

CONEXIÓN AMÉRICAS  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Conexión Américas  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Conexión Américas (the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conexión Américas as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*KraftCPAs PLLC*

Nashville, Tennessee  
March 30, 2009

CONEXIÓN AMÉRICAS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 197,937	\$ 62,730
Accounts receivable	10,615	15,280
Contributions receivable	140,000	82,661
Loans receivable, less allowance for uncollectible loans: 2008 - \$75,684; 2007 - \$28,324 - Notes 2 and 5	1,120,831	915,822
Investments - Note 3	29,886	-
Equipment, net - Note 4	3,386	4,727
Other assets	<u>1,600</u>	<u>1,600</u>
TOTAL ASSETS	<u>\$ 1,504,255</u>	<u>\$ 1,082,820</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 7,775	\$ 10,613
Accrued expenses - other	239	28
Refundable grantor advances	17,214	17,214
Notes payable - Note 5	<u>1,232,946</u>	<u>939,583</u>
TOTAL LIABILITIES	<u>1,258,174</u>	<u>967,438</u>
COMMITMENTS - Note 8		
NET ASSETS		
Unrestricted	6,081	32,721
Temporarily restricted - Note 6	<u>240,000</u>	<u>82,661</u>
TOTAL NET ASSETS	<u>246,081</u>	<u>115,382</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,504,255</u>	<u>\$ 1,082,820</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Revenues:			
Fee for services	\$ 55,956	\$ -	\$ 55,956
Interest	87,882	-	87,882
Realized and unrealized gain (loss) on investments	<u>3,524</u>	<u>-</u>	<u>3,524</u>
Total Revenues	<u>147,362</u>	<u>-</u>	<u>147,362</u>
Public Support:			
Contributions	11,215	-	11,215
Government, foundation and other grants	129,184	240,000	369,184
Fundraising events	164,891	-	164,891
Temporarily restricted net assets released from restriction	<u>82,661</u>	<u>(82,661)</u>	<u>-</u>
Total Public Support	<u>387,951</u>	<u>157,339</u>	<u>545,290</u>
TOTAL SUPPORT AND REVENUE	<u>535,313</u>	<u>157,339</u>	<u>692,652</u>
EXPENSES			
Program services:			
Social and economic advancement programs	430,782	-	430,782
Management and general	46,462	-	46,462
Fundraising	<u>84,709</u>	<u>-</u>	<u>84,709</u>
TOTAL EXPENSES	<u>561,953</u>	<u>-</u>	<u>561,953</u>
CHANGE IN NET ASSETS	(26,640)	157,339	130,699
NET ASSETS - BEGINNING OF YEAR	<u>32,721</u>	<u>82,661</u>	<u>115,382</u>
NET ASSETS - END OF YEAR	<u>\$ 6,081</u>	<u>\$ 240,000</u>	<u>\$ 246,081</u>

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

2007

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 102,810	\$ -	\$ 102,810
53,703	-	53,703
<u>9,602</u>	<u>-</u>	<u>9,602</u>
166,115	-	166,115
18,046	-	18,046
74,116	57,661	131,777
77,690	-	77,690
<u>87,661</u>	<u>(87,661)</u>	<u>-</u>
<u>257,513</u>	<u>(30,000)</u>	<u>227,513</u>
<u>423,628</u>	<u>(30,000)</u>	<u>393,628</u>
378,580	-	378,580
48,477	-	48,477
<u>60,844</u>	<u>-</u>	<u>60,844</u>
<u>487,901</u>	<u>-</u>	<u>487,901</u>
(64,273)	(30,000)	(94,273)
<u>96,994</u>	<u>112,661</u>	<u>209,655</u>
<u>\$ 32,721</u>	<u>\$ 82,661</u>	<u>\$ 115,382</u>

