 111
Bequests receivable		50 231		146 813
Rent receivable		32 839		26 649
Current portion of promise to give		100 000		100 000
Inventory, net		60 684		56 192
Prepaid expenses		38 383		43 467
TOTAL CURRENT ASSETS		377 160		505 232
PROPERTY AND EQUIPMENT:				
Property and equipment, at cost, net of accumulated depreciation of $4,625,135 and $4,434,297, respectively		2 698 266		2 722 124
OTHER ASSETS:				
Promise to give, net of current portion and discount of $71,330 and $87,271, respectively		628 670		712 729
Investments		921 108		551 197
Cash surrender value of life insurance		187 130		178 804
Other assets, net		14 348		14 348
TOTAL OTHER ASSETS		1 751 256		1 457 078
TOTAL ASSETS	$	4 826 682	$	4 684 434

(See accompanying Notes to

EXHIBIT "A"

LIABILITIES AND NET ASSETS

	September 30, 2020	September 30, 2019
CURRENT LIABILITIES:		
Accounts payable	$ 52 782	$ 116 151
Accrued expenses	51 103	39 900
Deferred rental income	1 250	1 250
Current portion of SBA Loan Payable	52 418	-
Current portion of capital lease	973	11 342
Current portion of annuities payable	68 070	76 910
TOTAL CURRENT LIABILITIES	226 596	245 553
OTHER LIABILITIES:		
Capital lease, net of current portion	-	973
SBA Loan Payable, net of current portion	128 582	-
Annuities payable, net of current portion	472 009	491 709
TOTAL OTHER LIABILITIES	600 591	492 682
NET ASSETS:		
Without donor restrictions	3 132 775	3 004 504
With donor restrictions	866 720	941 695
TOTAL NET ASSETS	3 999 495	3 946 199
TOTAL LIABILITIES AND NET ASSETS	$ 4 826 682	$ 4 684 434

Consolidated Financial Statements.)

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

EXHIBIT "B"

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT:						
Contributions	$ 2 370 858	$ 38 248	$ 2 409 106	$ 2 492 702	$ 817 729	$ 3 310 431
In-kind contributions	139 207	-	139 207	122 820	-	122 820
Rental income	191 034	-	191 034	178 899	-	178 899
Net investment return	16 858	-	16 858	25 388	-	25 388
Other income	(13)	-	(13)	7 083	-	7 083
Total before Merchandise Sales	2 717 944	38 248	2 756 192	2 826 892	817 729	3 644 621
Merchandise sales	14 936	-	14 936	23 344	-	23 344
Cost of goods sold	(7 255)	-	(7 255)	(22 141)	-	(22 141)
Merchandise Sales, Net	7 681	-	7 681	1 203	-	1 203
Net assets released from restrictions:						
Restrictions satisfied by payments	113 223	(113 223)	-	7 004	(7 004)	-
TOTAL REVENUES, GAINS AND SUPPORT	2 838 848	(74 975)	2 763 873	2 835 099	810 725	3 645 824
EXPENSES AND LOSSES:						
Change in Value of Split-Interest Agreements	39 000	-	39 000	33 450	-	33 450
Net loss on disposal of property and equipment	-	-	-	381	-	381
Program services:						
Mission general	1 037 278	-	1 037 278	1 171 930	-	1 171 930
Education	227 078	-	227 078	260 604	-	260 604
Communications	369 855	-	369 855	343 244	-	343 244
Supporting services:						
Management and general	607 547	-	607 547	629 320	-	629 320
Fundraising	429 819	-	429 819	511 991	-	511 991
TOTAL EXPENSES AND LOSSES	2 710 577	-	2 710 577	2 950 920	-	2 950 920
CHANGE IN NET ASSETS	128 271	(74 975)	53 296	(115 821)	810 725	694 904
NET ASSETS AT BEGINNING OF YEAR	3 004 504	941 695	3 946 199	3 120 325	130 970	3 251 295
NET ASSETS AT END OF YEAR	$ 3 132 775	$ 866 720	$ 3 999 495	$ 3 004 504	$ 941 695	$ 3 946 199

(See accompanying Consolidated Notes to Financial Statements.)

