

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

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2021

Consolidated Financial Statements

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

Years Ended September 30, 2021 and 2020

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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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Winchester, Virginia

August 3, 2022

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

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

ASSETS

	September 30,	
	2021	2020
CURRENT ASSETS:		
Cash	\$ 210 847	\$ 95 023
Bequests receivable	38 159	50 231
Interest receivable	3 436	-
Rent receivable	40 936	32 839
Current portion of promise to give	100 000	100 000
Inventory, net	59 532	60 684
Prepaid expenses	42 738	38 383
	<u>495 648</u>	<u>377 160</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, at cost, net of accumulated depreciation of \$4,744,747 and \$4,625,135, respectively	<u>2 650 913</u>	<u>2 698 266</u>
OTHER ASSETS:		
Promise to give, net of current portion and discount of \$55,764 and \$71,330, respectively	544 236	628 670
Investments	3 289 863	921 108
Cash surrender value of life insurance	196 212	187 130
Other assets, net	14 348	14 348
	<u>4 044 659</u>	<u>1 751 256</u>
	<u>\$ 7 191 220</u>	<u>\$ 4 826 682</u>

(See accompanying Notes to

LIABILITIES AND NET ASSETS

	September 30,	
	2021	2020
CURRENT LIABILITIES:		
Accounts payable	\$ 42 195	\$ 52 782
Accrued expenses	49 262	51 103
Deferred rental income	606	1 250
SBA loan payable	203 100	181 000
Current portion of capital lease	-	973
Current portion of annuities payable	70 058	68 070
	<u>365 221</u>	<u>355 178</u>
OTHER LIABILITIES:		
Annuities payable, net of current portion	<u>409 620</u>	<u>472 009</u>
	<u>409 620</u>	<u>472 009</u>
TOTAL LIABILITIES	<u>774 841</u>	<u>827 187</u>
NET ASSETS:		
Without donor restrictions	5 650 085	3 132 775
With donor restrictions	<u>766 294</u>	<u>866 720</u>
	<u>6 416 379</u>	<u>3 999 495</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7 191 220</u>	<u>\$ 4 826 682</u>

	Year Ended September 30, 2021			Year Ended September 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT:						
Contributions	\$ 4 284 221	\$ 35 491	\$ 4 319 712	\$ 2 370 858	\$ 38 248	\$ 2 409 106
In-kind contributions	206 181	-	206 181	139 207	-	139 207
Rental income	193 646	-	193 646	191 034	-	191 034
Net investment return	261 327	-	261 327	16 858	-	16 858
PPP Loan Forgiveness	181 000	-	181 000	-	-	-
Other income	3 833	-	3 833	(13)	-	(13)
Total Before Merchandise Sales	5 130 208	35 491	5 165 699	2 717 944	38 248	2 756 192
Merchandise sales	14 040	-	14 040	14 936	-	14 936
Cost of goods sold	(10 078)	-	(10 078)	(7 255)	-	(7 255)
Merchandise Sales, Net	3 962	-	3 962	7 681	-	7 681
Net assets released from restrictions:						
Restrictions satisfied by payments	135 917	(135 917)	-	113 223	(113 223)	-
TOTAL REVENUES, GAINS AND SUPPORT	5 270 087	(100 426)	5 169 661	2 838 848	(74 975)	2 763 873
EXPENSES AND LOSSES:						
Change in value of split-interest agreements	16 711	-	16 711	39 000	-	39 000
Loss on disposition of assets	934	-	934	-	-	-
Program services:						
Mission general	1 067 174	-	1 067 174	1 037 278	-	1 037 278
Education	188 800	-	188 800	227 078	-	227 078
Communications	428 244	-	428 244	369 855	-	369 855
Supporting services:						
Management and general	552 376	-	552 376	607 547	-	607 547
Fundraising	498 538	-	498 538	429 819	-	429 819
TOTAL EXPENSES AND LOSSES	2 752 777	-	2 752 777	2 710 577	-	2 710 577
CHANGE IN NET ASSETS	2 517 310	(100 426)	2 416 884	128 271	(74 975)	53 296
NET ASSETS AT BEGINNING OF YEAR	3 132 775	866 720	3 999 495	3 004 504	941 695	3 946 199
NET ASSETS AT END OF YEAR	\$ 5 650 085	\$ 766 294	\$ 6 416 379	\$ 3 132 775	\$ 866 720	\$ 3 999 495

(See accompanying Consolidated Notes to Financial Statements.)