CONEXIÓN AMÉRICAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 130,699	\$ (94,273)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,341	1,465
Realized and unrealized gain on investments	(3,524)	(9,602)
Loan loss provision	47,360	16,495
Contributions received by donated securities	(26,362)	(28,796)
(Increase) decrease in:		
Accounts receivable	4,665	36,284
Contributions receivable	(57,339)	60,000
Increase (decrease) in:		
Accounts payable	(2,838)	(14,606)
Accrued expenses - other	211	(4,276)
Refundable grantor advances	-	(12,070)
TOTAL ADJUSTMENTS	<u>(36,486)</u>	<u>44,894</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>94,213</u>	<u>(49,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Housing downpayment assistance loans made	(338,469)	(624,432)
Principal repayments on housing downpayment assistance loans	86,100	67,852
Proceeds from sale of investments	-	63,492
Purchase of equipment	-	(852)
NET CASH USED IN INVESTING ACTIVITIES	<u>(252,369)</u>	<u>(493,940)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	338,469	624,432
Principal repayments on notes payable	(45,106)	(72,415)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>293,363</u>	<u>552,017</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	135,207	8,698
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>62,730</u>	<u>54,032</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 197,937</u>	<u>\$ 62,730</u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	<u>\$ 69,467</u>	<u>\$ 32,020</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			
	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 190,613	\$ 29,269	\$ 45,133	\$ 265,015
Payroll taxes	15,531	2,385	3,677	21,593
Employee fringe benefits	<u>1,602</u>	<u>246</u>	<u>379</u>	<u>2,227</u>
TOTAL PAYROLL AND RELATED EXPENSES	207,746	31,900	49,189	288,835
Provision for uncollectible loans	47,360	-	-	47,360
Advertising and promotion	11,881	-	625	12,506
Automobile expense	685	122	8	815
Coffee expenses	-	-	3,738	3,738
Contract labor	974	-	-	974
Downpayment assistance grants provided	-	-	-	-
Dues and subscriptions	1,201	212	-	1,413
Education	3,867	-	-	3,867
Fundraising breakfast	-	-	9,729	9,729
Fundraising video production	-	-	5,400	5,400
Furniture, fixtures and equipment rental	1,670	298	20	1,988
Hispanic Heritage fundraising event	-	-	15,525	15,525
Insurance	2,873	513	34	3,420
Interest expense	69,467	-	-	69,467
Legal and accounting	17,769	3,385	-	21,154
Licenses and fees	333	64	-	397
Maintenance and repairs	7,865	1,404	94	9,363
Meals and entertainment	1,116	213	-	1,329
Miscellaneous expense	1,436	274	-	1,710
Office supplies and expense	10,759	1,674	252	12,685
Program materials	524	-	-	524
Rent	22,596	4,304	-	26,900
Sabor fundraising event	-	-	-	-
Telephone	6,602	1,179	78	7,859
Training	8,109	-	-	8,109
Translation expense	1,033	-	-	1,033
Travel	3,572	680	-	4,252
Utilities	<u>218</u>	<u>39</u>	<u>3</u>	<u>260</u>
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	429,656	46,261	84,695	560,612
Depreciation of equipment	<u>1,126</u>	<u>201</u>	<u>14</u>	<u>1,341</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 430,782</u>	<u>\$ 46,462</u>	<u>\$ 84,709</u>	<u>\$ 561,953</u>

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



2007

Program Services	Management and General	Fundraising	Totals
\$ 216,034	\$ 27,829	\$ 9,735	\$ 253,598
17,306	2,229	780	20,315
<u>3,110</u>	<u>401</u>	<u>140</u>	<u>3,651</u>
236,450	30,459	10,655	277,564
16,495	-	-	16,495
8,293	-	436	8,729
715	128	9	852
-	-	-	-
3,615	5,423	27,113	36,151
8,500	-	-	8,500
1,113	196	-	1,309
183	-	-	183
-	-	-	-
-	-	-	-
1,960	350	23	2,333
-	-	17,324	17,324
3,185	569	38	3,792
31,320	-	-	31,320
15,318	2,918	-	18,236
710	135	-	845
4,918	878	59	5,855
979	187	-	1,166
423	81	-	504
5,537	887	101	6,525
1,095	-	-	1,095
22,092	4,208	-	26,300
-	-	5,010	5,010
5,056	903	60	6,019
2,127	405	-	2,532
4,473	-	-	4,473
2,693	513	-	3,206
<u>100</u>	<u>17</u>	<u>1</u>	<u>118</u>
377,350	48,257	60,829	486,436
<u>1,230</u>	<u>220</u>	<u>15</u>	<u>1,465</u>
<u>\$ 378,580</u>	<u>\$ 48,477</u>	<u>\$ 60,844</u>	<u>\$ 487,901</u>

# CONEXIÓN AMÉRICAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General

Conexión Américas (the “Agency”) was organized as a Tennessee not-for-profit corporation in 2002 to help Hispanic families realize their aspirations for social and economic advancement by promoting their integration into the Middle Tennessee community.

