

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

Front Royal, Virginia

FINANCIAL REPORT

September 30, 2019

Consolidated Financial Statements

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

Years Ended September 30, 2019 and 2018

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# RUTHERFORD & JOHNSON, P.C.

*Certified Public Accountants & Business Advisors*

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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, 2019 and 2018, 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, 2019 and 2018, 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.

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

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

March 9, 2020

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

CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION

EXHIBIT "A"

ASSETS

	September 30,	
	2019	2018
<b>CURRENT ASSETS:</b>		
Cash	\$ 132 111	\$ 82 526
Bequests receivable	146 813	138 000
Rent receivable	26 649	25 189
Current portion of promise to give	100 000	-
Inventory, net	56 192	54 120
Prepaid expenses	43 467	40 097
	<u>505 232</u>	<u>339 932</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>PROPERTY AND EQUIPMENT:</b>		
Property and equipment, at cost, net of accumulated depreciation of \$4,434,297 and \$4,466,080, respectively	<u>2 722 124</u>	<u>2 837 720</u>
<b>OTHER ASSETS:</b>		
Promise to give, net of current portion and discount of \$87,271	712 729	-
Investments	551 197	670 716
Cash surrender value of life insurance	178 804	168 545
Other assets, net	14 348	14 130
	<u>1 457 078</u>	<u>853 391</u>
<b>TOTAL OTHER ASSETS</b>		
<b>TOTAL ASSETS</b>	<u>\$ 4 684 434</u>	<u>\$ 4 031 043</u>

(See accompanying Notes to

LIABILITIES AND NET ASSETS

	September 30,	
	2019	2018
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 116 151	\$ 95 150
Accrued expenses	39 900	46 887
Deferred rental income	1 250	2 371
Current portion of capital lease	11 342	10 742
Current portion of annuities payable	76 910	77 174
<b>TOTAL CURRENT LIABILITIES</b>	<b>245 553</b>	<b>232 324</b>
 <b>OTHER LIABILITIES:</b>		
Capital lease, net of current portion	973	12 315
Annuities payable, net of current portion	491 709	535 109
<b>TOTAL OTHER LIABILITIES</b>	<b>492 682</b>	<b>547 424</b>
 <b>NET ASSETS:</b>		
Without donor restrictions	3 004 504	3 120 325
With donor restrictions	941 695	130 970
<b>TOTAL NET ASSETS</b>	<b>3 946 199</b>	<b>3 251 295</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4 684 434</b>	<b>\$ 4 031 043</b>

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT:						
Contributions	\$ 2 492 702	\$ 817 729	\$ 3 310 431	\$ 2 307 873	\$ 33 566	\$ 2 341 439
In-kind contributions	122 820	-	122 820	137 078	-	137 078
Rental income	178 899	-	178 899	174 627	-	174 627
Net investment return	25 388	-	25 388	32 741	-	32 741
Other income	7 083	-	7 083	3 439	-	3 439
Total before Merchandise Sales	2 826 892	817 729	3 644 621	2 655 758	33 566	2 689 324
Merchandise sales	23 344	-	23 344	29 657	-	29 657
Cost of goods sold	(22 141)	-	(22 141)	(21 059)	-	(21 059)
Merchandise Sales, Net	1 203	-	1 203	8 598	-	8 598
Net assets released from restrictions:						
Restrictions satisfied by payments	7 004	(7 004)	-	114 854	(114 854)	-
TOTAL REVENUES, GAINS AND SUPPORT	2 835 099	810 725	3 645 824	2 779 210	(81 288)	2 697 922
EXPENSES AND LOSSES:						
Change in Value of Split-Interest Agreements	33 450	-	33 450	50 620	-	50 620
Net loss on disposal of property and equipment	381	-	381	-	-	-
Program services:						
Mission general	1 171 930	-	1 171 930	1 287 926	-	1 287 926
Education	260 604	-	260 604	297 063	-	297 063
Communications	343 244	-	343 244	268 386	-	268 386
Supporting services:						
Management and general	629 320	-	629 320	658 721	-	658 721
Fundraising	511 991	-	511 991	584 814	-	584 814
TOTAL EXPENSES AND LOSSES	2 950 920	-	2 950 920	3 147 530	-	3 147 530
CHANGE IN NET ASSETS	(115 821)	810 725	694 904	(368 320)	(81 288)	(449 608)
NET ASSETS AT BEGINNING OF YEAR	3 120 325	130 970	3 251 295	3 488 645	212 258	3 700 903
NET ASSETS AT END OF YEAR	\$ 3 004 504	\$ 941 695	\$ 3 946 199	\$ 3 120 325	\$ 130 970	\$ 3 251 295

(See accompanying Consolidated Notes to Financial Statements.)



