

CONEXIÓN AMÉRICAS  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2012 AND 2011

CONEXIÓN AMÉRICAS  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
  
JUNE 30, 2012 AND 2011

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u> .....	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Statements of Functional Expenses .....	5
Notes to Financial Statements.....	6 - 19



## 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, 2012 and 2011, 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, 2012 and 2011, 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  
December 17, 2012

CONEXIÓN AMÉRICAS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u> (Restated)
<u>ASSETS</u>		
Cash and cash equivalents	\$ 494,288	\$ 329,164
Government grant receivables	261,327	30,900
Contributions receivable	84,908	203,521
Other receivables	13,421	11,828
Loans receivable - Puertas Abiertas program, net	560,196	725,846
Investments	4,487	2,697
Property and equipment, net	3,616,190	38,122
Other assets	1,600	1,600
Loan costs, net	35,821	-
Capital campaign assets:		
Cash restricted for building	-	486,500
Contributions receivable	<u>200,000</u>	<u>100,000</u>
 TOTAL ASSETS	 <u>\$ 5,272,238</u>	 <u>\$ 1,930,178</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable:		
Operations	\$ 17,843	\$ -
Construction related	223,486	-
Accrued expenses	20,294	8,419
Notes payable:		
Puertas Abiertas program	912,856	1,033,048
Mortgage on building	<u>2,388,500</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>3,562,979</u>	 <u>1,041,467</u>
 NET ASSETS		
Unrestricted	1,318,068	58,945
Temporarily restricted	<u>391,191</u>	<u>829,766</u>
 TOTAL NET ASSETS	 <u>1,709,259</u>	 <u>888,711</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,272,238</u>	 <u>\$ 1,930,178</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Revenues:			
Fee for services	\$ 75,177	\$ -	\$ 75,177
Interest	54,424	-	54,424
Realized and unrealized gain (loss) on investments	730	-	730
Total Revenues	<u>130,331</u>	<u>-</u>	<u>130,331</u>
Public Support:			
Contributions	51,203	774,710	825,913
Government grants	629,241	-	629,241
Fundraising events	177,883	44,000	221,883
Temporarily restricted net assets released from restriction	<u>1,257,285</u>	<u>(1,257,285)</u>	<u>-</u>
Total Public Support	<u>2,115,612</u>	<u>(438,575)</u>	<u>1,677,037</u>
TOTAL SUPPORT AND REVENUE	<u>2,245,943</u>	<u>(438,575)</u>	<u>1,807,368</u>
RENTAL ACTIVITY			
Rental income	59,654	-	59,654
Direct costs and expenses of rental property	<u>(47,091)</u>	<u>-</u>	<u>(47,091)</u>
RENTAL ACTIVITY, NET	<u>12,563</u>	<u>-</u>	<u>12,563</u>
EXPENSES			
Program services:			
Social and economic advancement programs	779,455	-	779,455
Flood assistance programs	18,994	-	18,994
Management and general	105,934	-	105,934
Fundraising	<u>95,000</u>	<u>-</u>	<u>95,000</u>
TOTAL EXPENSES	<u>999,383</u>	<u>-</u>	<u>999,383</u>
CHANGE IN NET ASSETS	1,259,123	(438,575)	820,548
NET ASSETS - BEGINNING OF YEAR, as restated	<u>58,945</u>	<u>829,766</u>	<u>888,711</u>
NET ASSETS - END OF YEAR	<u>\$ 1,318,068</u>	<u>\$ 391,191</u>	<u>\$ 1,709,259</u>

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

2011 (Restated)

