

***THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA
FINANCIAL STATEMENTS
DECEMBER 31, 2016***

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3-4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Human Development Foundation of North America

Report on the Financial Statements

I have audited the accompanying financial statements of The Human Development Foundation of North America (a nonprofit organization the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expense, change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

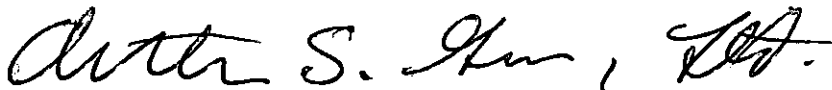
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Human Development Foundation of North America, as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Arthur S. Khan, CPA." The signature is written in a cursive style.

Northbrook, Illinois
November 10, 2017

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 93,823	\$ 346,141	\$ 159,582	\$ -	\$ 599,546
Investments	-	-	1,433,273	-	1,433,273
Accounts receivable	-	-	-	-	-
Prepaid expenses	2,524	-	-	-	2,524
Inter fund receivable	-	-	93,023	(93,023)	-
Total current assets	96,347	346,141	1,685,878	(93,023)	2,035,343
Property and Equipment:					
Furniture and fixtures	5,658	-	-	-	5,658
Equipment	12,030	-	-	-	12,030
Computers	14,411	-	-	-	14,411
	32,099	-	-	-	32,099
Accumulated depreciation	(32,099)	-	-	-	(32,099)
Total property and equipment	-	-	-	-	-
Other Assets:					
Security deposit	3,579	-	-	-	3,579
Total assets	99,926	346,141	1,685,878	(93,023)	2,038,922
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable	10,821	-	-	-	10,821
Inter fund payable	93,023	-	-	(93,023)	-
Total current liabilities	103,844	-	-	(93,023)	10,821
Net Assets:					
Unrestricted net assets	(3,918)	-	-	-	(3,918)
Temporarily restricted	-	346,141	-	-	346,141
Permanently restricted	-	-	1,685,878	-	1,685,878
Total net assets	(3,918)	346,141	1,685,878	-	2,028,101
Total liabilities and net assets	\$ 99,926	\$ 346,141	\$ 1,685,878	\$ (93,023)	\$ 2,038,922

The accompanying notes are an integral part of these financial statements.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

SUPPORT AND REVENUE:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support:				
Corporations	\$ 101,599	\$ 20,050	\$ 1,000	\$ 122,649
Foundations	68,031	87,409	15,000	170,440
Individuals	936,217	732,115	144,716	1,813,048
Net assets released from restrictions	<u>1,144,949</u>	<u>(1,144,949)</u>	-	-
Total support	<u>\$ 2,250,796</u>	<u>\$ (305,375)</u>	<u>\$ 160,716</u>	<u>\$ 2,106,137</u>
Revenue:				
Interest and dividend income	387	55,010	-	55,397
BOD meeting registration	75	-	-	75
Other	69	-	-	69
Net realized/unrealized gain (loss) on investments	-	<u>37,320</u>	-	<u>37,320</u>
Total revenue	<u>531</u>	<u>92,330</u>	<u>-</u>	<u>92,861</u>
Total support and revenue	<u>\$ 2,251,327</u>	<u>\$ (213,045)</u>	<u>\$ 160,716</u>	<u>\$ 2,198,998</u>
EXPENSES:				
Program services	\$ 1,806,511	\$ -	\$ -	\$ 1,806,511
Management and general	197,049	-	-	197,049
Fundraising and development	<u>240,092</u>	<u>-</u>	<u>-</u>	<u>240,092</u>
Total expenses	<u>\$ 2,243,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,243,652</u>
Change in net assets	<u>\$ 7,675</u>	<u>\$ (213,045)</u>	<u>\$ 160,716</u>	<u>\$ (44,654)</u>
Net assets - January 1, 2016	<u>(11,593)</u>	<u>559,186</u>	<u>1,525,162</u>	<u>2,072,755</u>
Net assets - December 31, 2016	<u>\$ (3,918)</u>	<u>\$ 346,141</u>	<u>\$ 1,685,878</u>	<u>\$ 2,028,101</u>

The accompanying notes are an integral part of these financial statements.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2016