EXPENSES:	Year Ended September 30, 2019						
	PROGRAM SERVICES				SUPPORT SERVICES		
	Mission General	Education	Communication	Total	Management and General	Fundraising	Total
Personnel costs:							
Salaries	\$ 154 945	\$ 200 520	\$ 112 822	\$ 468 287	\$ 207 347	\$ 151 046	\$ 826 680
Employee benefits	23 191	43 087	24 243	90 521	53 918	32 456	176 895
Payroll taxes	7 389	15 279	8 597	31 265	15 799	11 509	58 573
Total Personnel Costs	185 525	258 886	145 662	590 073	277 064	195 011	1 062 148
Other operating expenses:							
Advertising	-	-	5 508	5 508	381	8 220	14 109
Bank and credit card fees	1 045	-	-	1 045	12 529	14 397	27 971
Contractors	37 830	-	42 145	79 975	74 276	43 735	197 986
Depreciation	125 547	-	-	125 547	58 881	971	185 399
Grants and donations	562 229	-	-	562 229	-	-	562 229
Insurance	3 070	-	-	3 070	32 999	-	36 069
Interest expense	-	-	-	-	1 604	-	1 604
Miscellaneous	1 418	-	3 699	5 117	2 133	12 294	19 544
Office expense	8 078	1 512	1 404	10 994	8 102	13 157	32 253
Printing and postage	2 947	206	121 192	124 345	1 797	168 570	294 712
Professional fees	741	-	-	741	31 951	-	32 692
Repairs and maintenance	33 005	-	-	33 005	22 928	308	56 241
Rent	14 036	-	-	14 036	5 437	-	19 473
Subscriptions	-	-	1 000	1 000	13 424	42 899	57 323
Taxes and licenses	27 091	-	-	27 091	33 202	327	60 620
Telephone	21 971	-	-	21 971	12 472	206	34 649
Training	-	-	-	-	4 783	-	4 783
Travel, conferences and meetings	96 884	-	22 634	119 518	6 760	11 425	137 703
Utilities	50 513	-	-	50 513	28 597	471	79 581
Subtotal	986 405	1 718	197 582	1 185 705	352 256	316 980	1 854 941
Total Functional Expenses	\$ 1 171 930	\$ 260 604	\$ 343 244	\$ 1 775 778	\$ 629 320	\$ 511 991	\$ 2 917 089

(See accompanying Consolidated Notes to Financial Statements.)

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

(See accompanying Consolidated Notes to Financial Statements.)

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

CONSOLIDATED STATEMENTS OF  
CASH FLOWS

EXHIBIT "D"

	Years Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 694 904	\$ (449 608)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	185 399	186 352
Realized/unrealized (gain) on sale of investments	(9 669)	(2 712)
Loss on disposal of assets	381	-
(Increase) decrease in assets:		
Rent receivable	(1 460)	(3 462)
Bequests receivable	(8 813)	127 000
Promise to give	(812 729)	-
Inventory	(2 072)	4 562
Prepaid expenses	(3 370)	(14 119)
Cash surrender value of life insurance	(10 259)	(7 787)
Other assets	( 218)	-
Increase (decrease) in liabilities:		
Accounts payable	21 001	(33 952)
Accrued expenses	(6 987)	131
Deferred revenue	(1 121)	332
NET CASH FROM OPERATING ACTIVITIES	<u>44 987</u>	<u>(193 263)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	( 932 698)	(1 941 805)
Purchase of fixed assets	(70 184)	(39 200)
Proceeds from sale of investments	1 061 886	2 206 047
NET CASH FROM INVESTING ACTIVITIES	<u>59 004</u>	<u>225 042</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in liabilities from new annuities	6 893	5 885
Change in value of annuities	34 020	50 620
Payments on capital lease	(10 742)	(9 347)
Payments on annuities	(84 577)	(87 143)
NET CASH FROM FINANCING ACTIVITIES	<u>(54 406)</u>	<u>(39 985)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49 585	(8 206)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>82 526</u>	<u>90 732</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 132 111</u>	<u>\$ 82 526</u>

(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, 2019 and 2018, 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 if, 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, 2019 and 2018 was \$27,057 and \$27,151, respectively.

