

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

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2022

Consolidated Financial Statements

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

Years Ended September 30, 2022 and 2021

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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, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Life International, Inc. and HLI Endowment as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Human Life International, Inc. and HLI Endowment and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Life International, Inc. and HLI Endowment's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

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collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Human Life International, Inc. and HLI Endowment's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Life International, Inc. and HLI Endowment's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

September 27, 2023

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

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

ASSETS

	September 30,	
	2022	2021
CURRENT ASSETS:		
Cash	\$ 157 981	\$ 210 847
Bequests receivable	-	38 159
Interest receivable	6 049	3 436
Rent receivable	39 410	40 936
Current portion of promise to give	102 924	100 000
Inventory, net	40 306	59 532
Prepaid expenses	55 811	42 738
TOTAL CURRENT ASSETS	402 481	495 648
PROPERTY AND EQUIPMENT:		
Property and equipment, at cost, net of accumulated depreciation of \$4,896,190 and \$4,744,747 , respectively	2 596 244	2 650 913
OTHER ASSETS:		
Promise to give, net of current portion and discount of \$42,025 and \$55,764, respectively	465 286	544 236
Investments	2 567 945	3 289 863
Cash surrender value of life insurance	202 119	196 212
Other assets, net	14 348	14 348
TOTAL OTHER ASSETS	3 249 698	4 044 659
TOTAL ASSETS	\$ 6 248 423	\$ 7 191 220

(See accompanying Notes to Consolidated

EXHIBIT "A"

LIABILITIES AND NET ASSETS

	September 30,	
	2022	2021
CURRENT LIABILITIES:		
Accounts payable	\$ 116 332	\$ 42 195
Accrued expenses	56 785	49 262
Deferred rental income	390	606
SBA loan payable	-	203 100
Current portion of annuities payable	61 283	70 058
TOTAL CURRENT LIABILITIES	234 790	365 221
OTHER LIABILITIES:		
Annuities payable, net of current portion	388 097	409 620
TOTAL OTHER LIABILITIES	388 097	409 620
TOTAL LIABILITIES	622 887	774 841
NET ASSETS:		
Without donor restrictions	4 924 781	5 650 085
With donor restrictions	700 755	766 294
TOTAL NET ASSETS	5 625 536	6 416 379
TOTAL LIABILITIES AND NET ASSETS	\$ 6 248 423	\$ 7 191 220

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

EXHIBIT "B"

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT:						
Contributions	\$ 2 439 462	\$ 87 944	\$ 2 527 406	\$ 4 309 221	\$ 10 491	\$ 4 319 712
In-kind contributions	5 648	-	5 648	206 181	-	206 181
Rental income	204 871	-	204 871	193 646	-	193 646
Net investment return	(373 265)	-	(373 265)	261 327	-	261 327
PPP Loan Forgiveness	203 100	-	203 100	181 000	-	181 000
Other income	3 548	-	3 548	3 833	-	3 833
Total Before Merchandise Sales	2 483 364	87 944	2 571 308	5 155 208	10 491	5 165 699
Merchandise sales	14 421	-	14 421	14 040	-	14 040
Cost of goods sold	(19 737)	-	(19 737)	(10 078)	-	(10 078)
Merchandise Sales, Net	(5 316)	-	(5 316)	3 962	-	3 962
Net assets released from restrictions:						
Restrictions satisfied by payments	153 483	(153 483)	-	110 917	(110 917)	-
TOTAL REVENUES, GAINS AND SUPPORT	2 631 531	(65 539)	2 565 992	5 270 087	(100 426)	5 169 661
EXPENSES AND LOSSES:						
Change in value of split-interest agreements	29 080	-	29 080	16 711	-	16 711
Loss on disposition of assets	-	-	-	934	-	934
Program services:						
Mission general	1 307 859	-	1 307 859	1 067 174	-	1 067 174
Education	237 795	-	237 795	188 800	-	188 800
Communications	546 975	-	546 975	428 244	-	428 244
Supporting services:						
Management and general	749 769	-	749 769	552 376	-	552 376
Fundraising	485 357	-	485 357	498 538	-	498 538
TOTAL EXPENSES AND LOSSES	3 356 835	-	3 356 835	2 752 777	-	2 752 777
CHANGE IN NET ASSETS	(725 304)	(65 539)	(790 843)	2 517 310	(100 426)	2 416 884
NET ASSETS AT BEGINNING OF YEAR	5 650 085	766 294	6 416 379	3 132 775	866 720	3 999 495
NET ASSETS AT END OF YEAR	\$ 4 924 781	\$ 700 755	\$ 5 625 536	\$ 5 650 085	\$ 766 294	\$ 6 416 379

