

CONEXIÓN AMÉRICAS
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2005 AND 2004

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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, 2005 and 2004, 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, 2005 and 2004, 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
August 12, 2005

CONEXIÓN AMÉRICAS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 39,740	\$ 40,132
Accounts receivable	6,300	-
Contributions receivable	100,479	139,901
Investments	24,389	-
Equipment, net - Note 2	4,416	5,854
Other assets	<u>1,600</u>	<u>1,728</u>
 TOTAL ASSETS	 <u>\$ 176,924</u>	 <u>\$ 187,615</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accrued employee benefits	\$ 9,000	\$ 9,000
Accrued expenses - other	<u>14,045</u>	<u>4,597</u>
 TOTAL LIABILITIES	 <u>23,045</u>	 <u>13,597</u>
 COMMITMENTS - Note 5		
NET ASSETS		
Unrestricted (deficit)	40,900	(3,383)
Temporarily restricted - Note 3	<u>112,979</u>	<u>177,401</u>
 TOTAL NET ASSETS	 <u>153,879</u>	 <u>174,018</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 176,924</u>	 <u>\$ 187,615</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Revenues:			
Fee for services	\$ 148,598	\$ -	\$ 148,598
Interest	228	-	228
Total Revenues	<u>148,826</u>	<u>-</u>	<u>148,826</u>
Public support:			
Contributions	69,884	-	69,884
In-kind contributions	4,200	-	4,200
State, local and foundation grants	53,793	112,979	166,772
Fundraising events	-	-	-
Temporarily restricted net assets released from restriction	<u>177,401</u>	<u>(177,401)</u>	<u>-</u>
Total Public Support	<u>305,278</u>	<u>(64,422)</u>	<u>240,856</u>
TOTAL SUPPORT AND REVENUE	<u>454,104</u>	<u>(64,422)</u>	<u>389,682</u>
EXPENSES			
Program services:			
Social and economic advancement programs	307,651	-	307,651
Management and general	51,986	-	51,986
Fundraising	<u>50,184</u>	<u>-</u>	<u>50,184</u>
TOTAL EXPENSES	<u>409,821</u>	<u>-</u>	<u>409,821</u>
CHANGE IN NET ASSETS	44,283	(64,422)	(20,139)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(3,383)</u>	<u>177,401</u>	<u>174,018</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 40,900</u>	<u>\$ 112,979</u>	<u>\$ 153,879</u>

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

2004

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 61,569	-	\$ 61,569
29	-	29
<u>61,598</u>	<u>-</u>	<u>61,598</u>
42,532	-	42,532
-	-	-
98,625	139,901	238,526
7,120	-	7,120
<u>62,500</u>	<u>(62,500)</u>	<u>-</u>
<u>210,777</u>	<u>77,401</u>	<u>288,178</u>
<u>272,375</u>	<u>77,401</u>	<u>349,776</u>
227,490	-	227,490
56,938	-	56,938
<u>30,452</u>	<u>-</u>	<u>30,452</u>
<u>314,880</u>	<u>-</u>	<u>314,880</u>
(42,505)	77,401	34,896
<u>39,122</u>	<u>100,000</u>	<u>139,122</u>
<u>\$ (3,383)</u>	<u>\$ 177,401</u>	<u>\$ 174,018</u>

CONEXIÓN AMÉRICAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (20,139)	\$ 34,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,776	2,363
(Increase) decrease in:		
Accounts receivable	(6,300)	-
Contributions receivable	39,422	(39,901)
Other assets	128	142
Increase (decrease) in:		
Accrued employee benefits	-	9,000
Accrued expenses - other	9,448	4,512
	<u>45,474</u>	<u>(23,884)</u>
TOTAL ADJUSTMENTS		
	<u>25,335</u>	<u>11,012</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(24,389)	-
Purchase of equipment	(1,338)	(5,554)
	<u>(25,727)</u>	<u>(5,554)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(392)	5,458
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>40,132</u>	<u>34,674</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 39,740</u>	<u>\$ 40,132</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			
	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 166,710	\$ 35,258	\$ 15,413	\$ 217,381
In-kind salary expense	-	4,200	-	4,200
Payroll taxes	12,840	2,716	1,187	16,743
Employee fringe benefits	<u>2,876</u>	<u>773</u>	<u>337</u>	<u>3,985</u>
TOTAL PAYROLL AND RELATED EXPENSES	182,426	42,947	16,937	242,309
Advertising and promotion	8,726	-	-	8,726
Automobile expense	2,671	477	32	3,180
Contract labor	33,063	-	33,063	66,126
Dues and subscriptions	1,107	195	-	1,302
Education	18,447	-	-	18,447
Furniture and equipment rental	-	-	-	-
Insurance	1,478	264	18	1,760
Legal and accounting	7,510	-	-	7,510
Licenses and fees	760	145	-	905
Maintenance and repairs	3,751	670	45	4,466
Meals and entertainment	1,724	307	21	2,052
Miscellaneous expense	29	28	28	86
Office supplies and expense	5,896	1,043	12	6,951
Printing and reproduction	-	-	-	-
Program materials	923	-	-	923
Rent	22,680	4,320	-	27,000
Spanish class expenses	5,040	-	-	5,040
Telephone	1,785	340	-	2,125
Training	2,171	413	-	2,584
Translation expense	2,912	-	-	2,912
Travel	2,118	403	-	2,521
Utilities	<u>102</u>	<u>18</u>	<u>-</u>	<u>120</u>
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	305,319	51,570	50,156	407,045
Depreciation of equipment	<u>2,332</u>	<u>416</u>	<u>28</u>	<u>2,776</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 307,651</u>	<u>\$ 51,986</u>	<u>\$ 50,184</u>	<u>\$ 409,821</u>