	Education, Community, Social Mobilization	Economic Development	Health and Wellness	Other Program Services	Total Program Services	Management and General	Fundraising	Organization Total
Salaries and wages	\$ 43,229	\$ -	\$ -	\$ 65,521	\$ 108,750	\$ 63,674	\$ 66,524	\$ 238,948
Benefits	435	-	-	354	789	644	270	1,703
Payroll taxes	4,502	-	-	3,656	8,158	7,392	2,791	18,341
Program services and grants	775,080	40,458	473,581	223,432	1,512,551	-	-	1,512,551
Promotion and awareness	9,293	-	-	-	9,293	-	55,788	65,081
Special events	91,076	-	-	-	91,076	-	91,076	182,152
Miscellaneous	4	-	-	-	4	1,721	-	1,725
Postage and printing	27,392	-	-	-	27,392	16,625	9,132	53,149
Occupancy	11,891	-	-	-	11,891	11,891	-	23,782
Bank charges	6,312	-	-	-	6,312	6,312	-	12,624
Broker fees - investments	-	-	-	-	-	9,090	-	9,090
Conferences and meetings	2,874	-	-	-	2,874	-	2,874	5,748
Dues and subscriptions	-	-	-	-	-	2,258	-	2,258
Insurance	4,247	-	-	-	4,247	4,247	-	8,494
Office equipment leases	-	-	-	-	-	4,109	-	4,109
Office supplies	-	-	-	-	-	6,033	-	6,033
Outside services	11,637	-	-	9,087	20,724	50,516	11,637	82,877
Technology	2,250	-	-	-	2,250	10,987	-	13,237
Telephone	200	-	-	-	200	200	-	400
Travel	-	-	-	-	-	1,350	-	1,350
Total expense	\$ 990,422	\$ 40,458	\$ 473,581	\$ 302,050	\$ 1,806,511	\$ 197,049	\$ 240,092	\$ 2,243,652

The accompanying notes are an integral part of these financial statements.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

INCREASE <DECREASE> IN CASH:

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	(44,654)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gains)/losses on investments		92,330
Change in receivables		1,528
Change in prepaid expense		2,223
Change in accounts payable and accrued expense		7,525
		<hr/>
Net Cash Provided by Operating Activities		58,952

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	\$	-
Purchases of investments		(137,895)
		<hr/>
Net Cash (Used in) Investing Activities		(137,895)

CASH FLOWS FROM FINANCING ACTIVITIES:

		<hr/>
		-
NET INCREASE (DECREASE) IN CASH	\$	(78,943)
CASH - BEGINNING OF THE YEAR		678,489
		<hr/>
CASH - END OF THE YEAR	\$	599,546
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NATURE OF ORGANIZATION

The Human Development Foundation of North America (“HDFNA”) is a non-profit corporation organized under the laws of the State of Illinois in 1997. The primary purposes of HDFNA are to undertake and carry out humanitarian relief, promote mass literacy among people who do not have access to educational facilities, to provide preventative health care and to raise the standard of living of the underprivileged.

The primary activity in the United States is to raise funds with which to carry out the above program activities in Pakistan through an affiliated foundation, The Human Development Foundation of Pakistan (“HDFP”). HDFP is organized under the laws of its sovereignty limited by guarantee, but has influence but not control from HDFNA through certain common directors.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows current accounting standards. Under those standards, the Organization is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management’s discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Organization had \$346,141 in temporarily and \$1,685,878 in permanently restricted net assets at December 31, 2016.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are included in unrestricted support. Temporarily restricted contributions from prior periods whose restrictions are met are reclassified to unrestricted net assets and reported in the statement of activities as temporarily restricted net assets released from restrictions.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional fiscal year ending December 31, 2016.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop The Human Development Foundation of North America programs. Their contributions include planning various special fundraising events.

The Human Development Foundation of North America does not track volunteer hours. These services have not otherwise been included in the financial statements, as they do not meet the criteria established by current accounting standards for recording donated services.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash included cash in bank in the amount of \$439,964 and money market in investment accounts in the amount of \$159,582.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to programs; scholarships; general and administrative expense; and fund raising. Expenses related to more than one function are charged on pro-rata basis as estimated by management. Salaries and benefits are allocated on the percentage of time that the individual spends working on a given area. The allocation is done as a percentage of hours dedicated to an area to the total amount of the hours the staff member works. Certain expenses are allocated based on their usage. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for charitable contribution deductions under Section 170(b)(1)(iii) and has been classified as an organization that is not a private foundation under Section 509(a)(1). All required payroll tax filings through December 31, 2016 have been filed by the Organization. The Organization has filed its US Form 990 and Illinois AG 990 IL through December 31, 2015, with the current year return (2016) on a filed extension through November 15, 2017.