(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, 2022							
	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
EXPENSES:							
Personnel costs:							
Salaries	\$ 281 499	\$ 184 360	\$ 247 641	\$ 713 500	\$ 224 091	\$ 116 811	\$ 1 054 402
Employee benefits	45 784	35 206	47 290	128 280	53 987	22 307	204 574
Payroll taxes	17 984	13 829	18 576	50 389	16 812	8 762	75 963
Total Personnel Costs	345 267	233 395	313 507	892 169	294 890	147 880	1 334 939
Other operating expenses:							
Advertising	1 600	-	34 874	36 474	2 416	6 200	45 090
Bad debt	-	-	-	-	25 000	-	25 000
Bank and credit card fees	535	-	15 912	16 447	16 230	-	32 677
Contractors	38 026	-	107 515	145 541	32 242	-	177 783
Depreciation	129 426	-	-	129 426	67 397	1 111	197 934
Grants and donations	527 542	-	-	527 542	-	-	527 542
Insurance	6 671	-	-	6 671	38 883	-	45 554
Interest expense	-	-	-	-	-	-	-
Miscellaneous	10 396	-	16 520	26 916	2 716	8 004	37 636
Office expense	9 322	1 516	4 866	15 704	16 722	5 687	38 113
Printing and postage	2 247	361	14 493	17 101	7 855	230 929	255 885
Professional fees	1 236	-	-	1 236	49 847	-	51 083
Repairs and maintenance	70 914	-	-	70 914	43 632	658	115 204
Rent	14 915	-	-	14 915	3 900	-	18 815
Subscriptions	5 359	-	1 556	6 915	49 906	37 225	94 046
Supplies	1 318	-	-	1 318	748	12	2 078
Taxes and licenses	32 361	-	36	32 397	25 747	6 693	64 837
Telephone	19 824	-	-	19 824	11 253	185	31 262
Training	20	-	-	20	18 596	-	18 616
Travel, conferences and meetings	36 639	2 523	37 696	76 858	11 000	40 265	128 123
Utilities	54 241	-	-	54 241	30 789	508	85 538
Subtotal	962 592	4 400	233 468	1 200 460	454 879	337 477	1 992 816
TOTAL FUNCTIONAL EXPENSES	\$ 1 307 859	\$ 237 795	\$ 546 975	\$ 2 092 629	\$ 749 769	\$ 485 357	\$ 3 327 755

(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"
(Continued)

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.)

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

CONSOLIDATED STATEMENTS OF
CASH FLOWS

EXHIBIT "D"

	Years Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (790 843)	\$ 2 416 884
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	197 934	189 792
Realized/unrealized (gain)/loss on sale of investments	445 922	(213 879)
Loss on disposal of assets	-	934
(Increase) decrease in assets:		
Rent receivable	1 526	(8 097)
Bequests receivable	38 159	12 072
Interest receivable	(2 075)	(3 436)
Promise to give	76 026	84 434
Inventory	19 226	1 152
Prepaid expenses	(13 073)	(4 355)
Cash surrender value of life insurance	(5 907)	(9 082)
Increase (decrease) in liabilities:		
Accounts payable	74 137	(10 587)
Accrued expenses	7 523	(1 841)
Deferred revenue	(216)	(644)
NET CASH FROM OPERATING ACTIVITIES	48 339	2 453 347
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1 024 696)	(3 955 666)
Purchase of fixed assets	(143 265)	(142 439)
Proceeds from sale of investments	1 306 091	1 800 791
NET CASH FROM INVESTING ACTIVITIES	138 130	(2 297 314)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP Loan Forgiven	(203 100)	(181 000)
Proceeds from PPP Loan	-	203 100
Change in value of annuities	29 080	16 711
Payments on capital lease	-	(973)
Payments on annuities	(65 315)	(78 047)
NET CASH FROM FINANCING ACTIVITIES	(239 335)	(40 209)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52 866)	115 824
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	210 847	95 023
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 157 981	\$ 210 847