#### Basis of presentation

The accompanying financial statements present the financial position and operations of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors’ stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2008 and 2007.

#### Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support (continued)

Gifts of equipment or materials are reported as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents consist principally of checking and demand deposit account balances maintained at a financial institution.

Promises to give

Unconditional promises to give (pledges) in future periods are recorded as temporarily restricted revenue in the statement of activities in the year the promise is made. Cash collections on previously recognized promises to give are shown as releases of temporarily restricted net assets if there are no other purpose restrictions to be fulfilled.

Unconditional promises to give that are expected to be collected within one year are reported as contributions receivable at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is not provided based on management's estimate that all pledges are fully collectible. Unpaid pledges at June 30, 2008, are due during the next fiscal year.

Provision for uncollectible loans

A loan receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the loan agreement. The allowance for uncollectible loans is established by charges to program services expense and is maintained at an amount which management believes adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period such determination is made.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of publicly-traded securities and are carried at their quoted market value on the last business day of the reporting period. Donated securities are recorded initially as contributions based on their quoted market value at the date of gift. Changes in unrealized gains and losses are recognized in the Statement of Activities.

Equipment

Equipment is reported at cost at the date of purchase, or at estimated fair value at date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$300 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Refundable grantor advances

Federal grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially under liabilities as a refundable grantor advance.

Donated goods and services

Donated goods are recognized as contributions in the period received at the estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets or (2) require specialized skills, are performed by the donor who possesses such skills, and would be purchased by the Agency if not provided by the donor. Such services are recognized at the estimated fair value as support and expense in the period the services are rendered.

Members of the Board of Directors have provided substantial time to the Agency's programs and supporting services. The value of this contributed time is not reflected in these financial statements since it is not meet the criteria noted above.

Compensated absences

Compensated absences expense is accrued for vacation days earned by employees that will be paid in the future. After six months of employment, employees are eligible for 15 days of vacation per year in years 1 through 5, and 20 days of vacation annually thereafter. Current policy is to allow employees to carry over a maximum of five days at the end of the calendar year.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Program services

The Agency's programs provide direct services to Hispanic families seeking a better quality of life, while at the same time offering assistance to non-profit organizations, corporations and government institutions seeking to improve their understanding of and interaction with local Latino communities. The Agency offers to Hispanic families information and referral services, referrals to pro bono legal services, financial literacy education and counseling, taxpayer assistance and assistance in the home-buying process. The Agency also offers other organizations Latino Cultural Competency Training, practical Spanish classes, English/Spanish translations, and support for applied research related to the Hispanic community.

Supporting services

Management and general - relates to the overall direction of the organization. Activities include agency oversight, business management, recordkeeping, financing, board operations, and community planning and networking activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials. These costs include staff time, materials and other related expenses.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Agency has elected this deferral and, accordingly, will be required to adopt FIN 48 in its June 30, 2010 annual financial statements. Prior to adopting FIN 48, the Agency will continue to evaluate uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires annual accrual for losses that are considered probable and can be reasonably estimated, or disclosure for losses that are considered reasonably possible and/or cannot be reasonably estimated.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements (continued)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Agency adopted SFAS No. 157 effective July 1, 2008, except for such nonfinancial assets and liabilities, for which delayed application is permitted until fiscal years beginning after November 15, 2008.

The Agency is currently evaluating the impact, if any, of the adoption of these standards on the financial statements.

NOTE 2 - LOANS RECEIVABLE

The Agency has established a program known as *Puertas Abiertas* to assist Hispanic families in the Middle Tennessee community in purchasing homes by providing down payment financing. Down payment assistance loans to homebuyers generally range from \$1,500 to \$10,000, with a maturity date of 10 years from the date of the loan, and bear interest at rates from 7.5% to 9.75%. These loans are secured by a second priority deed of trust on the property. The loans are also pledged as collateral on the related notes payable to other lending institutions (see Note 5).

Annual principal maturities of down payment assistance loans are as follows as of June 30, 2008:

2009	\$ 100,507
2010	109,120
2011	117,790
2012	126,583
2013	137,029
Thereafter	605,486
	<hr/> 1,196,515
Less: allowance for uncollectible loans	(75,684)
	<hr/>
Total	\$ 1,120,831

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 3 - INVESTMENTS

Investments consisted of publicly-traded securities that were contributed to the Agency by various donors throughout the year.