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 26,664	\$ -	\$ 26,664
72,951	-	72,951
<u>432</u>	<u>-</u>	<u>432</u>
100,047	-	100,047
92,584	619,058	711,642
156,610	-	156,610
188,861	-	188,861
<u>578,392</u>	<u>(578,392)</u>	<u>-</u>
<u>1,016,447</u>	<u>40,666</u>	<u>1,057,113</u>
<u>1,116,494</u>	<u>40,666</u>	<u>1,157,160</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
627,734	-	627,734
294,898	-	294,898
81,682	-	81,682
<u>86,190</u>	<u>-</u>	<u>86,190</u>
<u>1,090,504</u>	<u>-</u>	<u>1,090,504</u>
25,990	40,666	66,656
<u>32,955</u>	<u>789,100</u>	<u>822,055</u>
<u>\$ 58,945</u>	<u>\$ 829,766</u>	<u>\$ 888,711</u>

CONEXIÓN AMÉRICAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 820,548	\$ 66,656
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	33,729	16,311
Amortization	3,980	-
Realized and unrealized gain on investments	(730)	(432)
Provision for uncollectible loans	56,663	87,265
Noncash contribution of investments	(1,060)	-
Government grant proceeds used for purchase of building	(239,480)	-
Restricted contributions for building	(627,519)	(129,500)
(Increase) decrease in:		
Government grant receivables	(230,427)	23,713
Contributions receivable	118,613	(12,423)
Other receivables	(1,593)	9,490
Increase (decrease) in:		
Accounts payable	17,843	(75)
Accrued expenses	11,875	1,612
TOTAL ADJUSTMENTS	<u>(858,106)</u>	<u>(4,039)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(37,558)</u>	<u>62,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(760,331)	(10,869)
Principal repayments on housing downpayment assistance loans	108,987	112,191
(Increase) decrease in cash restricted for building	<u>486,500</u>	<u>(29,500)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(164,844)</u>	<u>71,822</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions receivable restricted for building	527,519	29,500
Loan costs paid	(39,801)	-
Principal repayments on notes payable - Puertas Abiertas program	<u>(120,192)</u>	<u>(126,171)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>367,526</u>	<u>(96,671)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	165,124	37,768
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>329,164</u>	<u>291,396</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 494,288</u>	<u>\$ 329,164</u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid (including \$29,299 of capitalized interest in 2012)	<u>\$ 106,260</u>	<u>\$ 63,478</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase price of new facility	\$ 3,225,000	\$ -
Add: closing costs	39,801	-
Less: escrow payment and other adjustments at closing	(51,314)	-
Less: proceeds of mortgage loan from bank	(2,388,500)	-
Less: proceeds from federal grant award	<u>(239,480)</u>	<u>-</u>
Net cash paid at closing	<u>\$ 585,507</u>	<u>\$ -</u>
Accounts payable for construction in progress	<u>\$ 223,486</u>	<u>\$ -</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				
	<u>Program Services</u>				
	Social and Economic Advancement Programs	Flood Assistance Programs	Management and General	Fundraising	Totals
Salaries	\$ 362,741	\$ -	\$ 43,012	\$ 34,963	\$ 440,716
Contract labor	6,500	-	-	-	6,500
Payroll taxes	30,114	-	3,570	2,903	36,587
Employee fringe benefits	<u>20,921</u>	<u>-</u>	<u>2,481</u>	<u>2,016</u>	<u>25,418</u>
TOTAL PAYROLL AND RELATED EXPENSES	420,276	-	49,063	39,882	509,221
Provision for uncollectible loans	56,663	-	-	-	56,663
Advertising and promotion	4,698	-	-	247	4,945
Amortization expense	-	-	3,980	-	3,980
Automobile expense	782	-	-	-	782
Coffee expenses	20,370	-	-	-	20,370
Depreciation of equipment	14,110	-	2,520	168	16,798
Disaster relief	-	18,994	-	-	18,994
Don't drink and drive campaign	30,948	-	-	-	30,948
Dues and subscriptions	3,613	-	637	-	4,250
Education outreach	7,220	-	-	-	7,220
Family Resource Center	7,247	-	-	-	7,247
Fundraising breakfast	-	-	-	27,848	27,848
Furniture, fixtures and equipment rental	1,548	-	277	18	1,843
Hispanic Heritage fundraising event	-	-	-	22,099	22,099
Insurance	3,528	-	622	-	4,150
Interest expense	57,428	-	-	-	57,428
Low income taxpayer clinic	9,733	-	-	-	9,733
Maintenance and repairs	1,804	-	212	106	2,122
Meals and entertainment	3,292	-	392	235	3,919
Miscellaneous expense	5,748	-	15,551	-	21,299
Office supplies and expense	8,179	-	1,443	-	9,622
Parents to Partners campaign	31,482	-	-	-	31,482
Professional fees	-	-	23,236	-	23,236
Program materials	-	-	-	-	-
Rent	22,695	-	2,670	1,335	26,700
Technology	23,702	-	2,963	2,963	29,628
Telephone	7,852	-	1,403	93	9,348
Training	9,782	-	-	-	9,782
Translation expense	-	-	-	-	-
Travel	5,005	-	953	-	5,958
Utilities	101	-	12	6	119
Direct costs related to Casa Azafran facility:					
Renovation of building	21,649	-	-	-	21,649
Rental operations	<u>47,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,091</u>
TOTAL FUNCTIONAL EXPENSES	826,546	18,994	105,934	95,000	1,046,474
Less rental expenses netted against revenues on the statement of activities	<u>(47,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,091)</u>
TOTAL EXPENSES REPORTED UNDER					
PROGRAM AND SUPPORTING SERVICES	<u>\$ 779,455</u>	<u>\$ 18,994</u>	<u>\$ 105,934</u>	<u>\$ 95,000</u>	<u>\$ 999,383</u>