(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, 2022 and 2021, 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, 2022 and 2021 was \$36,661 and \$24,201, respectively.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000, and 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 \$45,090 and \$19,802 in advertising expense for the years ended September 30, 2022 and 2021, 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 may have been made to the accompanying financial statements to maintain consistency between periods presented. Any 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,	
	2022	2021
Total financial assets	\$ 3 076 428	\$ 3 841 294
Donor-imposed restrictions:		
Funds subject to specific purpose restrictions	<u>(142 779)</u>	<u>(122 058)</u>
Net assets after donor-imposed restrictions	2 933 649	3 719 236
Less: Board-designated funds:		
Board-designated endowment	(1 012 054)	(1 185 340)
Board-designated operating reserve	(1 335 771)	(1 783 632)
Board-designated annuity reserve	<u>(218 303)</u>	<u>(318 974)</u>
Board-designated funds obligation	<u>(2 566 128)</u>	<u>(3 287 946)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 367 521</u>	<u>\$ 431 290</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, 2022 and 2021, 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, 2022		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 135 205	\$ 135 205	\$ -
Equities	1 264 148	1 029 963	(234 185)
Real estate investment trusts	102	135	33
Corporate bonds	500 662	439 474	(61 188)
Mutual funds	886 237	736 575	(149 662)
Exchange traded products	173 171	226 593	53 422
	<u>\$ 2 959 527</u>	<u>\$ 2 567 945</u>	<u>\$ (391 582)</u>
	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>

4. INVESTMENTS: (Continued)

Investment return for the years ended September 30, 2022 and 2021 consists of the following:

	September 30,	
	2022	2021
Dividends	\$ 87 604	\$ 46 363
Interest	-	2
Investment fees	(21 681)	(8 482)
Realized gains (losses)	2 829	153 800
Unrealized gains (losses)	(448 751)	60 142
	(379 999)	251 825
Other interest (bank accounts and life insurance)	6 734	9 502
Net investment return	<u>\$ (373 265)</u>	<u>\$ 261 327</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, 2022 and 2021.

6. PROMISES TO GIVE:

Unconditional promises to give consist of the following:

	September 30,	
	2022	2021
Unrestricted promises	\$ 610 235	\$ 700 000
Less: Unamortized discount	(42 025)	(55 764)
	<u>\$ 568 210</u>	<u>\$ 644 236</u>
Amounts due in:		
Less than one year	\$ 102 924	
One to five years	465 286	
Five or more years		
	<u>\$ 568 210</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
	2022	2021	Lives
Buildings	\$ 5 164 219	\$ 5 163 030	39 years
Computer systems	178 257	175 598	3 years
Furniture and fixtures	773 416	801 224	5-15 years
Land	224 447	224 447	
Building improvements	1 093 867	973 133	10-31.5 years
Vehicles	58 228	58 228	7 years
	7 492 434	7 395 660	
Less: accumulated depreciation	(4 896 190)	(4 744 747)	
Net property and equipment	<u>\$ 2 596 244</u>	<u>\$ 2 650 913</u>	

Depreciation expense was \$197,934 and \$189,792 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021 are summarized as follows:

	September 30,	
	2022	2021
Beginning balance	\$ 479 678	\$ 540 079
Increase from new gift annuities received	5 937	-
Payments made to annuitants	(65 315)	(77 112)
Change in value of split-interest agreement	29 080	16 711
Total annuities payable	449 380	479 678
Less: Current portion	(61 283)	(70 058)
Annuities payable, net of current portion	<u>\$ 388 097</u>	<u>\$ 409 620</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, 2022:

<u>Year Ending September 30</u>	
2023	183 568
2024	47 687
2025	25 116
2026	20 930
	<u>\$ 277 301</u>

A tenant with annual rents in excess of \$130,000 did not renew their lease ending August of 2023.

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.

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

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

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,	
	2022	2021
Board designated endowment	\$ 1 012 054	\$ 1 185 340
Board designated operations reserve	1 335 771	1 783 632
Board designated annuity reserve	218 303	318 974
Total board designations	2 566 128	3 287 946
Other net assets without donor restrictions	2 358 653	2 362 139
Total net assets without donor restrictions	<u>\$ 4 924 781</u>	<u>\$ 5 650 085</u>