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Agency's investments have likely incurred a significant decline in market value since June 30, 2008.

NOTE 4 - EQUIPMENT

Equipment consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Computer equipment	\$ 6,925	\$ 6,925
Office equipment	<u>7,874</u>	<u>7,874</u>
	14,799	14,799
Less accumulated depreciation	<u>(11,413)</u>	<u>(10,072)</u>
	<u>\$ 3,386</u>	<u>\$ 4,727</u>

NOTE 5 - NOTES PAYABLE

In order to fund the down payment assistance loan program, the Agency has borrowing arrangements with four lending sources. Notes payable under these arrangements were as follows as of June 30:

	<u>2008</u>	<u>2007</u>
The Housing Fund, Inc.	\$ 411,434	\$ 447,623
SunTrust Bank	499,086	303,930
Renasant Bank	179,746	188,030
Avenue Bank	<u>142,680</u>	<u>-</u>
	<u>\$ 1,232,946</u>	<u>\$ 939,583</u>



CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 5 - NOTES PAYABLE (CONTINUED)

The Housing Fund, Inc. (a Tennessee not-for-profit organization) agreed to loan the Agency up to \$500,000. The agreement is evidenced by a note, which mirrors the terms of and is secured by the *Puertas Abiertas* program loans receivable (see Note 2). The note matures upon the final due date of the related loans receivable and bears interest at the rate of 5%. Principal collections on the related loans receivable are required to be applied to the note payable.

SunTrust Bank agreed to loan the Agency up to \$500,000. The agreement is evidenced by a note, which mirrors the terms of and is secured by the *Puertas Abiertas* program loans receivable (see Note 2). The note matures upon the final due date of the related loans receivable and bears interest at the rate of 5.5%. Principal collections on the related loans receivable are required to be applied to the note payable.

Renasant Bank agreed to loan the Agency up to \$200,000. The agreement is evidenced by a note that requires principal and interest payments of \$2,466 per month and bears interest at 8.25%. The note is secured by the *Puertas Abiertas* program loans receivable. In October 2008, the balance of this obligation in the amount of \$174,994 was refinanced with Avenue Bank. The new note requires monthly payments of \$2,395 through October 2016 and bears interest at the rate of 7%. This note is secured by the *Puertas Abiertas* program loan receivables.

Avenue Bank agreed to loan the Agency up to \$150,000. The agreement is evidenced by a note that requires monthly payments of interest only at 6.25% through April 2009, at which time monthly principal and interest payments will be required in an amount to fully amortize the loan over a 120-month period. The note is secured by the *Puertas Abiertas* program loans receivable.

Annual principal maturities of notes payable as of June 30, 2008, are as follows:

2009	\$ 127,120
2010	108,124
2011	116,444
2012	124,994
2013	134,902
Thereafter	<u>621,362</u>
Total	<u>\$ 1,232,946</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
United Way of Middle Tennessee - information, referral and support services for Latino workers and their families	\$ 40,000	\$ 57,661
HCA Foundation - donation for social, economic and civic integration	-	25,000
Bank of America Charitable Foundation - grant to aid with feasibility costs for development of a mixed-use building project	<u>200,000</u>	<u>-</u>
	<u>\$ 240,000</u>	<u>\$ 82,661</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and contributions receivable. Contributions receivable consist of corporate and foundation pledges receivable. At June 30, 2008 and 2007, contributions receivable from one source amounted to 71% and 70%, respectively of total contributions receivable. During 2008 and 2007, the Agency received one contribution totaling 29% and 15%, respectively, of total support and revenue.

The Agency maintains cash accounts at various financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2008, cash balances exceeded FDIC coverage by approximately \$100,000. Subsequent to year end, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009.

NOTE 8 - COMMITMENTS

The Agency leases its office space under a non-cancelable operating lease. The lease requires monthly payments of \$2,600. The lease term was extended on December 31, 2008 for one year and includes two 1-year extension options. Total rental expense for the year ended June 30, 2008, was \$26,900 (\$26,300 in 2007). Future minimum lease payments required under the extended lease as of June 30, 2008 are: 2009 - \$31,200; and 2010 - \$15,600.