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



2011

Program Services				
Social and Economic Advancement Programs	Flood Assistance Programs	Management and General	Fundraising	Totals
\$ 268,573	\$ 105,626	\$ 46,050	\$ 20,307	\$ 440,556
6,000	-	-	-	6,000
22,386	8,805	3,838	1,693	36,722
<u>7,298</u>	<u>2,870</u>	<u>1,251</u>	<u>552</u>	<u>11,971</u>
304,257	117,301	51,139	22,552	495,249
87,265	-	-	-	87,265
2,051	-	-	108	2,159
-	-	-	-	-
451	-	-	-	451
-	-	-	16,860	16,860
13,701	-	2,447	163	16,311
-	177,597	-	-	177,597
26,073	-	-	-	26,073
3,374	-	595	-	3,969
15,763	-	-	-	15,763
8,625	-	-	-	8,625
-	-	-	20,569	20,569
1,519	-	271	18	1,808
-	-	-	22,676	22,676
2,701	-	318	159	3,178
63,478	-	-	-	63,478
1,749	-	-	-	1,749
1,785	-	210	105	2,100
2,313	-	440	-	2,753
1,673	-	8,112	-	9,785
10,243	-	1,807	-	12,050
22,037	-	-	-	22,037
-	-	10,038	-	10,038
6,422	-	-	-	6,422
22,185	-	2,610	1,305	26,100
12,671	-	1,584	1,584	15,839
7,160	-	1,279	85	8,524
5,765	-	-	-	5,765
70	-	-	-	70
4,302	-	820	-	5,122
101	-	12	6	119
-	-	-	-	-
-	-	-	-	-
<u>627,734</u>	<u>294,898</u>	<u>81,682</u>	<u>86,190</u>	<u>1,090,504</u>
-	-	-	-	-
<u>\$ 627,734</u>	<u>\$ 294,898</u>	<u>\$ 81,682</u>	<u>\$ 86,190</u>	<u>\$ 1,090,504</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Agency on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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, 2012 and 2011.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Agency also receives certain grant revenue from the Federal government and the State of Tennessee. Grant revenues are recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Agency reports gifts of equipment or materials 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.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are reported as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using the risk-free interest rate applicable to the year in which the promise is received (not applicable in 2012 and 2011). 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, 2012, are due during the next fiscal year.