Net Assets With Donor Restrictions

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

	September 30, 2022			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Subject to expenditure for specified purpose:				
Asia	\$ 257	\$ 2 000	\$ (2,257)	\$ -
Africa	-	2 245	(2 050)	195
Central-Eastern Europe	-	-	-	-
Fetal Model	19	-	-	19
Francophone Africa	1 458	-	(1 458)	-
Hungary	500	10 345	(8 345)	2 500
Speaker Honoraria	3 750	-	(3 750)	-
India	50	100	(50)	100
Latin America	-	10 000	(10 000)	-
Liberia	80	-	-	80
Poland	-	1 374	(1 320)	54
Rome	-	500	(500)	-
Romania	45	165	(180)	30
Seminarians	580	50	-	630
Tanzania	-	5 000	(5 000)	-
Ukraine	-	36 165	(12 313)	23 852
Uganda	-	20 000	(20 000)	-
United Kingdom	115 319	-	-	115 319
Zimbabwe	-	-	-	-
	122 058	87 944	(67 223)	142 779
Subject to the passage of time:				
Pledge receivable	644 236	-	(86 260)	557 976
	<u>\$ 766 294</u>	<u>\$ 87 944</u>	<u>\$ (153 483)</u>	<u>\$ 700 755</u>

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

	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
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)	-
	138 050	10 491	(26 483)	122 058
Subject to the passage of time:				
Pledge receivable	728 670	-	(84 434)	644 236
	<u>\$ 866 720</u>	<u>\$ 10 491</u>	<u>\$ (110 917)</u>	<u>\$ 766 294</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage 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, 2022 and 2021, the Board of Directors has designated \$1,012,054 and \$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

12. ENDOWMENT FUND:(Continued)

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 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.

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, 2022 is as follows:

	September 30,	
	2022	2021
Cash	\$ 20 092	\$ 17 105
Equity	487 190	674 657
Mutual funds	443 089	477 691
Exchange trade products	61 683	15 887
Board-designated Endowment funds	<u>\$ 1 012 054</u>	<u>\$ 1 185 340</u>

The value of \$1,012,054 at the end of the fiscal year, September 30, 2022, reflects a net depreciation of \$173,286.

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, 2022 and 2021 are as follows:

	September 30, 2022			
	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	\$ 135 205	\$ 135 205	\$ -	\$ -
Equities	1 029 963	1 029 963	-	-
Real estate investment trusts	135	-	135	-
Corporate bonds	439 474	439 474	-	-
Mutual funds	736 575	736 575	-	-
Exchanged traded products	226 593	226 594	-	-
Total Investments	<u>\$ 2 567 945</u>	<u>\$ 2 567 811</u>	<u>\$ 135</u>	<u>\$ -</u>

	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	<u>\$ 3 289 863</u>	<u>\$ 3 288 299</u>	<u>\$ 1 564</u>	<u>\$ -</u>

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, 2022 and 2021 were \$6,732 and \$6,732, respectively. Also, there was a related receivable balance for delinquent rent of \$39,253 as of September 30, 2021.

On September 3, 2021, HLI revised the terms of its lease agreement with the 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, 2022:

<u>Year Ended September 30,</u>	
2022	7 668
2023	7 668
2024	7 668
2025	7 668
2026	<u>6 885</u>
Total	<u>\$ 37 557</u>

Due to the rents continuing to fall behind during the fiscal year ended September 30, 2022, subsequent to the Statement of Financial Position date, the board has decided not to renew the lease with the board member when it expires on December 31, 2023.

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, 2022 and 2021, the Organization awarded grants of \$527,542 and \$440,352, 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"). 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. On June 25, 2022, the Organization receive notice of forgiveness in full of PPP-2 in the amount of \$203,100. PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and was administered through the Small Business Administration ("SBA") and local banks. It provided 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 were forgivable after a covered period of either eight or 24 weeks, as long as the borrower used the loan proceeds for eligible expenses including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness may have been reduced if the borrower terminated employees or reduced salaries during the 8- or 24-week period. Any unforgiven portion of the PPP loan would have been 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.

17. SUBSEQUENT EVENTS:

In October, 2022, the Organization received \$365,067 in Employee Retention Credit (ERC) funds, plus interest. The ERC, which was created by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), was designed to aid organizations that kept employees on payroll through a credit on qualifying wages. To be eligible, an organization must either meet the required drop in revenue, or have been subject to a full or partial government shutdown of its operations. Unlike with the Payroll Protection Program referenced in footnote 15, the ERC program has no advance approval process. An organization simply applies for the credit(s) by filing amended payroll forms 941. HLI filed amended form 941s and received the credit(s) based on the latter, government shutdown option, as it did not meet the drop in revenue requirements.