	Year Ended September 30, 2021						
	PROGRAM SERVICES			SUPPORT SERVICES			
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	\$ 218 842	\$ 148 190	\$ 193 931	\$ 560 963	\$ 127 533	\$ 193 185	\$ 881 681
Employee benefits	33 434	28 086	36 816	98 336	33 647	36 806	168 789
Payroll taxes	13 007	11 147	14 588	38 742	9 593	14 532	62 867
Total Personnel Costs	265 283	187 423	245 335	698 041	170 773	244 523	1 113 337
Other operating expenses:							
Advertising	-	-	4 911	4 911	15	14 876	19 802
Bank and credit card fees	110	-	5	115	16 555	14 002	30 672
Contractors	36 844	-	48 609	85 453	51 101	21 180	157 734
Depreciation	124 076	-	-	124 076	64 650	1 066	189 792
Grants and donations	440 352	-	-	440 352	-	-	440 352
Insurance	3 481	-	-	3 481	38 475	-	41 956
Interest expense	-	-	-	-	47	-	47
Miscellaneous	5 544	1 073	3 821	10 438	4 362	-	14 800
Office expense	8 016	191	594	8 801	10 159	9 680	28 640
Printing and postage	2 653	113	108 332	111 098	10 814	126 351	248 263
Professional fees	2 711	-	-	2 711	33 185	-	35 896
Repairs and maintenance	41 487	-	-	41 487	26 773	388	68 648
Rent	12 755	-	3 725	16 480	2 532	-	19 012
Subscriptions	-	-	-	-	42 168	45 372	87 540
Supplies	981	-	-	981	244	-	1 225
Taxes and licenses	27 232	-	-	27 232	30 795	4 083	62 110
Telephone	19 901	-	-	19 901	11 295	187	31 383
Training	-	-	-	-	10 550	57	10 607
Travel, conferences and meetings	28 663	-	12 912	41 575	1 157	16 328	59 060
Utilities	47 085	-	-	47 085	26 726	445	74 256
Subtotal	801 891	1 377	182 909	986 177	381 603	254 015	1 621 795
TOTAL FUNCTIONAL EXPENSES	\$ 1 067 174	\$ 188 800	\$ 428 244	\$ 1 684 218	\$ 552 376	\$ 498 538	\$ 2 735 132

(See accompanying Consolidated Notes to Financial Statements.)

	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.)

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

CONSOLIDATED STATEMENTS OF
CASH FLOWS

EXHIBIT "D"

	Years Ended September 30.	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2 416 884	\$ 53 296
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	189 792	190 838
Realized/unrealized gain on sale of investments	(213 879)	(1 136)
Loss on disposal of assets	934	-
(Increase) decrease in assets:		
Rent receivable	(8 097)	(6 190)
Bequests receivable	12 072	96 582
Interest receivable	(3 436)	-
Promise to give	84 434	84 059
Inventory	1 152	(4 492)
Prepaid expenses	(4 355)	5 084
Cash surrender value of life insurance	(9 082)	(8 326)
Increase (decrease) in liabilities:		
Accounts payable	(10 587)	(63 369)
Accrued expenses	(1 841)	11 203
Deferred revenue	(644)	-
NET CASH FROM OPERATING ACTIVITIES	2 453 347	357 549
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3 955 666)	(1 500 130)
Purchase of fixed assets	(142 439)	(166 980)
Proceeds from sale of investments	1 800 791	1 131 355
NET CASH FROM INVESTING ACTIVITIES	(2 297 314)	(535 755)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP Loan Forgiven	(181 000)	-
Proceeds from PPP Loan	203 100	181 000
Net increase in liabilities from new annuities	-	6 679
Change in value of annuities	16 711	40 900
Payments on capital lease	(973)	(11 342)
Payments on annuities	(78 047)	(76 119)
NET CASH FROM FINANCING ACTIVITIES	(40 209)	141 118
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	115 824	(37 088)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	95 023	132 111
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 210 847	\$ 95 023

(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, 2021 and 2020, 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, 2021 and 2020 was \$24,201 and \$30,625, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000, 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 \$19,802 and \$15,854 in advertising expense for the years ended September 30, 2021 and 2020, respectively.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Organization also recognizes revenue from leasing contracts. The revenue is recognized based on the applicable time period for the rental usage.