Long Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Fair value is based on market quotes, if available, or is based on valuation techniques. There were no impairment losses recognized during the year ended December 31, 2016.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is not involved in any venture which, in its opinion, is subject to tax on unrelated business income. Accordingly, the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. HDFNA has adopted the revised provisions of current accounting standards relating to uncertain tax positions. These standards require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing any tax returns to determine whether the income tax positions taken meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitation for federal and state purposes.

The Organization's federal Exempt Organization Returns for the years ending December 31, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed. Any years prior to January 1, 2013 are therefore considered closed. The tax return for the year ended December 31, 2016 is due by November 15, 2017.

Investments in Securities and Related Income, Gains and Losses

Investments in marketable securities with readily determinable fair values are reported at their fair value and classified as current even though there were no plans or intentions of disposing of any particular security at December 31, 2016. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investments balances and the amounts reported in financial statements. Interest and dividend income from securities and realized and unrealized gains and losses are reported as based up donor restrictions.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

DATE OF MANAGEMENT REVIEW

The Organization has reviewed subsequent events through and including November 10, 2017 which is the first date the financial statements were available for distribution.

PROPERTY AND EQUIPMENT

Purchased property and equipment are recorded at cost, and are subject to capitalization when the expenditures are \$3,000 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method, over periods of 5 to 15 years. All property and equipment at December 31, 2016 was fully depreciated.

Property and equipment at December 31, 2016 consist of the following:

Office equipment, furniture and fixtures	\$	17,689
Computer equipment		<u>14,410</u>
Net property and equipment at cost	\$	32,099
Less: accumulated depreciation		<u>(32,099)</u>
Net property and equipment	\$	<u><u>-</u></u>

INVESTMENTS

The Fair Value Measurement and Disclosure topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available. The value of HDFNA's assets and liabilities which are required to be carried at fair value are valued at quoted prices in active markets for identical assets and liabilities and are, therefore, considered Level 1 assets and liabilities.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

INVESTMENTS (continued)

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. Investments at December 31, 2016 consist of the following:

Permanently Restricted Financial Assets:	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value:		
US Treasuries	\$ 43,551	\$ 43,551
Corporate Bonds	30,726	30,726
Equities	11,865	11,865
Bond Funds	71,006	71,006
Equity Funds	175,530	175,530
Other Assets	<u>1,100,595</u>	<u>1,100,595</u>
	<u>\$ 1,433,273</u>	<u>\$ 1,433,273</u>

The following schedule summarizes investment return in the statement of activities for the year ended December 31, 2016.

Interest and dividends	\$ 55,010
Net realized gain/(loss)	-
Net unrealized gain/(loss)	37,319
Broker fees and other costs	<u>(9,090)</u>
	<u>\$ 83,239</u>

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 are available for the following purposes:

Education, community, social mobilization	\$ 33,646
Economic development	4,384
Emergency relief	269,458
Health and wellness	29,002
Other program services	<u>9,651</u>
	<u>\$ 346,141</u>

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are donor-restricted and considered an endowment for the continuity of HDFNA. The endowment consists of gifts received from donors with the stipulation that the principal be invested and the income used for the general purposes of HDFNA. HDFNA has invested its excess liquidity in money market funds and a broadly diversified range of marketable equity securities, including companies listed on other U.S. and foreign exchanges. Typically, no single security holding is significant to its financial position and no investment sector is greater than 20% of all securities held. The entire amount of investments was classified as permanently restricted net assets. As of December 31, 2016 the fair market value of investments was \$1,443,273.