As of this report's release date, the Organization has consulted with an attorney to look into the matter, and the preliminary indication reflects an opinion that could not confirm that the Organization qualified for the credits received. As a result, the Organization will continue to explore what options it has, including the yet to be developed IRS' "Settlement Program", whereby an organization can self-report the non-compliance and enter into a repayment agreement. The Settlement Program is expected to have reduced or eliminated penalties for the voluntary participant.

As of the report release date, it appears more likely than not that the Organization did not qualify for the ERC funds. Thus, no receivable or revenue has been recognized in the financial statements, as would otherwise be the case. It is expected that, for the fiscal year ending September 30, 2023, the funds received will be reflected as a "Refundable Advance" on the Statement of Financial Position (a liability), and will remain until the matter is resolved. Management has evaluated subsequent events through the date which the consolidated financial statements were available to be issued.

Year Ended September 30, 2022								
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
SUPPORT AND REVENUE:								
Contributions	\$ 2 439 462	\$ 87 944	\$ 2 527 406	\$ -	\$ -	\$ -	\$ -	\$ 2 527 406
In-kind contributions	5 648	-	5 648	-	-	-	-	5 648
Rental income	-	-	-	204 871	-	204 871	-	204 871
Investment income	(373 265)	-	(373 265)	-	-	-	-	(373 265)
PPP Loan Forgiveness	203 100	-	203 100	-	-	-	-	203 100
Other income	3 548	-	3 548	-	-	-	-	3 548
Total before Merchandise Sales	2 278 493	87 944	2 366 437	204 871	-	204 871	-	2 571 308
Merchandise sales	14 421	-	14 421	-	-	-	-	14 421
Cost of goods sold	(19 737)	-	(19 737)	-	-	-	-	(19 737)
Merchandise Sales, Net	(5 316)	-	(5 316)	-	-	-	-	(5 316)
Net assets released from restrictions:								
Restrictions satisfied by payments	153 483	(153 483)	-	-	-	-	-	-
TOTAL REVENUES, GAINS AND SUPPORT	2 426 660	(65 539)	2 361 121	204 871	-	204 871	-	2 565 992
EXPENSES AND LOSSES:								
Change in Value of Split-Interest Agreements	29 080	-	29 080	-	-	-	-	29 080
Net loss on disposal of property and equipment	-	-	-	-	-	-	-	-
Program services:								
Mission general	1 307 859	-	1 307 859	-	-	-	-	1 307 859
Education	237 795	-	237 795	-	-	-	-	237 795
Communications	546 975	-	546 975	-	-	-	-	546 975
Supporting services:								
Management and general	749 769	-	749 769	-	-	-	-	749 769
Fundraising	485 357	-	485 357	-	-	-	-	485 357
TOTAL EXPENSES AND LOSSES	3 356 835	-	3 356 835	-	-	-	-	3 356 835
CHANGE IN NET ASSETS	(930 175)	(65 539)	(995 714)	204 871	-	204 871	-	(790 843)
NET ASSETS AT BEGINNING OF YEAR	4 729 559	766 294	5 495 853	920 526	-	920 526	-	6 416 379
NET ASSETS AT END OF YEAR	\$ 3 799 384	\$ 700 755	\$ 4 500 139	\$ 1 125 397	\$ -	\$ 1 125 397	\$ -	\$ 5 625 536

(See Independent Auditor's report.)

	Year Ended September 30, 2021							
	Human Life International, Inc.			HLI Endowment, Inc.				
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal	Eliminations	Total
SUPPORT AND REVENUE:								
Contributions	\$ 4 309 221	\$ 10 491	\$ 4 319 712	\$ -	\$ -	\$ -	\$ -	\$ 4 319 712
In-kind contributions	206 181	-	206 181	-	-	-	-	206 181
Rental income	-	-	-	193 646	-	193 646	-	193 646
PPP Loan Forgiveness	181 000	-	181 000	-	-	-	-	181 000
Investment income	261 327	-	261 327	-	-	-	-	261 327
Other income	3 833	-	3 833	-	-	-	-	3 833
Total before Merchandise Sales	4 961 562	10 491	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	110 917	(110 917)	-	-	-	-	-	-
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	-	-	-	-	-	-	-
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	-	2 601 596	150 247	-	150 247	-	2 751 843
CHANGE IN NET ASSETS	2473 911	(100 426)	2373 485	43 399	-	43 399	-	2416 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.)