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

2004

Program Services	Management and General	Fundraising	Totals
\$ 134,632	\$ 42,000	\$ 24,000	\$ 200,632
-	-	-	-
10,933	3,411	1,950	16,294
<u>8,557</u>	<u>2,991</u>	<u>1,708</u>	<u>13,256</u>
154,122	48,402	27,658	230,182
2,830	-	-	2,830
977	178	8	1,163
10,894	-	-	10,894
1,051	186	-	1,237
-	-	-	-
59	10	1	70
1,456	260	17	1,733
4,729	-	-	4,729
426	81	-	507
878	157	10	1,045
1,762	315	21	2,098
-	-	2,587	2,587
2,838	502	9	3,349
9,814	1,752	117	11,683
1,659	-	-	1,659
19,320	3,680	-	23,000
3,830	-	-	3,830
1,533	292	-	1,825
1,441	274	-	1,715
3,240	-	-	3,240
2,033	387	-	2,420
<u>613</u>	<u>108</u>	<u>-</u>	<u>721</u>
225,505	56,584	30,428	312,517
<u>1,985</u>	<u>354</u>	<u>24</u>	<u>2,363</u>
<u>\$ 227,490</u>	<u>\$ 56,938</u>	<u>\$ 30,452</u>	<u>\$ 314,880</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Conexión Américas (the “Agency”) was organized in 2002 to help Hispanic families realize their aspirations for social and economic advancement by promoting their integration into the Middle Tennessee community.

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.

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.

Investments

Investments consist of certain publicly-traded securities and are carried at their quoted fair market value on the last business day of the reporting period.

Equipment

Equipment is recorded at cost, when purchased, or at estimated fair value, when gifted to the Agency. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over estimated useful lives of three to seven years.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2005, are due during the next fiscal year.

Donated Services

The Agency's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the fair value of services received.

Members of the Board of Directors have also provided substantial assistance to the Agency by the donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Compensated Absences

Compensated absences are 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.

Program and Supporting Services

Costs of providing the Agency's integration programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited. Costs that are not allocated to program services are classified as management and general or fundraising expenses.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued)

The following program and supporting services classifications 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. Activities related to obtaining financial support include the annual fundraising campaign and solicitation of volunteer musicians. Activities related to the capital campaign are reported separately.

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.

Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxable income, if any, resulting from certain activities that generate unrelated business income.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 2 - EQUIPMENT

Equipment consisted of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Computer equipment	\$ 6,073	\$ 5,049
Office equipment	<u>4,370</u>	<u>4,056</u>
	10,443	9,105
Less accumulated depreciation	<u>(6,027)</u>	<u>(3,251)</u>
	<u>\$ 4,416</u>	<u>\$ 5,854</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2005</u>	<u>2004</u>
United Way of Middle Tennessee - Information, referral and support services for Latino workers and their families	\$ 60,479	\$ 62,901
Cal Turner Family Foundation - donation for the following year's operations	-	50,000
HCA Foundation - donation for the following year's operations	-	27,000
Metropolitan Social Services - donation for development of Coming to Nashville: What Latinos Need to Know Program	10,000	-
American Dream Homeownership Challenge Project	<u>42,500</u>	<u>37,500</u>
	<u>\$ 112,979</u>	<u>\$ 177,401</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

From time to time throughout the year, the Agency's bank account balances exceeded FDIC-insured limits. Management considers this to be a normal business risk. At June 30, 2005, the cash balances per bank did not exceed \$100,000, the FDIC insurance limit.

Contributions received from three donors, totaling \$145,872, comprised 37% of total support and revenue for the year ended June 30, 2005; contributions received from four donors, totaling \$182,901, comprised 52% of total support and revenue for the year ended June 30, 2004.

NOTE 5 - COMMITMENTS

The Agency leases its office space under a non-cancelable operating lease. The lease requires monthly payments of \$2,400 through December 31, 2004, and \$2,500 beginning January 1, 2005. The lease expires on December 31, 2005. Total rental expense for the year ended June 30, 2005, was \$27,000. Future minimum lease payments are as follows: 2006 - \$15,000.

NOTE 6 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2004, the Agency purchased goods and services totaling \$11,745 (\$-0- in 2005) for printing materials and brochures from a company owned by a member of the Board of Directors.

In-kind contributions in the amount of \$4,200 in 2005 (\$-0- in 2004) include donated accounting services from a company owned by the Agency's Executive Director.