Reclassification

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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:

	September 30,	
	2021	2020
Total financial assets	\$ 3 841 294	\$ 1 336 100
Donor-imposed restrictions:		
Funds subject to specific purpose restrictions	<u>(122 058)</u>	<u>(138 050)</u>
Net assets after donor-imposed restrictions	3 719 236	1 198 050
Less: Board-designated funds:		
Board-designated endowment	(1 185 340)	-
Board-designated operating reserve	(1 783 632)	(591 095)
Board-designated annuity reserve	<u>(318 974)</u>	<u>(328 375)</u>
Board-designated funds obligation	<u>(3 287 946)</u>	<u>(919 470)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 431 290</u>	<u>\$ 278 580</u>

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, 2021 and 2020, 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, 2021		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 582 564	\$ 582 564	\$ -
Equities	1 500 055	1 517 091	17 036
Real estate investment trusts	1 048	1 564	516
Corporate bonds	468 716	475 884	7 168
Mutual funds	477 696	477 691	(5)
Exchange traded products	200 969	235 069	34 100
	<u>\$ 3 231 048</u>	<u>\$ 3 289 863</u>	<u>\$ 58 815</u>

	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
	<u>\$ 924 031</u>	<u>\$ 921 108</u>	<u>\$ (2 923)</u>

4. INVESTMENTS: (Continued)

Investment return for the years ended September 30, 2021 and 2020 consists of the following:

	September 30,	
	2021	2020
Dividends	\$ 46 363	\$ 14 022
Interest	2	4
Investment fees	(8 482)	(6 630)
Foreign taxes	-	(373)
Loss on sale of assets	(934)	-
Realized gains (losses)	153 800	16 538
Unrealized gains (losses)	(74 469)	(15 029)
	<u>116 280</u>	<u>8 532</u>
Other interest (bank accounts and life insurance)	9 502	8 326
Net investment return	<u>\$ 125 782</u>	<u>\$ 16 858</u>

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, 2021 and 2020.

6. PROMISES TO GIVE:

Unconditional promises to give consist of the following:

	September 30,	
	2021	2020
Unrestricted promises	\$ 700 000	\$ 800 000
Less: Unamortized discount	(55 764)	(71 330)
	<u>\$ 644 236</u>	<u>\$ 728 670</u>
Amounts due in:		
Less than one year	\$ 100 000	
One to five years	256 924	
Five or more years	287 312	
	<u>\$ 644 236</u>	

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,		Depreciable Lives
	2021	2020	
Buildings	\$ 5 163 030	\$ 5 163 030	39 years
Computer systems	175 598	201 642	3 years
Excess reimbursement	-	-	
Furniture and fixtures	801 224	823 531	5-15 years
Land	224 447	224 447	
Building improvements	973 133	752 023	10-31.5 years
Construction in progress	-	100 500	
Vehicles	58 228	58 228	7 years
	7 395 660	7 323 401	
Less: accumulated depreciation	<u>(4 744 747)</u>	<u>(4 625 135)</u>	
Net property and equipment	<u>\$ 2 650 913</u>	<u>\$ 2 698 266</u>	

Depreciation expense was \$189,792 and \$190,838 for the years ended September 30, 2021 and 2020, 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-INTEREST AGREEMENTS: (Continued)

Annuities payable as of the years ended September 30, 2021 and 2020 are summarized as follows:

	September 30,	
	2021	2020
Beginning balance	\$ 540 079	\$ 568 619
Increase from new gift annuities received	-	6 679
Payments made to annuitants	(77 112)	(76 119)
Change in value of split-interest agreement	16 711	40 900
Total annuities payable	479 678	540 079
Less: Current portion	(70 058)	(68 070)
Annuities payable, net of current portion	<u>\$ 409 620</u>	<u>\$ 472 009</u>

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, 2021:

<u>Year Ending September 30</u>	
2022	169 124
2023	140 760
2024	6 903
	<u>\$ 316 787</u>

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.