**Property and Equipment**

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

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

**Deferred Revenue**

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

**Donated Property and Services**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIS: (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 \$14,109 and \$22,146 in advertising expense for the years ended September 30, 2019 and 2018, respectively.

**Change in Accounting Principle**

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

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated 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:

2. LIQUIDITY AND AVAILABILITY (Continued)

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 1 084 775	\$ 946 976
Donor-imposed restrictions:		
Funds subject to specific purpose restrictions	<u>(128 966)</u>	<u>(130 970)</u>
Net assets after donor-imposed restrictions	955 809	816 006
Less: Board-designated funds:		
Board designated annuity obligation reserve	<u>(371 143)</u>	<u>(343 564)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 584 666</u>	<u>\$ 472 442</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, 2019 and 2018, 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:

	<u>September 30, 2019</u>		
	<u>Cost</u>	<u>Recorded Value (Level 1)</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash	\$ 177 345	\$ 177 345	\$ -
Equities	133 671	142 838	9 167
Real estate investment trusts	160	155	( 5)
Mutual funds	129 439	131 909	2 470
Exchange traded products	98 476	98 950	474
	<u>\$ 539 091</u>	<u>\$ 551 197</u>	<u>\$ 12 106</u>
	<u>September 30, 2018</u>		
	<u>Cost</u>	<u>Recorded Value (Level 1)</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash	\$ 247 999	\$ 247 999	\$ -
Equities	77 961	76 362	(1 599)
Real estate investment trusts	160	149	( 11)
Corporate bonds	30 000	28 242	(1 758)
Mutual funds	181 019	181 094	75
Exchange traded products	136 738	136 870	132
	<u>\$ 673 877</u>	<u>\$ 670 716</u>	<u>\$ (3 161)</u>

4. INVESTMENTS: (Continued)

Investment return for the years ended September 30, 2019 and 2018 consists of the following:

	September 30,	
	2019	2018
Dividends	\$ 11 854	\$ 23 116
Interest	4	10 493
Investment fees	(6 400)	(10 995)
Foreign taxes	-	( 48)
Realized gains (losses)	(5 598)	34 395
Unrealized gains (losses)	15 267	(31 683)
	15 127	25 278
Other interest (bank accounts and life insurance)	10 261	7 463
Net investment return	<u>\$ 25 388</u>	<u>\$ 32 741</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, 2019 and 2018.

6. PROMISES TO GIVE:

Unconditional promises to give consist of the following:

	September 30,	
	2019	2018
Unrestricted promises	\$ 900 000	\$ -
Less: Unamortized discount	(87 271)	-
	<u>\$ 812 729</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 100 000	
One to five years	432 786	
Five or more years	279 943	
	<u>\$ 812 729</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
	2019	2018	
Buildings	\$ 5 163 030	\$ 5 154 171	39 years
Computer systems	191 218	244 260	3 years
Excess reimbursement	(1 610)	-	
Furniture and fixtures	823 531	953 926	5-15 years
Land	224 447	224 447	
Building improvements	697 577	647 688	10-31.5 years
Vehicles	58 228	79 308	7 years
	7 156 421	7 303 800	
Less: accumulated depreciation	<u>(4 434 297)</u>	<u>(4 466 080)</u>	
Net Property and Equipment	<u>\$ 2 722 124</u>	<u>\$ 2 837 720</u>	

Depreciation expense was \$185,399 and \$186,352 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018 are summarized as follows:

	September 30,	
	2019	2018
Beginning balance	\$ 612 283	\$ 642 921
Increase from new gift annuities received	6 893	5 885
Payments made to annuitants	(84 577)	(87 143)
Change in value of split-interest agreement	34 020	50 620
Total annuities payable	568 619	612 283
Less: Current portion	76 910	77 174
Annuities payable, net of current portion	<u>\$ 491 709</u>	<u>\$ 535 109</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, 2019:

<u>Year Ending September 30</u>	
2020	\$ 160 414
2021	147 343
2022	145 040
2023	123 017
	<u>\$ 575 814</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.