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT "C"

Year Ended September 30, 2020

	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	$ 151 049	$ 174 507	$ 150 667	$ 476 223	$ 188 394	$ 150 501	$ 815 118
Employee benefits	22 063	38 278	33 114	93 455	50 674	33 219	177 348
Payroll taxes	7 113	12 757	11 014	30 884	13 772	11 002	55 658
Total Personnel Costs	180 225	225 542	194 795	600 562	252 840	194 722	1 048 124
Other operating expenses:							
Advertising	-	-	3 932	3 932	12	11 910	15 854
Bank and credit card fees	47	-	5	52	15 599	13 249	28 900
Contractors	35 749	-	47 164	82 913	49 582	20 550	153 045
Depreciation	129 007	-	-	129 007	60 828	1 003	190 838
Grants and donations	484 547	-	-	484 547	-	-	484 547
Insurance	3 134	-	-	3 134	33 744	-	36 878
Interest expense	-	-	-	-	390	-	390
Miscellaneous	2 432	1 200	5 159	8 791	6 451	-	15 242
Office expense	8 301	236	589	9 126	11 085	12 457	32 668
Printing and postage	1 991	100	95 445	97 536	7 366	112 516	217 418
Professional fees	2 989	-	-	2 989	34 281	-	37 270
Repairs and maintenance	37 929	-	-	37 929	24 561	353	62 843
Rent	12 774	-	3 725	16 499	975	-	17 474
Subscriptions	-	-	-	-	30 660	32 937	63 597
Supplies	874	-	-	874	-	-	874
Taxes and licenses	26 951	-	-	26 951	35 289	3 689	65 929
Telephone	20 471	-	-	20 471	11 619	192	32 282
Training	-	-	-	-	3 855	21	3 876
Travel, conferences and meetings	41 353	-	19 041	60 394	878	25 766	87 038
Utilities	48 504	-	-	48 504	27 532	454	76 490
Subtotal	857 053	1 536	175 060	1 033 649	354 707	235 097	1 623 453
Total Functional Expenses	$ 1 037 278	$ 227 078	$ 369 855	$ 1 634 211	$ 607 547	$ 429 819	$ 2 671 577

(See accompanying Consolidated Notes to Financial Statements.)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT "C"
(Continued)

Year Ended September 30, 2019

	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	$ 154 945	$ 200 520	$ 112 822	$ 468 287	$ 207 347	$ 151 046	$ 826 680
Employee benefits	23 191	43 087	24 243	90 521	53 918	32 456	176 895
Payroll taxes	7 389	15 279	8 597	31 265	15 799	11 509	58 573
Total Personnel Costs	185 525	258 886	145 662	590 073	277 064	195 011	1 062 148
Other operating expenses:							
Advertising	0	0	5 508	5 508	381	8 220	14 109
Bank and credit card fees	1 045	0	0	1 045	12 529	14 397	27 971
Contractors	37 830	0	42 145	79 975	74 276	43 735	197 986
Depreciation	125 547	0	0	125 547	58 881	971	185 399
Grants and donations	562 229	0	0	562 229	0	0	562 229
Insurance	3 070	0	0	3 070	32 999	0	36 069
Interest expense	0	0	0	0	1 604	0	1 604
Miscellaneous	1 418	0	3 699	5 117	2 133	12 294	19 544
Office expense	8 078	1 512	1 404	10 994	8 102	13 157	32 253
Printing and postage	2 947	206	121 192	124 345	1 797	168 570	294 712
Professional fees	741	0	0	741	31 951	0	32 692
Repairs and maintenance	33 005	0	0	33 005	22 928	308	56 241
Rent	14 036	0	0	14 036	5 437	0	19 473
Subscriptions	0	0	1 000	1 000	13 424	42 899	57 323
Supplies				0			0
Taxes and licenses	27 091	0	0	27 091	33 202	327	60 620
Telephone	21 971	0	0	21 971	12 472	206	34 649
Training	0	0	0	0	4 783	0	4 783
Travel, conferences and meetings	96 884	0	22 634	119 518	6 760	11 425	137 703
Utilities	50 513	0	0	50 513	28 597	471	79 581
Subtotal	986 405	1 718	197 582	1 185 705	352 256	316 980	1 854 941
Total Functional Expenses	$ 1 171 930	$ 260 604	$ 343 244	$ 1 775 778	$ 629 320	$ 511 991	$ 2 917 089