Upon the completion of its capital lease, the Organization did not renew or sign a new capital lease.

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. 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,	
	2021	2020
Board designated endowment	\$ 1 185 340	\$ -
Board designated operations reserve	1 783 632	591 095
Board designated annuity reserve	318 974	328 375
Total board designations	3 287 946	919 470
Other net assets without donor restrictions	2 362 139	2 213 305
Total net assets without donor restrictions	<u>\$ 5 650 085</u>	<u>\$ 3 132 775</u>

Net Assets With Donor Restrictions

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

	September 30, 2021			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Subject to expenditure for specified purpose:				
Asia	\$ 5 000	\$ -	\$ (4 743)	\$ 257
Central-Eastern Europe	50	206	(256)	-
Fetal Model	19	-	-	19
Francophone Africa	7 758	-	(6 300)	1 458
Hungary	153	1 500	(1 153)	500
Mercy Works	-	25 000	(25 000)	-
Speaker Honoraria	-	3 750	-	3 750
India	-	50	-	50
Latin America	3 026	-	(3 026)	-
Liberia	80	-	-	80
Rome	100	500	(600)	-
Romania	120	135	(210)	45
Seminarians	230	350	-	580
Tanzania	125	4 000	(4 125)	-
Uganda	4 070	-	(4 070)	-
United Kingdom	115 319	-	-	115 319
Zimbabwe	2 000	-	(2 000)	-
	<u>138 050</u>	<u>35 491</u>	<u>(51 483)</u>	<u>122 058</u>
Subject to the passage of time:				
Pledge receivable	728 670	-	(84 434)	644 236
	<u>\$ 866 720</u>	<u>\$ 35 491</u>	<u>\$ (135 917)</u>	<u>\$ 766 294</u>

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

	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
	<u>128 966</u>	<u>30 192</u>	<u>(21 108)</u>	<u>138 050</u>
Subject to the passage of time:				
Pledge receivable	812 729	-	(84 059)	728 670
	<u>\$ 941 695</u>	<u>\$ 30 192</u>	<u>\$ (105 167)</u>	<u>\$ 866 720</u>

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. ENDOWMENT FUND:

The Organization's Net Assets consists of funds designated by the Board of Directors to function as an Endowment. As of September 30, 2021, the Board of Directors has designated \$1,185,340 of net assets without restrictions as an Endowment fund to support the mission of the organization. Since the amount is resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Though the Endowment fund was launched during the last month of the fiscal year ended September 30, 2021, the Organization is still in the process of developing its investment policies to provide guidelines for the investment of Endowment Funds it holds. The investment policies document will outline an overall philosophy that sets forth the expectations of the Endowment funds.

The spending policy of the Endowment fund defines how much can be distributed annually to the Organization. The distributions are based on the total return concept (i.e. interest, dividends, and capital appreciation). The Board may, at its discretion, reinvest all or any portion of income received in the

12. ENDOWMENT FUND:(Continued)

Endowment fund, use all or any portion of the income received from the principal in the Endowment fund for any purpose consistent with the purpose of the Endowment fund as stated in the Board resolution document.

Endowment net assets composition by type of fund as of September 30, 2021 is as follows:

Cash	\$	17 105
Equity		674 657
Mutual funds		477 691
Exchange trade products		15 887
Board-designated Endowment funds	\$	<u>1 185 340</u>

Since the Endowment fund was established in September 2021, the value of \$1,185,340 at the end of the fiscal year, September 30, 2021, reflects a net depreciation of \$14,660.

13. 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.

13. FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis as of the years ended September 30, 2021 and 2020 are as follows:

	September 30, 2021			
	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	\$ 582 564	\$ 582 564	\$ -	\$ -
Equities	1 517 092	1 517 092	-	-
Real estate investment trusts	1 564	-	1 564	-
Corporate bonds	475 884	475 884	-	-
Mutual funds	477 691	477 691	-	-
Exchanged traded products	235 068	235 068	-	-
Total Investments	\$ 3 289 863	\$ 3 288 299	\$ 1 564	\$ -
	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	\$ -

14. 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, 2021 and 2020 were \$6,732 and \$6,732, respectively. Also, there was a related receivable balance for delinquent rent of \$39,253 and \$32,251 as of the years ended September 30, 2021 and 2020, respectively.

