

HUMAN LIFE AND DEVELOPMENT FUND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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**HUMAN LIFE AND DEVELOPMENT FUND
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Human Life and Development Fund
Duluth, Minnesota

We have audited the accompanying financial statements of Human Life and Development Fund (the Fund), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Human Life and Development Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Life and Development Fund as of June 30, 2021, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
December 9, 2021

**HUMAN LIFE AND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Cash and Cash Equivalents	\$ 7,232
Other Receivables	1,115
Investments	<u>2,095,918</u>
Total Assets	<u><u>\$ 2,104,265</u></u>

NET ASSETS

NET ASSETS

Without Donor Restrictions:

Designated by the Board for Program Expenses	\$ 1,424,993
With Donor Restrictions	<u>679,272</u>
Total Net Assets	<u><u>\$ 2,104,265</u></u>

See accompanying Notes to Financial Statements.

**HUMAN LIFE AND DEVELOPMENT FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ -	\$ 1,100	\$ 1,100
Investment Return	385,852	172,285	558,137
Total Support and Revenues	385,852	173,385	559,237
 EXPENSES			
Ministry	55,734	-	55,734
Professional Services	5,250	-	5,250
Other Support	118	-	118
Total Expenses	61,102	-	61,102
 CHANGE IN NET ASSETS	324,750	173,385	498,135
Net Assets - Beginning of Year	1,100,243	505,887	1,606,130
 NET ASSETS - END OF YEAR	\$ 1,424,993	\$ 679,272	\$ 2,104,265

See accompanying Notes to Financial Statements.

**HUMAN LIFE AND DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Support and Revenue	\$ 1,326
Cash Paid to Suppliers and Employees	(61,102)
Investment Return Received	53,708
Net Cash Used by Operating Activities	(6,068)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(193,887)
Proceeds from Sale of Investments	198,187
Net Cash Provided by Investing Activities	4,300

NET DECREASE IN CASH

(1,768)

Cash - Beginning of Year

9,000

CASH - END OF YEAR

\$ 7,232

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 498,135
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Realized Gain on Investments	(75,552)
Unrealized Gain on Investments	(428,877)
Decrease in Other Receivables	226
Net Cash Used by Operating Activities	\$ (6,068)

See accompanying Notes to Financial Statements.

**HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Fund

Human Life and Development Fund of the Diocese of Duluth (the Fund), was established in 1994 to financially assist those organizations located within the territory of the Diocese of Duluth who serve the vulnerable and marginalized.

Basis of Presentation

The Fund classifies net assets and revenues, gains, and losses based on donor-imposed restrictions. Accordingly, net assets of the Fund and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors (board) has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Human Life and Development Fund or passage of time.

Contributions that are restricted by the donor are reported 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 statement of activities as Net Assets Released from Restriction.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of deposits with a financial institution. All cash deposits are fully insured up to the Federal Deposit Insurance Corporation (FDIC) coverage limit at the financial institution. At times, the cash balance may be in excess of the FDIC insurance limits.

**HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Fund records investments in equity securities with readily determinable fair value and investments in debt securities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Fair Value of Financial Instruments

The Fund categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Fund may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Fund has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the investment's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.

**HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Investments valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Investments valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. Investments valued using Level 3 inputs include a fund of funds which does not have any observable inputs.

Tax Status

The Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state tax codes. The Fund is not a private foundation and contributions to the Fund qualify as a charitable tax deduction by the contributor. The Fund is not subject to the filing requirements of the Form 990.

Revenue

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Fund. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Fund does not believe they are required to provide additional goods or services to the client. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions received in the current fiscal year that are donor restricted are reported as increases in net assets without donor restrictions if the restrictions also expire (when a stipulated time restriction ends or purpose restriction is accomplished) within the current fiscal year.

**HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

During the year ended June 30, 2021, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Fund, COVID-19 may impact various parts of the 2022 operations and financial results, including a potential loss of revenue due to investment market declines. Management believes the Fund is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Fund strives to maintain all assets as liquid financial assets. Financial assets are kept in the checking account or in highly liquid short-term investments prior to disbursement as needed.

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

Cash and Cash Equivalents	\$ 7,232
Investments	2,095,918
Other Receivables	1,115
Total	2,104,265
Less: Net Assets With Donor Restrictions	(679,272)
Less: Board Designated Net Assets	(1,424,993)
Total Financial Assets Available	\$ -

In addition, board designated net assets can become available based on board approval if funds are needed.

HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

NOTE 3 INVESTMENTS

The Fund has a policy of appropriating for distribution each year 3% to 5% of its investment average fair value over the prior 12 quarters. In establishing this policy, the Fund considered the long-term expected return on its endowment. Approved distributions that are not used in the fiscal year are reinvested and remain in the Fund.