Minimum future lease payments under the capital lease as of September 30, 2019, are as follows:

<u>Year Ending September 30</u>	
2020	\$ 11 342
2021	973
	<u>\$ 12 315</u>

11. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS:

Net Assets Without Donor Restrictions

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

	September 30,	
	2019	2018
Board designated annuity reserve	\$ 371 143	\$ 343 564
Total Board Designations	371 143	343 564
Other Net Assets Without Donor Restrictions	2 633 361	2 776 761
Total Net Assets Without Donor Restrictions	<u>\$ 3 004 504</u>	<u>\$ 3 120 325</u>

Net Assets With Donor Restrictions

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

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

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

	September 30, 2018			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Subject to expenditure for specified purpose:				
Africa	\$ 1 600	\$ 250	\$ (1 850)	\$ -
African billboard campaign	2 285	-	(2 285)	-
Africa radio campaign	1 320	-	(1 320)	-
Columbia	300	-	(300)	-
Dominican Republic	12	-	(12)	-
Ecuador	400	-	(400)	-
Fetal Model	19	-	-	19
Francophone Africa	52 239	9	(37 023)	15 225
International prayer congree	16	-	(16)	-
Irish 4D Ultrasound	160	-	(160)	-
Irish Media	116	-	(116)	-
Ireland	25	-	(25)	-
Kenya	300	-	(300)	-
Latin America - Mexico City	-	400	(400)	-
Latin America - Firewall	756	-	(756)	-
Latin America - Costa Rica	-	400	(400)	-
Liberia	80	-	-	80
Ligaya's Car	500	-	(500)	-
Mongolia	32	-	(32)	-
Opus Bonum	600	-	(600)	-
Poland	1 500	-	(1 500)	-
Poland - Europe leaders mtg.	-	10 000	(10 000)	-
Regional Coordinators Prog.	12 500	-	(12 500)	-
Rome	-	1 000	(1 000)	-
Seminarians	13 355	1 207	(14 562)	-
South America	36	-	(36)	-
Spiritual treasury	10	-	-	10
Switzerland	600	200	(800)	-
Tanzania	4 050	-	(4 050)	-
Togo	3 181	-	(3 181)	-
Translation Services	317	-	-	317
Uganda	630	15 100	(15 730)	-
United Kingdom	115 319	-	-	115 319
Zimbabwe	-	5 000	(5 000)	-
	<u>\$ 212 258</u>	<u>\$ 33 566</u>	<u>\$ (114 854)</u>	<u>\$ 130 970</u>

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

12. FAIR VALUE MEASUREMENTS:

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

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

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

Fair values of assets measured on a recurring basis as of the years ended September 30, 2019 and 2018 are as follows:

	September 30, 2019			
	Fair Value	Quoted in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 177 345	\$ 177 345	\$ -	\$ -
Equities	142 838	142 838	-	-
Real Estate Investment Trusts	155	-	155	-
Mutual Funds	131 909	131 909	-	-
Exchanged traded products	98 950	98 950	-	-
Total Investments	<u>\$ 551 197</u>	<u>\$ 551 042</u>	<u>\$ 155</u>	<u>\$ -</u>

12. FAIR VALUE MEASUREMENTS: (Continued)

	September 30, 2018			
	Fair Value	Quoted in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 247 999	\$ 247 999	\$ -	\$ -
Equities	76 362	76 362	-	-
Real Estate Investment Trusts	149	-	149	-
Corporate Bonds	28 242	-	28 242	-
Mutual Funds	181 094	181 094	-	-
Exchanged traded products	136 870	136 870	-	-
<b>Total Investments</b>	<b>\$ 670 716</b>	<b>\$ 642 325</b>	<b>\$ 28 391</b>	<b>\$ -</b>

13. RELATED PARTY:

The Organization rents office space to a member of the board of directors. Total rents due during the years ended September 30, 2019 and 2018 were \$6,732 and \$6,732, respectively. Also, there was a related receivable balance for delinquent rent of \$25,789 and \$25,057 as of the years ended September 30, 2019 and 2018, respectively.