## CONEXIÓN AMÉRICAS

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking and money market account balances maintained at a financial institution. Cash received that is restricted for the building capital campaign is reported separately in the Statement of Financial Position and is not included in the Cash and Cash Equivalents balances on the Statement of Cash Flows.

##### Loans Receivable

Loans are reported at the principal balance outstanding, net of an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Past due status is determined based on the contractual terms of the note.

The accrual of interest is discontinued when a loan becomes 30 days past due according to the contractual terms of the note, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. All loans 30 days or more past due as of June 30, 2012 and 2011 were on non-accrual status. When a loan is placed on non-accrual status, previously accrued and uncollected interest is charged against interest income on loans. All payments on non-accrual loans are applied to the principal balance outstanding. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

##### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and current economic conditions. The allowance consists of specific and general components. The specific component relates to loans where the underlying collateral properties have been foreclosed. Generally, loans in this category are either fully reserved as part of the allowance for loan losses, or are written off. The general component is based on historical loss experience adjusted for current factors. The entire allowance is available for any loan that, in management's judgment, should be charged off.

##### Investments

Investments consist of publicly-traded marketable securities and are reported at the quoted market value of the securities 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 for the year.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and 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 \$1,000 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 for equipment and forty years for buildings. Depreciation expense related to rental activity is included in direct costs and expenses of rental property in the financial statements.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset. Interest capitalized in 2012 was \$29,299 (\$-0- in 2011).

Loan Costs

Loan costs are capitalized and amortized ratably over the term of the related loan. Amortization over the next five fiscal years is \$7,960 per year for 2013 through 2016 and \$3,981 for 2017.

Donated Goods and Services

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 does not meet the criteria noted above.

Rental Income

The Agency receives rental income under a leasing arrangement with the seller of real estate known as the Casa Azafran Community Center described in Note 4. Rental income from this lease is recognized on the straight line basis over the term of the lease which expires December 29, 2013. Future minimum rental receipts required under the lease are as follows: 2013 - \$120,000, 2014 - \$60,000.

## CONEXIÓN AMÉRICAS

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

#### NOTE 2 - 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

Social and Economic Advancement Programs - 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.

Flood Assistance Programs - After the historic May 2010 floods that affected Middle Tennessee, Conexión Américas managed the Antioch Restore the Dream Center, a partnership funded by United Way of Metropolitan Nashville, and offered services to all flood survivors in Nashville's southeast flood recovery area. Through intense case management, Conexión Américas became a long-term partner that helped flood victims coordinate services, advocate for resources, and evaluate progress until self-sufficiency was reached. In addition to providing long-term case management, Conexión Américas distributed resources directly to flood victims in the form of cash assistance, rent or mortgage payment assistance, construction materials, skilled labor and appliances. Conexión Américas assisted 383 flood victims.

##### 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.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fair Value Measurements

The Agency classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Investments* - Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted market prices in active markets for identical assets. If quoted market prices are unavailable, fair value is estimated using quoted prices of securities with similar characteristics, and the securities are classified within Level 2. Securities without readily available market data are classified as Level 3.

No changes in the valuation methodologies have been made since the prior year.

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

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.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Agency files a U.S. federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the Agency files a Tennessee state Franchise and Excise Tax Return. The Agency's federal and state returns for years prior to 2009 are no longer open to examination.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Agency's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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.

Events Occurring after Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2012 and December 17, 2012, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - 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).



CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

Loans receivable consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Loans receivable	\$ 666,900	\$ 1,026,098
Less: allowance for uncollectible loans	<u>(106,704)</u>	<u>(300,252)</u>
	<u>\$ 560,196</u>	<u>\$ 725,846</u>

Activity in the allowance for loan losses was as follows as of and for the year ended June 30:

	<u>2012</u>	<u>2011</u>
Allowance for loan losses:		
Beginning balance	\$ 300,252	\$ 212,987
Charge-offs	(250,211)	-
Recoveries	-	-
Provisions	<u>56,663</u>	<u>87,265</u>
Ending balance	<u>\$ 106,704</u>	<u>\$ 300,252</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 201,273</u>
Ending balance: collectively evaluated for impairment	<u>\$ 106,704</u>	<u>\$ 98,979</u>
Loans:		
Ending balance	<u>\$ 666,900</u>	<u>\$ 1,026,098</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 201,273</u>
Ending balance: collectively evaluated for impairment	<u>\$ 666,900</u>	<u>\$ 824,825</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

Annual principal maturities of down payment assistance loans are as follows as of June 30, 2012:

For the year ending June 30,

2013	\$ 102,215
2014	109,947
2015	118,050
2016	118,890
2017	90,311
Thereafter	<u>127,487</u>
	666,900
Less: allowance for uncollectible loans	<u>(106,704)</u>
Total	<u><u>\$ 560,196</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Building and construction in progress	\$ 3,597,915	\$ -
Computer equipment	74,046	60,164
Office equipment	<u>7,874</u>	<u>7,874</u>
	3,679,835	68,038
Less accumulated depreciation	<u>(63,645)</u>	<u>(29,916)</u>
	<u><u>\$ 3,616,190</u></u>	<u><u>\$ 38,122</u></u>

On December 29, 2011, the Agency purchased a building in Nashville, Tennessee for the purpose of establishing the Casa Azafran Community Center, a nonprofit collaborative committed to the social, economic and civic integration of immigrant families and other vulnerable communities in Davidson County. The Agency completed construction and relocated its operations to this facility in November 2012. The purchase price of the property was \$3,225,000 and the costs of renovation, improvements and related expenses were approximately \$1.5 million upon completion. As of June 30, 2012, the Agency had outstanding commitments of \$1,486,000. A portion of this facility is being leased through an arrangement with the seller through December 2013.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

The Agency received a federal government grant from the U.S. Department of Commerce, Economic Development Administration, in the amount of \$1,309,000 that is being used to fund \$239,480 of the purchase of the property and \$1,069,520 for the related renovations.

NOTE 5 - NOTES PAYABLE - PUERTAS ABIERTAS

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

	<u>2012</u>	<u>2011</u>
The Housing Fund, Inc.	\$ 253,696	\$ 283,864
SunTrust Bank	425,737	476,905
Avenue Bank Note #1	128,748	147,088
Avenue Bank Note #2	<u>104,675</u>	<u>125,191</u>
	<u>\$ 912,856</u>	<u>\$ 1,033,048</u>

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 3). 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 \$650,000. The agreement is evidenced by a note, which mirrors the terms of and is secured by the *Puertas Abiertas* program loans receivable (see Note 3). 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.

Avenue Bank agreed to loan the Agency up to \$197,427. The agreement is evidenced by a note (Avenue Bank Note #1) that requires monthly principal and interest (at 6.25%) payments of \$1,695 through March 2019. All remaining unpaid interest and principal is due April 2019. The note is secured by the *Puertas Abiertas* program loans receivable. The Agency has another obligation with Avenue Bank (Avenue Bank Note #2) requiring 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 loans receivable. (See Note 3.)

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 5 - NOTES PAYABLE - PUERTAS ABIERTAS (CONTINUED)

Annual principal maturities of notes payable as of June 30, 2012, are as follows:

For the year ending June 30,

2013	\$ 142,902
2014	146,904
2015	157,607
2016	161,154
2017	113,397
Thereafter	<u>190,892</u>
Total	<u>\$ 912,856</u>

NOTE 6 - NOTE PAYABLE - BUILDING

In December 2011, the Agency obtained a \$2,388,500 mortgage that is secured by the underlying real estate and bears interest at the Lender's Index Rate, but not be less than 4% per annum. Interest only payments are required on a monthly basis through January 1, 2015. Annual principal payments of \$300,000 are required on February 1, 2013, February 1, 2014 and February 1, 2015. Subsequent to February 1, 2015, the unpaid principal balance will be amortized over a 20-year period with a fixed monthly payment of principal and interest equal to the prevailing interest rate. The loan matures January 1, 2017.