(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 September 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 53 296	$ 694 904
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	190 838	185 399
Realized/unrealized (gain) on sale of investments	(1 136)	(9 669)
Loss on disposal of assets	-	381
(Increase) decrease in assets:		
Rent receivable	(6 190)	(1 460)
Bequests receivable	96 582	(8 813)
Promise to give	84 059	(812 729)
Inventory	(4 492)	(2 072)
Prepaid expenses	5 084	(3 370)
Cash surrender value of life insurance	(8 326)	(10 259)
Other assets	-	(218)
Increase (decrease) in liabilities:		
Accounts payable	(63 369)	21 001
Accrued expenses	11 203	(6 987)
Deferred revenue	-	(1 121)
NET CASH FROM OPERATING ACTIVITIES	357 549	44 987
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1 500 130)	(932 698)
Purchase of fixed assets	(166 980)	(70 184)
Proceeds from sale of investments	1 131 355	1 061 886
NET CASH FROM INVESTING ACTIVITES	(535 755)	59 004
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Note Payable	181 000	-
Net increase in liabilities from new annuities	6 679	6 893
Change in value of annuities	40 900	34 020
Payments on capital lease	(11 342)	(10 742)
Payments on annuities	(76 119)	(84 577)
NET CASH FROM FINANCING ACTIVITIES	141 118	(54 406)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37 088)	49 585
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132 111	82 526
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 95 023	$ 132 111

(See accompanying Consolidated Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of the Organization

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 expend 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 consolidated 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 two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for reserves related to the annuities' obligation.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts in the accompanying consolidated financial statements.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions 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.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated 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 Consolidated Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 2020 and 2019, management believes that outstanding balances are fully collectible, and there is no valuation allowance.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional and when the collectability of a bequest is reasonably assured. Both promises to give and bequests receivable are reported at net realizable value at the time the promise is made.

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 Consolidated 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, 2020 and 2019 was $30,625 and $27,057, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

No amounts have been reflected in the consolidated 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 Consolidated Statements of Activities and in the Consolidated 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.

Advertising

The Organization expenses all advertising costs as incurred. The Organization incurred $15,854 and $14,109 in advertising expense for the years ended September 30, 2020 and 2019, respectively.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following:

2. LIQUIDITY AND AVAILABILITY (Continued)

	September 30, 2020	September 30, 2019
Total financial assets	$ 1 336 100	$ 1 084 775
Donor-imposed restrictions:		
Funds subject to specific purpose restrictions	(138 050)	(128 966)
Net assets after donor-imposed restrictions	1 198 050	955 809
Less: Board-designated funds:		
Board designated annuity obligation reserve	(328 375)	(371 143)
Financial assets available to meet cash needs for general expenditures within one year	$ 869 675	$ 584 666

Any deficit between the financial assets available for general expenditure and the Organization's budgeted expenses for the following year is expected to be satisfied through program revenues, contributions, fees and special event revenues to be received throughout the year.

3. 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, 2020 and 2019, the cash balances did not exceed FDIC coverage.

4. 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.

4. INVESTMENTS: (Continued)

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

	September 30, 2020		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	$ 207 195	$ 207 195	$ -
Equities	377 004	370 738	(6 266)
Real estate investment trusts	160	161	1
Corporate Bonds	40 000	39 780	(220)
Mutual funds	117 272	120 023	2 751
Exchange traded products	182 400	183 211	811
	$ 924 031	$ 921 108	$ (2 923)

	September 30, 2019		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	$ 177 345	$ 177 345	$ -
Equities	133 671	142 838	9 167
Real estate investment trusts	160	155	(5)
Mutual funds	129 439	131 909	2 470
Exchange traded products	98 476	98 950	474
	$ 539 091	$ 551 197	$ 12 106

4. INVESTMENTS: (Continued)

Investment return for the years ended September 30, 2020 and 2019 consists of the following:

	September 30, 2020	September 30, 2019
Dividends	$ 14 022	$ 11 854
Interest	4	4
Investment fees	(6 630)	(6 400)
Foreign taxes	(373)	-
Realized gains (losses)	16 538	(5 598)
Unrealized gains (losses)	(15 029)	15 267
	8 532	15 127
Other interest (bank accounts and life insurance)	8 326	10 261
Net investment return	$ 16 858	$ 25 388

5. ~~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, 2020 and 2019.

6. PROMISES TO GIVE:

Unconditional promises to give consist of the following:

	September 30, 2020	September 30, 2019
Unrestricted promises	$ 800 000	$ 900 000
Less: Unamortized discount	(71 330)	(87 271)
	$ 728 670	$ 812 729

Amounts due in:	
Less than one year	$ 100 000
One to five years	341 358
Five or more years	287 312
	$ 728 670

6. PROMISES TO GIVE: (Continued)

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.09%.