14. AFFILIATES:

The Organization has established affiliate relationships with organizations and/or individuals located in various foreign countries. These relationships are supported by an Affiliate Agreement, that among other things, indicates that the affiliates are an independent organization in their host country. As such, the consolidated financial statements do not reflect the consolidated activity of these affiliates, including any assets or liabilities related to these affiliates. Instead, all of the funding sent to these affiliates is reflected as a program grant expense on the Consolidated Statements of Functional Expenses. For the years ended September 30, 2019 and 2018, the Organization awarded grants of \$562,229 and \$615,501, respectively.

15. SUPPLEMENTARY STATEMENT OF CASH FLOWS INFORMATION:

Cash paid for:

	September 30,	
	2019	2018
Equipment purchased under capital lease	\$ -	\$ 32 404



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

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
September 30, 2019 and 2018

16. SUBSEQUENT EVENTS:

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

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

(See Independent Auditor's report.)

	Year Ended September 30, 2018							
	Human Life International, Inc.			HLI Endowment, Inc.			Eliminations	Total
	Unrestricted	Temporarily Restricted	Subtotal	Unrestricted	Temporarily Restricted	Subtotal		
<b>SUPPORT AND REVENUE:</b>								
Contributions	\$ 2 307 873	\$ 33 566	\$ 2 341 439	\$ -	\$ -	\$ -	\$ -	\$ 2 341 439
In-kind contributions	137 078	-	137 078	-	-	-	-	137 078
Rental income	5 571	-	5 571	169 056	-	169 056	-	174 627
Investment income	32 741	-	32 741	-	-	-	-	32 741
Other income	3 439	-	3 439	-	-	-	-	3 439
<b>Total before Merchandise Sales</b>	<b>2 486 702</b>	<b>33 566</b>	<b>2 520 268</b>	<b>169 056</b>	<b>-</b>	<b>169 056</b>	<b>-</b>	<b>2 689 324</b>
Merchandise sales	29 657	-	29 657	-	-	-	-	29 657
Cost of goods sold	(21 059)	-	(21 059)	-	-	-	-	(21 059)
<b>Merchandise Sales, Net</b>	<b>8 598</b>	<b>-</b>	<b>8 598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 598</b>
Net assets released from restrictions:								
Restrictions satisfied by payments	114 854	(114 854)	-	-	-	-	-	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<b>2 610 154</b>	<b>(81 288)</b>	<b>2 528 866</b>	<b>169 056</b>	<b>-</b>	<b>169 056</b>	<b>-</b>	<b>2 697 922</b>
<b>EXPENSES AND LOSSES:</b>								
Change in Value of Split-Interest Agreements	50 620	-	50 620	-	-	-	-	50 620
Program services:								
Mission general	1 287 926	-	1 287 926	-	-	-	-	1 287 926
Education	297 063	-	297 063	-	-	-	-	297 063
Communications	268 386	-	268 386	-	-	-	-	268 386
Supporting services:								
Management and general	505 963	-	505 963	152 758	-	152 758	-	658 721
Fundraising	584 814	-	584 814	-	-	-	-	584 814
<b>TOTAL EXPENSES AND LOSSES</b>	<b>2 994 772</b>	<b>-</b>	<b>2 994 772</b>	<b>152 758</b>	<b>-</b>	<b>152 758</b>	<b>-</b>	<b>3 147 530</b>
<b>CHANGE IN NET ASSETS</b>	<b>(384 618)</b>	<b>(81 288)</b>	<b>(465 906)</b>	<b>16 298</b>	<b>-</b>	<b>16 298</b>	<b>-</b>	<b>(449 608)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2 716 561</b>	<b>212 258</b>	<b>2 928 819</b>	<b>772 084</b>	<b>-</b>	<b>772 084</b>	<b>-</b>	<b>3 700 903</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2 331 943</b>	<b>\$ 130 970</b>	<b>\$ 2 462 913</b>	<b>\$ 788 382</b>	<b>\$ -</b>	<b>\$ 788 382</b>	<b>\$ -</b>	<b>\$ 3 251 295</b>

(See Independent Auditor's report.)