

CONEXIÓN AMÉRICAS
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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
January 24, 2008

CONEXIÓN AMÉRICAS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 62,730	\$ 54,032
Accounts receivable	15,280	51,564
Contributions receivable	82,661	142,661
Loans receivable - net allowance for loan loss of \$28,324 in 2007 (\$11,829 in 2006) - Notes 2 and 5	915,822	375,737
Investments - Note 3	-	25,095
Equipment, net - Note 4	4,727	5,340
Other assets	<u>1,600</u>	<u>1,600</u>
TOTAL ASSETS	<u>\$ 1,082,820</u>	<u>\$ 656,029</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 10,613	\$ 25,220
Accrued expenses - other	28	4,304
Refundable grantor advances	17,214	29,284
Notes payable - Note 5	<u>939,583</u>	<u>387,566</u>
TOTAL LIABILITIES	<u>967,438</u>	<u>446,374</u>
COMMITMENTS - Note 8		
<u>NET ASSETS</u>		
Unrestricted	32,721	96,994
Temporarily restricted - Note 6	<u>82,661</u>	<u>112,661</u>
TOTAL NET ASSETS	<u>115,382</u>	<u>209,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,082,820</u>	<u>\$ 656,029</u>

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

CONEXIÓN AMÉRICAS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE			
Revenues:			
Fee for services	\$ 102,810	\$ -	\$ 102,810
Interest	53,703	-	53,703
Realized gain (loss) on sale of investments	9,602	-	9,602
Total Revenues	166,115	-	166,115
Public support:			
Contributions	18,046	-	18,046
In-kind contributions	-	-	-
Government, foundation and other grants	74,116	57,661	131,777
Fundraising events	77,690	-	77,690
Change in previously recognized restricted contributions - Note 10	-	-	-
Temporarily restricted net assets released from restriction	87,661	(87,661)	-
Total Public Support	257,513	(30,000)	227,513
TOTAL SUPPORT AND REVENUE	423,628	(30,000)	393,628
EXPENSES			
Program services:			
Social and economic advancement programs	378,580	-	378,580
Management and general	48,477	-	48,477
Fundraising	60,844	-	60,844
TOTAL EXPENSES	487,901	-	487,901
CHANGE IN NET ASSETS	(64,273)	(30,000)	(94,273)
NET ASSETS - BEGINNING OF YEAR	96,994	112,661	209,655
NET ASSETS - END OF YEAR	\$ 32,721	\$ 82,661	\$ 115,382

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

2006		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 166,946	-	\$ 166,946
10,204	-	10,204
(2,973)	-	(2,973)
174,177	-	174,177
24,767	-	24,767
2,100	-	2,100
178,511	112,661	291,172
59,071	-	59,071
-	(10,000)	(10,000)
102,979	(102,979)	-
367,428	(318)	367,110
541,605	(318)	541,287
365,409	-	365,409
48,748	-	48,748
71,354	-	71,354
485,511	-	485,511
56,094	(318)	55,776
40,900	112,979	153,879
\$ 96,994	\$ 112,661	\$ 209,655

CONEXIÓN AMÉRICAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (94,273)	\$ 55,776
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,465	2,581
Realized (gain) loss on sale of investments	(9,601)	2,973
Loan loss provision	16,495	11,829
Contributions received by donated securities	(28,796)	-
(Increase) decrease in:		
Accounts receivable	36,284	(45,264)
Contributions receivable	60,000	(42,182)
Increase (decrease) in:		
Accounts payable	(14,607)	17,345
Accrued compensation	-	(9,000)
Accrued expenses - other	(4,276)	(1,866)
Refundable grantor advances	(12,070)	29,284
TOTAL ADJUSTMENTS	44,894	(34,300)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(49,379)	21,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Housing downpayment assistance loans made	(624,432)	(394,310)
Principal repayments on housing downpayment assistance loans	67,852	6,744
Purchase of investments	-	(25,095)
Proceeds from sale of investments	63,492	21,416
Purchase of equipment	(852)	(3,505)
NET CASH USED IN INVESTING ACTIVITIES	(493,940)	(394,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	624,432	394,310
Principal repayments on note payable	(72,415)	(6,744)
NET CASH PROVIDED BY FINANCING ACTIVITIES	552,017	387,566
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,698	14,292
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	54,032	39,740
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,730	\$ 54,032
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	\$ 32,020	\$ 6,172

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

CONEXIÓN AMÉRICAS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 216,034	\$ 27,829	\$ 9,735	\$ 253,598
In-kind salary expense	-	-	-	-
Payroll taxes	17,306	2,229	780	20,315
Employee fringe benefits	<u>3,110</u>	<u>401</u>	<u>140</u>	<u>3,651</u>
TOTAL PAYROLL AND RELATED EXPENSES	236,450	30,459	10,655	277,564
Advertising and promotion	8,293	-	436	8,729
Automobile expense	715	128	9	852
Contract labor	3,615	5,423	27,113	36,151
Downpayment assistance grants provided	8,500	-	-	8,500
Dues and subscriptions	1,113	196	-	1,309
Education	183	-	-	183
Furniture, fixtures and equipment rental	1,960	350	23	2,333
Hispanic Heritage fundraising event	-	-	17,324	17,324
Insurance	3,185	569	38	3,792
Interest expense	31,320	-	-	31,320
Legal and accounting	15,318	2,918	-	18,236
Licenses and fees	710	135	-	845
Loan loss provision	16,495	-	-	16,495
Maintenance and repairs	4,918	878	59	5,855
Meals and entertainment	979	187	-	1,166
Miscellaneous expense	423	81	-	504
MSS grant expense	-	-	-	-
Office supplies and expense	5,537	887	101	6,525
Program materials	1,095	-	-	1,095
Rent	22,092	4,208	-	26,300
Sabor fundraising event	-	-	5,010	5,010
Telephone	5,056	903	60	6,019
Training	2,127	405	-	2,532
Translation expense	4,473	-	-	4,473
Travel	2,693	513	-	3,206
Utilities	<u>100</u>	<u>17</u>	<u>1</u>	<u>118</u>
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	377,350	48,257	60,829	486,436
Depreciation of equipment	<u>1,230</u>	<u>220</u>	<u>15</u>	<u>1,465</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 378,580</u>	<u>\$ 48,477</u>	<u>\$ 60,844</u>	<u>\$ 487,901</u>