7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	September 30, 2020	September 30, 2019	Depreciable Lives
Buildings	$ 5 163 030	$ 5 163 030	39 years
Computer systems	201 642	191 218	3 years
Excess reimbursement	-	(1 610)	
Furniture and fixtures	823 531	823 531	5-15 years
Land	224 447	224 447	
Building improvements	752 023	697 577	10-31.5 years
Construction in progress	100 500	-	
Vehicles	58 228	58 228	7 years
	7 323 401	7 156 421	
Less: accumulated depreciation	(4 625 135)	(4 434 297)	
Net Property and Equipment	$ 2 698 266	$ 2 722 124	

Depreciation expense was $190,838 and $185,399 for the years ended September 30, 2020 and 2019, respectively.

8. 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.

8. SPLIT-INTERST AGREEMENTS: (Continued)

Annuities payable as of the years ended September 30, 2020 and 2019 are summarized as follows:

	September 30, 2020	September 30, 2019
Beginning balance	$ 568 619	$ 612 283
Increase from new gift annuities received	6 679	6 893
Payments made to annuitants	(76 119)	(84 577)
Change in value of split-interest agreement	40 900	34 020
Total annuities payable	540 079	568 619
Less: Current portion	68 070	76 910
Annuities payable, net of current portion	$ 472 009	$ 491 709

9. 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, 2020:

Year Ending September 30	
2021	$ 161 772
2022	145 040
2023	133 857
	$ 440 669

10. 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.

Minimum future lease payments under the capital lease as of September 30, 2020, are as follows:

Year Ending September 30	
2021	$ 973
	$ 973

11. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS:

Net Assets Without Donor Restrictions

A portion of the Net Assets Without Donor Restrictions has been designated by the Board of Directors to be used as a reserve to meet future annuity obligation payments. Designations are voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures. Information regarding the components of net assets without donor restrictions is as follows:

	September 30, 2020	September 30, 2019
Board designated annuity reserve	$ 328 375	$ 371 143
Total Board Designations	328 375	371 143
Other Net Assets Without Donor Restrictions	2 804 400	2 633 361
Total Net Assets Without Donor Restrictions	$ 3 132 775	$ 3 004 504

Net Assets With Donor Restrictions

Net assets with donor restrictions and their respective restrictions are shown as follows:

	September 30, 2020			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Subject to expenditure for specified purpose:				
Asia	$ 5 000	$ -	$ -	$ 5 000
Central-Eastern Europe	-	50	-	50
Fetal Model	19	-	-	19
Francophone Africa	8 548	-	(790)	7 758
Hungary	-	153	-	153
Latin America	-	3 026	-	3 026
Liberia	80	-	-	80
Rome	-	2 488	(2 388)	100
Romania	-	120	-	120
Seminarians	-	230	-	230
Tanzania	-	4 125	(4 000)	125
Uganda	-	15 000	(10 930)	4 070
United Kingdom	115 319	-	-	115 319
Zimbabwe	-	5 000	(3 000)	2 000
	128 966	30 192	(21 108)	138 050
Subject to the passage of time:				
Pledge receivable	812 729	-	(84 059)	728 670
	$ 941 695	$ 30 192	$ (105 167)	$ 866 720

11. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS: (Continued)

	September 30, 2019			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Subject to expenditure for specified purpose:				
Asia	$ -	$ 5 000	$ -	$ 5 000
Fetal Model	19	-	-	19
Francophone Africa	15 225	-	(6 677)	8 548
Liberia	80	-	-	80
Spiritual treasury	10	-	(10)	-
Translation Services	317	-	(317)	-
United Kingdom	115 319	-	-	115 319
	130 970	5 000	(7 004)	128 966
Subjet to the passage of time:				
Pledge receivable	-	812 729	-	812 729
	$ 130 970	$ 817 729	$ (7 004)	$ 941 695

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the pass of time or other events specified by the donor.

12. FAIR VALUE MEASUREMENTS:

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes 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.

12. FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis as of the years ended September 30, 2020 and 2019 are as follows:

	September 30, 2020			
	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	$ 207 195	$ 207 195	$ -	$ -
Equities	370 738	370 738	-	-
Real Estate Investment Trusts	161	-	161	-
Corporate Bonds	39 780	39 780	-	-
Mutual Funds	120 023	120 023	-	-
Exchanged traded products	183 211	183 211	-	-
Total Investments	$ 921 108	$ 920 947	$ 161	$ -

	September 30, 2019			
	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	$ 177 345	$ 177 345	$ -	$ -
Equities	142 838	142 838	-	-
Real Estate Investment Trusts	155		155	-
Mutual Funds	131 909	131 909	-	-
Exchanged traded products	98 950	98 950	-	-
Total Investments	$ 551 197	$ 551 042	$ 155	$ -

13. RELATED PARTY:

The Organization rents office space to a member of the board of directors. Total rents due to be collected during the years ended September 30, 2020 and 2019 were $6,732 and $6,732, respectively. Also, there was a related receivable balance for delinquent rent of $32,521 and $25,789 as of the years ended September 30, 2020 and 2019, respectively.

14. 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 consolidated 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 Consolidated Statements of Functional Expenses. For the years ended September 30, 2020 and 2019, the Organization awarded grants of $484,547 and $562,229, respectively.

15. PAYROLL PROTECTION LOAN:

On May 4, 2020, the Organization executed a loan agreement in the amount of $181,000 pursuant to the Paycheck Protection Program ("PPP"). The loan is reflected as "SBA Loan Payable" on the Statement of Financial Position at September 30, 2020.

The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered through the Small Business Administration ("SBA") and local banks. It provides for unsecured loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expenses of the business. The loans and accrued interest are forgivable after a covered period of either 8 or 24 weeks, as long as the borrower uses the loan proceeds for eligible expenses including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 8- or 24-week period. Any unforgiven portion of the PPP loan would be payable over two years, or five if mutually agreed upon with the lender, at an interest rate of 1%, with a deferral of payments until the lender receives the forgiveness amount from the SBA.

The organization has elected to treat the PPP loan as a debt instrument under ASC 470, and applies the interest method in ASC 835-30. As such, the Organization has not imputed interest on this loan by using a market rate, even though the stated rate may be considered below market. The Organization expects to receive forgiveness of the entire amount of the loan, but will not recognize income until it has been legally released by the SBA.

Should the Organization be required to repay the loan, maturities would consist of the following:

Year Ended September 30,		
2021	$	52 418
2022		90 575
2023		38 007
Total	$	181 000

Subsequent to the date of the financial statements, on January 8, 2021, the Organization received notice of forgiveness in-full of the PPP loan in the amount of $181,000.

15. PAYROLL PROTECTION LOAN: (Continued)

Subsequent to the date of the financial statements, on February 24, 2021, the Organization executed a second loan agreement in the amount of $203,100 pursuant to the Paycheck Protection Program ("PPP-2"). PPP-2 was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered through the Small Business Administration ("SBA") and local banks. It provides for unsecured loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expenses of the business. The loans and accrued interest are forgivable after a covered period of either eight or 24 weeks, as long as the borrower uses the loan proceeds for eligible expenses including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 8 or 24 week period. Any unforgiven portion of the PPP loan would be payable over two years, or five if mutually agreed upon with the lender, at an interest rate of 1%, with a deferral of payments until the lender receives the forgiveness amount from the SBA.

16. SUBSEQUENT EVENTS:

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

Subsequent to the date of the financial statements, on January 8, 2021, the Organization received notice of forgiveness in-full of the PPP loan in the amount of $181,000. See Footnote 15 above for details.

Subsequent to the date of the financial statements, the Organization received a second Paycheck Protection Program loan ("PPP-2"). See Footnote 15 above for details.

As with all businesses and non-profit organizations, the Organization has been impacted by the spread of the coronavirus subsequent to their yearend. The Organization relies heavily on support from individuals and businesses, as well as special event revenues. The degree of financial impact on those sources of revenue cannot be reasonably assessed at this time.