The Fund has adopted investment and spending policies that attempt to provide a predictable stream of funding to operations of the Fund by its investments while seeking to maintain purchasing power of the assets. Under this policy, as approved by the board of directors, the assets are invested in a manner that is intended to produce a reasonable rate of return, net of inflation and investment management costs. Actual returns in any given year may vary from this amount.

The estimated market value of investments in securities are as follows as of June 30, 2021:

Cash Equivalents	\$ 51,030
Equity Securities - Domestic	1,095,251
Equity Securities - International	477,004
U.S. Government Obligations	286,616
Real Asset Funds	186,017
Total	<u>\$ 2,095,918</u>

NOTE 4 FAIR VALUE MEASUREMENTS

The Fund uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

For additional information on how the Fund measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Fund measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity Securities - Domestic	\$ 1,095,251	\$ -	\$ -	\$ 1,095,251
Equity Securities - International	477,004	-	-	477,004
U.S. Government Obligations	-	286,616	-	286,616
Real Asset Funds	186,017	-	-	186,017
Investments	<u>1,758,272</u>	<u>286,616</u>	<u>-</u>	<u>2,044,888</u>
Cash Equivalents	-	-	-	51,030
Total Investments	<u>\$ 1,758,272</u>	<u>\$ 286,616</u>	<u>\$ -</u>	<u>\$ 2,095,918</u>

**HUMAN LIFE AND DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE 5 NET ASSETS

Net assets with donor restrictions totaling \$679,272 at June 30, 2021, are available for future program expenses. No net assets with donor restrictions were released in June 30, 2021.

NOTE 6 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Fund. Expenses are directly allocated to the correct categories. The functional expense statement is as follows for the year ended June 30, 2021:

	Program	General and Administrative	Fundraising and Development	Total
Grants	\$ 55,734	\$ -	\$ -	\$ 55,734
Office Expense	-	118	-	118
Legal and Accounting	-	5,250	-	5,250
Total Expenses by Function	<u>\$ 55,734</u>	<u>\$ 5,368</u>	<u>\$ -</u>	<u>\$ 61,102</u>



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Human Life and Development Fund
Duluth, Minnesota

We have audited the financial statements of Human Life and Development Fund as of and for the year ended June 30, 2021, and our report thereon dated December 9, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Statements of Financial Position and Statements of Activities, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2021.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Statement of Financial Position of Human Life and Development Fund as of June 30, 2020, (which is not presented herein), and we expressed an unmodified opinion on that financial statement. The audit was conducted for purposes of forming an opinion on the financial statement as a whole. The Statements of Financial Position is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statements of Financial Position is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Board of Directors
Human Life and Development Fund

The Statement of Activities as of June 30, 2020, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
December 9, 2021

**HUMAN LIFE AND DEVELOPMENT FUND
SUPPLEMENTAL INFORMATION
JUNE 30, 2021 AND 2020**

Statements of Financial Position

(Both years shown have been subjected to auditing procedures)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 7,232	\$ 9,000
Other Receivables	1,115	1,341
Investments	2,095,918	1,595,789
Total Assets	\$ 2,104,265	\$ 1,606,130
NET ASSETS		
NET ASSETS		
Without Donor Restrictions:		
Designated by the Board for Program Expenses	\$ 1,424,993	\$ 1,100,243
With Donor Restrictions	679,272	505,887
Total Net Assets	\$ 2,104,265	\$ 1,606,130

**HUMAN LIFE AND DEVELOPMENT FUND
SUPPLEMENTAL INFORMATION
JUNE 30, 2021 AND 2020**

Statements of Activities

(Audited June 30, 2021 and unaudited June 30, 2020)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ -	\$ 1,100	\$ 1,100	\$ -	\$ 1,100	\$ 1,100
Investment Return	385,852	172,285	558,137	30,452	9,440	39,892
Net Assets Released from Restrictions	-	-	-	8,466	(8,466)	-
Total Support and Revenues	<u>385,852</u>	<u>173,385</u>	<u>559,237</u>	<u>38,918</u>	<u>2,074</u>	<u>40,992</u>
EXPENSES						
Ministry	55,734	-	55,734	59,190	-	59,190
Professional Services	5,250	-	5,250	1,864	-	1,864
Other Support	118	-	118	276,182	-	276,182
Total Expenses	<u>61,102</u>	<u>-</u>	<u>61,102</u>	<u>337,236</u>	<u>-</u>	<u>337,236</u>
CHANGE IN NET ASSETS	324,750	173,385	498,135	(298,318)	2,074	(296,244)
Net Assets - Beginning of Year	<u>1,100,243</u>	<u>505,887</u>	<u>1,606,130</u>	<u>1,398,561</u>	<u>503,813</u>	<u>1,902,374</u>
NET ASSETS - END OF YEAR	<u>\$ 1,424,993</u>	<u>\$ 679,272</u>	<u>\$ 2,104,265</u>	<u>\$ 1,100,243</u>	<u>\$ 505,887</u>	<u>\$ 1,606,130</u>

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