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

2006

Program Services	Management and General	Fundraising	Totals
\$ 218,742	\$ 28,370	\$ 14,797	\$ 261,909
-	2,100	-	2,100
18,724	3,121	446	22,291
<u>1,609</u>	<u>268</u>	<u>38</u>	<u>1,915</u>
239,075	33,859	15,281	288,215
8,417	-	443	8,860
2,088	373	25	2,486
3,300	4,950	24,750	33,000
4,286	-	-	4,286
781	138	-	919
4,012	-	-	4,012
-	-	-	-
-	-	18,499	18,499
3,778	675	45	4,498
6,872	-	-	6,872
7,220	1,375	-	8,595
718	137	-	855
11,829	-	-	11,829
2,701	482	32	3,215
1,004	191	-	1,195
90	17	150	257
2,827	-	-	2,827
32,999	828	12,027	45,854
1,594	-	-	1,594
20,160	3,840	-	24,000
-	-	-	-
6,251	1,116	74	7,441
403	77	-	480
1,228	-	-	1,228
1,418	270	-	1,688
<u>190</u>	<u>33</u>	<u>2</u>	<u>225</u>
363,241	48,361	71,328	482,930
<u>2,168</u>	<u>387</u>	<u>26</u>	<u>2,581</u>
<u>\$ 365,409</u>	<u>\$ 48,748</u>	<u>\$ 71,354</u>	<u>\$ 485,511</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 financial statements of the Agency have been prepared on the accrual basis in accordance 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 in perpetuity 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, 2007 and 2006.

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, 2007 AND 2006

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, 2007, are due during the next fiscal year.

Provision for uncollectible loans

A loan receivable is considered impaired when, based on current information, it is considered more likely than not 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, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Changes in unrealized gains and losses are recognized in the statement of activities for the year. Donated securities are recorded as contribution revenue based on the market value of the securities at the date of the gift.

Equipment

Equipment is recorded at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$300 or more and an expected useful life greater than one year. 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.

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 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 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, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following functional expense allocations 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

Costs of providing the Agency's programs and other activities have been 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.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 receivable as of June 30, 2007, are as follows:

2008	\$	70,837
2009		77,163
2010		83,482
2011		90,292
2012		96,986
Thereafter		<u>525,386</u>
Total	\$	<u>944,146</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 3 - INVESTMENTS

Investments consisted of 1,043 shares of Electronic Data Systems Corporation as of June 30, 2006, which were sold in the current year.

NOTE 4 - EQUIPMENT

Equipment consisted of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 6,925	\$ 6,073
Office equipment	<u>7,874</u>	<u>7,874</u>
	14,799	13,947
Less accumulated depreciation	<u>(10,072)</u>	<u>(8,607)</u>
	<u>\$ 4,727</u>	<u>\$ 5,340</u>

NOTE 5 - NOTES PAYABLE

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

	<u>2007</u>	<u>2006</u>
The Housing Fund, Inc.	\$ 447,623	\$ 387,566
SunTrust Bank	303,930	-
Renasant Bank	<u>188,030</u>	<u>-</u>
	<u>\$ 939,583</u>	<u>\$ 387,566</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 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.

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 5 - NOTES PAYABLE (CONTINUED)

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 (previously Capital Bank and Trust) 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.

Annual principal maturities of the notes payable as of June 30, 2007, are as follows:

2008	\$ 72,072
2009	78,877
2010	85,112
2011	91,807
2012	98,352
Thereafter	<u>513,363</u>
Total	<u>\$ 939,583</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
United Way of Middle Tennessee - Information, referral and support services for Latino workers and their families	\$ 57,661	\$ 57,661
HCA Foundation - donation for social, economic and civic integration	<u>25,000</u>	<u>55,000</u>
	<u>\$ 82,661</u>	<u>\$ 112,661</u>

CONEXIÓN AMÉRICAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 7 - 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, 2007, cash balances per bank did not exceed the \$100,000 FDIC insurance limit.

A contribution received from a donor of \$57,661, comprised 15% of total support and revenue for the year ended June 30, 2007; contributions received from two donors, totaling \$147,661, comprised 28% of total support and revenue for the year ended June 30, 2006.

NOTE 8 - COMMITMENTS

The Agency leases its office space under a non-cancelable operating lease. The lease requires monthly payments ranging from \$2,500 to \$2,600. The lease expires on December 31, 2008. Total rental expense for the year ended June 30, 2007, was \$26,300 (\$24,000 in 2006). Future minimum lease payments required under the lease as of June 30, 2007, are as follows:

2008	\$	30,900
2009		<u>15,600</u>
Total	\$	<u><u>46,500</u></u>