AMOUNTS RAISED AT FUNDRAISING CAMPAIGNS

Unrestricted contributions on the statement of activities are represented net of direct fundraising campaign expenses. The table below presents gross contributions raised by HDFNA in 2016 and the reconciliation to the net amount shown on the statement of activities as of December 31, 2016.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gross contributions	\$ 584,971	\$ 319,354	\$ 22,500	\$ 926,825
Direct Fundraising expense	142,152			142,152
	<u>\$ 442,819</u>	<u>\$ 319,354</u>	<u>\$ 22,500</u>	<u>\$ 784,673</u>

ALLOCATION OF JOINT COSTS

In 2016, the HDFNA conducted activities that included requests for contributions, as well as program components. Those activities include direct mail and special events. The cost of conducting those activities totaled \$430,534, which is not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Fundraising	\$ 240,092
Community Awareness	<u>190,442</u>
	<u>\$ 430,534</u>

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

CONCENTRATION OF RISK

Substantially all of the organization's revenue during the year ended December 31, 2016 resulted from a multitude of donors. Accordingly, management believes that the Organization has no substantial concentration of risk.

The Organization maintained account balances in two depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in each institution. The Organization exceeds the FDIC insurance limit from time to time. When the FDIC insurance limits are exceeded, those amounts are deemed at risk.

HDFNA also maintains investments in cash and money market accounts at a broker who is covered by the Securities Investor Protection Corporation (SIPC). The SIPC maintains reserves which protect the investor against broker error and fraud. At times, cash and money market accounts may exceed SIPC limits.

EMPLOYEE BENEFIT PLANS

In 2006, HDFNA established two 403(b) plans for the benefit of its employees called the "Human Development Foundation of North America Defined Contribution Plan" and the "Human Development Foundation Tax Deferred Annuity Plan". Both have plan year ends of December 31st. Under the defined contribution plan, eligible employees receive employer contributions which match their contributions up to a maximum of 3% of their taxable income before the 403(b) deduction. Under the deferred annuity plan, eligible employees do not receive any employer contributions. HDFNA did not contribute for the year ended December 31, 2016, and is considering filing a final return thereby closing the plan.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

AFFILIATED FOUNDATION

HDFNA transferred funds to HDFP for carrying out HDFNA's programs in Pakistan. Transferred funds consist of the following:

Education and social mobilization	\$ 782,817
Economic development	49,544
Health and wellness	473,581
Other program services	<u>500,569</u>
	<u>\$ 1,806,511</u>

FACILITY LEASE

The organization currently leases one facility located in Rolling Meadows, Illinois which serves as the Organization's administrative office. Additionally, the Organization may from time to time, rent sites for its specific fundraising activities. The headquarters facility is leased from an unrelated third party. Commencing February 1, 2016 the Organization entered into a new lease for the period of February 1, 2016 through and including April 30, 2021. The scheduled facility lease payments for the duration of the lease subsequent to the year ending December 31, 2016 are as follows:

2017	\$ 20,292
2018	21,319
2019	21,955
2020	22,628
2021	<u>7,615</u>
Total	<u>\$ 93,809</u>

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

ENDOWMENT

HDFNA's endowment consists of one or more separate funds established for a variety of purposes. The endowment includes permanent endowments only. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) lists standards in which HDFNA is to manage and invest endowment funds, which are subject to the intent of a donor and the charitable purpose of HDFNA. The Board of Trustees of HDFNA endowment fund has interpreted the intent of this law to preserve gifts to endowment funds. As a result of this interpretation, HDFNA classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HDFNA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, HDFNA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the general purposes of the organization and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (6) other resources of HDFNA, (7) the investment policies of HDFNA.

Spending Policies

The Trustees of HDFNA endowment fund shall use the income derived from the endowment funds for funding one or more programs to transform the lives of residents of poor communities. The Trustees may, in their absolute discretion, pay any amount or amounts of the income of the endowment funds, at such time or times, and in such a manner as the Trustees, in their absolute discretion, shall determine to or for the benefit of the programs herein described previously. In previous years the endowment loaned funds to fund operations with the consent of donors with the stipulation that those loans were to be repaid. There is an "inter-fund" payable and receivable amounting to \$93,023 which has been eliminated in these financial statements. No payments were made during 2016.

The endowment funds of HDFNA are donor-restricted endowment funds.

THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

Endowment net assets composition by type and changes in endowment net assets for the year end December 31, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 1,525,162	\$ 1,525,162
Contributions	12,860	160,716	173,576
Investment income	55,010		55,010
Net appreciation/(depreciation)	37,319		37,319
Assets appropriated for expenditure	(105,189)		(105,189)
	<u>\$ -</u>	<u>\$ 1,685,878</u>	<u>\$ 1,685,878</u>