Annual principal maturities of the building note payable as of June 30, 2012, are as follows:

For the year ending June 30,

2013	\$ 300,000
2014	300,000
2015	316,315
2016	50,268
2017	<u>1,421,917</u>
Total	<u>\$ 2,388,500</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u> (Restated)
United Way of Middle Tennessee:		
Information, referral and support services for Latino workers and their families	\$ 39,191	\$ 39,191
Establishment and operation of the Cole Family Resource Center	-	43,950
Operation of a mobile family resource center serving families impacted by the May 2010 flooding	-	42,700
Contributions restricted for:		
Programs for the following year	108,000	117,425
Special events for the following year	44,000	-
Purchase of a new facility	-	36,500
HCA Foundation contribution for purchase of new facility	200,000	-
Memorial Foundation:		
Contribution for the purchase of a new facility	-	100,000
Bank of America Charitable Foundation:		
Contribution to aid with feasibility costs for development of a mixed-use building project	-	200,000
Joe C. Davis Foundation:		
Contribution for the purchase of a new facility	-	250,000
	<u>\$ 391,191</u>	<u>\$ 829,766</u>

NOTE 8 - 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, 2012 and 2011, contributions receivable from one source amounting to 70% and 69%, respectively of total contributions receivable. During 2012, approximately 54% of contribution revenue was received from three donors (25% of contribution revenue was received from one donor in 2011) and approximately 74% of government grants revenue related to the purchase of the building and renovations in 2012 (none in 2011).

The Agency maintains cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2012, the Agency's depositor accounts exceeded FDIC insurance limits by approximately \$1,500.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 9 - LEASES

The Agency leases its office space under a month to month operating lease. The lease requires monthly payments of \$2,700 from July through December 2011 and \$2,750 from January through June 2012. Total rental expense for the year ended June 30, 2011 was \$26,700 (\$26,100 in 2011). The rent expense was net of amounts received for space subleased through the Agency by a related party in the amount of \$6,000 for the year ended June 30, 2012 and 2010.

NOTE 10 - FAIR VALUE MEASUREMENTS

The following table sets forth the Agency' major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

		2012			
		Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:					
Marketable securities		\$ 4,487	\$ 4,487	\$ -	\$ -
		2011			
		Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:					
Marketable securities		\$ 2,697	\$ 2,697	\$ -	\$ -

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 11 - DIRECT COSTS AND EXPENSES - PROPERTY UNDER RENOVATION

The direct costs and expenses related to the portion of the Casa Azafran Community Center that is under renovation is as follows for the year ending June 30, 2012:

Groundbreaking event	\$ 4,352
Insurance	2,709
Maintenance	265
Miscellaneous	2,622
Security	385
Utilities	2,569
Property taxes	8,747
	<hr/>
	\$ 21,649

A schedule of direct costs and expenses related to the rented portion of the Casa Azafran Community Center is as follows for the year ending June 30, 2012:

Insurance	\$ 1,961
Maintenance	192
Security	279
Utilities	1,861
Property taxes	6,334
Interest	19,533
Depreciation	16,931
	<hr/>
	\$ 47,091

NOTE 12 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made, and the June 30, 2011 financial statements have been restated, to properly report contributions receivable, temporarily restricted net assets and contribution revenue in the year the Agency received notification of a contribution for the purchase of a new facility.

The effects of the restatement were to increase the Agency's contributions receivable and temporarily restricted net assets by \$100,000 at June 30, 2011 and to increase temporarily restricted contribution revenue in the amount of \$100,000 for the year ended June 30, 2011.