

Humaniti Foundation
Financial Statements
and Independent Auditor's Report
December 31, 2023

Humaniti Foundation

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Independent Auditor's Report

To the Board of Directors
Humaniti Foundation

Opinion

We have audited the accompanying financial statements of Humaniti Foundation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the period from March 10, 2023 (inception) through December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humaniti Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the period from March 10, 2023 (inception) through December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humaniti Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Humaniti Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humaniti Foundation's ability to continue as a going concern for a reasonable period of time.

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

CohnReznick LLP

Los Angeles, California
November 11, 2024

Humaniti Foundation
Statement of Financial Position
December 31, 2023

Assets

Current assets		
Cash and cash equivalents	\$	69,509
Pledges receivable		30,000
Total current assets		99,509
Investments		206,833
Total assets	\$	306,342

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$	50,588
Noncurrent liabilities		
Note payable		497,425
Total liabilities		548,013
Net assets		
Without donor restrictions		(241,671)
Total liabilities and net assets	\$	306,342

See Notes to Financial Statements.

Humaniti Foundation

Statement of Activities

For the Period from March 10, 2023 (Inception) through December 31, 2023

Revenue and support	
Donations	\$ 226,233
Interest and dividends	6,833
	<hr/>
Total revenue and support	233,066
	<hr/>
Expenses	
Program	438,512
Management and general	36,225
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Total expenses	474,737
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Change in net assets	(241,671)
Net assets, beginning	-
	<hr/>
Net assets, end	\$ (241,671)
	<hr/> <hr/>

See Notes to Financial Statements.

Humaniti Foundation

Statement of Functional Expenses For the Period from March 10, 2023 (Inception) through December 31, 2023

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Computer	\$ 222	\$ 1,440	\$ 1,662
Bank fees	-	811	811
Consulting services	120,000	-	120,000
Grants	307,290	-	307,290
Advertising	11,000	43	11,043
Interest	-	5,057	5,057
Professional fees	-	28,874	28,874
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 438,512</u>	<u>\$ 36,225</u>	<u>\$ 474,737</u>

See Notes to Financial Statements.

Humaniti Foundation

Statement of Cash Flows

For the Period from March 10, 2023 (Inception) through December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ (241,671)
Changes in operating assets and liabilities	
Pledges receivable	(30,000)
Accounts payable and accrued expenses	<u>50,588</u>
Net cash used in operating activities	<u>(221,083)</u>
Cash flows from investing activities	
Purchases of investments	(200,000)
Reinvested interest and dividends	<u>(6,833)</u>
Net cash used in investing activities	<u>(206,833)</u>
Cash flows from financing activities	
Proceeds from note payable	500,000
Cash paid on note payable	<u>(2,575)</u>
Net cash provided by investing activities	<u>497,425</u>
Net Increase in cash and cash equivalents	69,509
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, end	<u><u>\$ 69,509</u></u>

See Notes to Financial Statements.

Humaniti Foundation

Notes to Financial Statements December 31, 2023

Note 1 - Business and summary of significant accounting policies

Business

Humaniti Foundation (the "Foundation") was organized in 2023 under Internal Revenue Code Section 501(c)(3) as a nonprofit entity and began operating as a public charity. The specific, and primary, purpose of the Foundation is to raise funds and make distributions for charitable, religious educational, and scientific purposes.

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions for specific purpose.

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, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2023, the Foundation does not have any net assets with donor restrictions.

Cash and cash equivalents

The Foundation considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash equivalents.

Investments

Investments with readily determined fair values are reported at their fair value in the statement of financial position. Investment sales and purchases are recorded on a trade-date basis. The realized and unrealized gains and losses are included in the Foundation's statement of activities. Dividend income is recorded based upon the ex-dividend date and interest income is recorded as earned on an accrual basis.

The Foundation values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Humaniti Foundation

Notes to Financial Statements December 31, 2023

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as contributions with donor restrictions perpetual. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Unconditional promises to give with payments due in future periods are reported as restricted support. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return to the donor, are not recognized until the conditions on which they depend have been substantially met. The Foundation has no conditional promises to give at December 31, 2023.

Pledges receivable

Pledges receivable is stated at unpaid balances, less a discount on the pledges receivable due in greater than one year. At December 31, 2023, all pledges receivable are due within one year.

Grant expenditures

Grant expenditures are recognized in the period the grant is made, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at present value of expected future payments. At December 31, 2023, grants payable of \$40,809 are included in accounts payable and accrued expenses on the statement of financial position and are due within one year.

Humaniti Foundation

Notes to Financial Statements December 31, 2023

Income taxes

The Foundation is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue Taxation Code of California and classified as a public charity. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Foundation has no unrecognized tax benefits at December 31, 2023. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Foundation recognizes interest and penalties associated with tax matters, if applicable, as part of the tax provision and includes accrued interest and penalties with the related tax liability in the statement of financial position.

Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Functional expense allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on estimates of employees' time incurred and on usage of resources.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The Foundation has evaluated subsequent events through November 11, 2024, which is the date the financial statements were available to be issued.

Note 2 - Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and pledges receivable.

At December 31, 2023, the Foundation has the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$	69,509
Pledges receivable		<u>30,000</u>
	\$	<u><u>99,509</u></u>

Humaniti Foundation

Notes to Financial Statements December 31, 2023

Note 3 - Concentrations of credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents and investments with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Foundation's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Note 4 - Investments

At December 31, 2023, investments consist of the following:

Convertible debt	<u>\$ 206,833</u>
	<u><u>\$ 206,833</u></u>

The Foundation's investment is a convertible promissory note with a principal sum of \$200,000. Interest is earned at 10% per annum and paid out annually when the company is able or paid at maturity (August 4, 2026). The Foundation has an option to convert the note receivable in equity securities in the company. For the period ended December 31, 2023, investments include \$6,833 of accrued interest and there was no distribution received by the Foundation.

At December 31, 2023, investments are carried at fair value and are classified in the table below in one of the three categories as described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments measured at NAV</u>	<u>Total</u>
Convertible debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,833</u>	<u>\$ -</u>	<u>\$ 206,833</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 206,833</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 206,833</u></u>

For the period ended December 31, 2023, there have been no changes in the valuation methodologies.

Level 3 investments are valued using recent transactions. The Level 3 investment was not valued using internally developed inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Humaniti Foundation

Notes to Financial Statements December 31, 2023

The Foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer.

Note 5 - Related parties

The Foundation has a promissory note in the amount of \$500,000 with Humaniti International, a Canadian nonprofit organization with certain common board members. Interest is accrued at the minimum applicable Federal Rate, 3.05% per annum at the time of issuance, and is accrued and payable on the three-year anniversary of the date of the agreement. The Noteholder may forgive any and all accrued interest at their discretion. At December 31, 2023, the outstanding balance on the note payable is \$497,425 and accrued interest of \$5,057 is included in accounts payable and accrued expenses in the statement of financial position.

The five-year maturity of the related party note at December 31, 2023 is:

2024	\$	-
2025		-
2026		497,425
2027		-
2028		-
Thereafter		-
		<hr/>
	\$	<u>497,425</u>

During the period ended December 31, 2023, the Foundation received \$74,975 in donations from Humaniti International which made up 33% of the total donations received, and \$20,000 from Humaniti Inc., a nonprofit organization with certain common board members.



Independent Member of Nexia International

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