On September 3, 2021, HLI revised the terms of its lease agreement with a board member's business entity. Beginning January 1, 2021, the tenant/board member agreed to an annual rent of \$6,732 to be paid to HLI in equal installments of \$561 on the 15th of each month during the term of the lease agreement. As of November 15, 2021, the tenant was still delinquent in the payment of rent, including late fees as applicable, in the amount of \$42,058. The past-due rent was converted to a note receivable, with interest accruing at 2% per annum from November 15, 2015 in equal consecutive monthly installments of \$639 due and payable on the first weekday of each month beginning November 15, 2021 and continuing until October 15, 2026, or until the delinquent rent and all interest thereon is paid in full, whichever occurs first.

The following is a schedule by years of future minimum payments to be received under the note receivable at September 30, 2021:

<u>Year Ended September 30,</u>	
2021	\$ 7 029
2022	7 668
2023	7 668
2024	7 668
2025	7 668
2026	<u>6 885</u>
Total	<u>\$ 44 586</u>

15. 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, 2021 and 2020, the Organization awarded grants of \$440,352 and \$484,547, respectively.

16. 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. On January 8, 2021, the Organization received notice of forgiveness in full of the PPP loan in the amount of \$181,000, reflected in the Consolidated Statement of Activities for the fiscal year end September 30, 2021.

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"). The loan is reflected as "SBA Loan Payable" on the Statement of Financial Position at September 30, 2021. 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 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. The Organization received notice of forgiveness of the PPP-2 loan.

17. 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 June 17, 2022, the Organization received notice, on June 27, 2022, of forgiveness in full of the PPP-2 loan in the amount of \$203,100. See Footnote 16 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 year-end. 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.

	Year Ended September 30, 2021							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
SUPPORT AND REVENUE:								
Contributions	\$ 4 284 221	\$ 35 491	\$ 4 319 712	\$ -	\$ -	\$ -	\$ -	\$ 4 319 712
In-kind contributions	206 181	-	206 181	-	-	-	-	206 181
Rental income	-	-	-	193 646	-	193 646	-	193 646
Investment income	261 327	-	261 327	-	-	-	-	261 327
PPP Loan Forgiveness	181 000	-	181 000	-	-	-	-	181 000
Other income	3 833	-	3 833	-	-	-	-	3 833
Total before Merchandise Sales	4 936 562	35 491	4 972 053	193 646	-	193 646	-	5 165 699
Merchandise sales	14 040	-	14 040	-	-	-	-	14 040
Cost of goods sold	(10 078)	-	(10 078)	-	-	-	-	(10 078)
Merchandise Sales, Net	3 962	-	3 962	-	-	-	-	3 962
Net assets released from restrictions:								
Restrictions satisfied by payments	135 917	(135 917)	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	5 076 441	(100 426)	4 976 015	193 646	-	193 646	-	5 169 661
EXPENSES AND LOSSES:								
Change in Value of Split-Interest Agreements	16 711	-	16 711	-	-	-	-	16 711
Net loss on disposal of property and equipment	934	-	934	-	-	-	-	934
Program services:								
Mission general	1 067 174	-	1 067 174	-	-	-	-	1 067 174
Education	188 800	-	188 800	-	-	-	-	188 800
Communications	428 244	-	428 244	-	-	-	-	428 244
Supporting services:								
Management and general	402 129	-	402 129	150 247	-	150 247	-	552 376
Fundraising	498 538	-	498 538	-	-	-	-	498 538
TOTAL EXPENSES AND LOSSES	2 602 530	-	2 602 530	150 247	-	150 247	-	2 752 777
CHANGE IN NET ASSETS	2 473 911	(100 426)	2 373 485	43 399	-	43 399	-	2 416 884
NET ASSETS AT BEGINNING OF YEAR	2 255 648	866 720	3 122 368	877 127	-	877 127	-	3 999 495
NET ASSETS AT END OF YEAR	\$ 4 729 559	\$ 766 294	\$ 5 495 853	\$ 920 526	\$ -	\$ 920 526	\$ -	\$ 6 416 379

(See Independent Auditor's report.)

	Year Ended September 30, 2020							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
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
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.)