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

CONSOLIDATED SCHEDULES OF ACTIVITIES

EXHIBIT "E"

	Year Ended September 30, 2020							
	Human Life International, Inc.			HLI Endowment, Inc.				
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal	Eliminations	Total
SUPPORT AND REVENUE:								
Contributions	$ 2 370 858	$ 38 248	$ 2 409 106	$ -	$ -	$ -	$ -	$ 2 409 106
In-kind contributions	139 207	-	139 207	-	-	-	-	139 207
Rental income	2 393	-	2 393	188 641	-	188 641	-	191 034
Investment income	16 858	-	16 858	-	-	-	-	16 858
Other income	(13)	-	(13)	-	-	-	-	(13)
Total before Merchandise Sales	2 529 303	38 248	2 567 551	188 641	-	188 641	-	2 756 192
Merchandise sales	14 936	-	14 936	-	-	-	-	14 936
Cost of goods sold	(7 255)	-	(7 255)	-	-	-	-	(7 255)
Merchandise Sales, Net	7 681	-	7 681	-	-	-	-	7 681
Net assets released from restrictions:								
Restrictions satisfied by payments	113 223	(113 223)	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	2 650 207	(74 975)	2 575 232	188 641	-	188 641	-	2 763 873
EXPENSES AND LOSSES:								
Change in Value of Split-Interest Agreements	39 000	-	39 000	-	-	-	-	39 000
Net loss on disposal of property and equipment	-	-	0	-	-	-	-	-
Program services:								
Mission general	1 037 278	-	1 037 278	-	-	-	-	1 037 278
Education	227 078	-	227 078	-	-	-	-	227 078
Communications	369 855	-	369 855	-	-	-	-	369 855
Supporting services:								-
Management and general	467 492	-	467 492	140 055	-	140 055	-	607 547
Fundraising	429 819	-	429 819	-	-	-	-	429 819
TOTAL EXPENSES AND LOSSES	2 570 522	-	2 570 522	140 055	-	140 055	-	2 710 577
CHANGE IN NET ASSETS	79 685	(74 975)	4 710	48 586		48 586	-	53 296
NET ASSETS AT BEGINNING OF YEAR	2 175 963	941 695	3 117 658	828 541	-	828 541	-	3 946 199
NET ASSETS AT END OF YEAR	$ 2 255 648	$ 866 720	$ 3 122 368	$ 877 127	$ -	$ 877 127	$ -	$ 3 999 495

(See Independent Auditor's report.)

EXHIBIT "E"

	Year Ended September 30, 2019							
	Human Life International, Inc.			HLI Endowment, Inc.				
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal	Eliminations	Total
SUPPORT AND REVENUE:								
Contributions	$ 2 492 702	$ 817 729	$ 3 310 431	$ -	$ -	$ -	$ -	$ 3 310 431
In-kind contributions	122 820	-	122 820	-	-	-	-	122 820
Rental income	-	-	-	178 899	-	178 899	-	178 899
Investment income	25 388	-	25 388	-	-	-	-	25 388
Other income	7 083	-	7 083	-	-	-	-	7 083
Total before Merchandise Sales	2 647 993	817 729	3 465 722	178 899	-	178 899	-	3 644 621
Merchandise sales	23 344	-	23 344	-	-	-	-	23 344
Cost of goods sold	(22 141)	-	(22 141)	-	-	-	-	(22 141)
Merchandise Sales, Net	1 203	-	1 203	-	-	-	-	1 203
Net assets released from restrictions:								
Restrictions satisfied by payments	7 004	(7 004)	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	2 656 200	810 725	3 466 925	178 899	-	178 899	-	3 645 824
EXPENSES AND LOSSES:								
Change in Value of Split-Interest Agreements	33 450	-	33 450	-	-	-	-	33 450
Net loss on disposal of property and equipment	381	-	381	-	-	-	-	381
Program services:								
Mission general	1 171 930	-	1 171 930	-	-	-	-	1 171 930
Education	260 604	-	260 604	-	-	-	-	260 604
Communications	343 244	-	343 244	-	-	-	-	343 244
Supporting services:								-
Management and general	490 580	-	490 580	138 740	-	138 740	-	629 320
Fundraising	511 991	-	511 991	-	-	-	-	511 991
TOTAL EXPENSES AND LOSSES	2 812 180	-	2 812 180	138 740	-	138 740	-	2 950 920
CHANGE IN NET ASSETS	(155 980)	810 725	654 745	40 159		40 159	-	694 904
NET ASSETS AT BEGINNING OF YEAR	2 331 943	130 970	2 462 913	788 382	-	788 382	-	3 251 295
NET ASSETS AT END OF YEAR	$ 2 175 963	$ 941 695	$ 3 117 658	$ 828 541	$ -	$ 828 541	$ -	$ 3 946 199

(See Independent Auditor's report.)