



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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January 26, 2010

Board of Directors  
United Hispanic-Americans, Inc.  
2424 Fairfield Ave.  
Fort Wayne, IN 46807

We have reviewed the audit report prepared by Krouse, Kern & Co., Inc., Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the United Hispanic-Americans, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The management letter contains four comments.

STATE BOARD OF ACCOUNTS

**UNITED HISPANIC-AMERICANS, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of December 31, 2008 and 2007

**UNITED HISPANIC-AMERICANS, INC.**

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December 31, 2008

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April 16, 2009

Board of Directors  
United Hispanic-Americans, Inc.  
Fort Wayne, Indiana

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the United Hispanic-Americans, Inc., (a non-profit organization) Fort Wayne, Indiana, as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 the United Hispanic-Americans, Inc. as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

*Krouse, Kern & Co., Inc.*  
KROUSE, KERN & CO., INC.

**UNITED HISPANIC-AMERICANS, INC.**

Statements of Financial Position  
December 31, 2008 and 2007

<b>ASSETS</b>		
	2008	2007
<b><i>CURRENT ASSETS:</i></b>		
Cash and cash equivalents	\$ 55,927	\$ 44,233
Pledges receivable	12,500	188,695
Grants receivable	182,948	232,801
Accounts receivable - other	429	4,170
Prepaid expenses	2,180	2,383
Total Current Assets	253,984	472,282
<b><i>PROPERTY AND EQUIPMENT</i></b>		
PROPERTY AND EQUIPMENT	1,933,325	1,931,825
LESS: Accumulated depreciation	(318,672)	(246,906)
Net Property and Equipment	1,614,653	1,684,919
<b><i>OTHER ASSETS:</i></b>		
Grants receivable - long term	-	45,000
Cash surrender value - life insurance policy (net of policy loans of \$25,000 as of December 31, 2008)	3,451	23,277
Total Other Assets	3,451	68,277
<b>TOTAL ASSETS</b>	<b>\$ 1,872,088</b>	<b>\$ 2,225,478</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><i>CURRENT LIABILITIES:</i></b>		
Accounts payable	\$ 18,939	\$ 6,937
Accrued payroll taxes	2,902	2,991
Accrued expenses	22,059	13,366
Line of credit payable - bank	69,452	4,500
Note payable - bank	849,985	950,000
Total Current Liabilities	963,337	977,794
<b><i>NET ASSETS:</i></b>		
Unrestricted	605,796	789,254
Temporarily restricted	302,955	458,430
Total Net Assets	908,751	1,247,684
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,872,088</b>	<b>\$ 2,225,478</b>

See Notes to Financial Statements.

**UNITED HISPANIC-AMERICANS, INC.**

Statement of Activities  
for the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
<b><i>SUPPORT, GRANTS AND REVENUES:</i></b>			
Grants	\$ 267,392	\$ 232,875	\$ 500,267
Contributions	45,830	-	45,830
Program fees	2,147	-	2,147
Special events	25,608	-	25,608
Interest income	1,260	-	1,260
Increase in cash value of life insurance	5,175	-	5,175
Net assets released from restriction	388,350	(388,350)	-
	<u>735,762</u>	<u>(155,475)</u>	<u>580,287</u>
 <b><i>EXPENSES:</i></b>			
<u>Program Services:</u>			
Arts/music programs	38,550	-	38,550
Education/tutoring	266,527	-	266,527
Employment/housing	56,692	-	56,692
Outreach	1,382	-	1,382
Tobacco program	110,203	-	110,203
Youth/social development	275,182	-	275,182
	<u>748,536</u>	<u>-</u>	<u>748,536</u>
 <u>Supporting Services:</u>			
Management and general	81,348	-	81,348
Fundraising	49,336	-	49,336
	<u>130,684</u>	<u>-</u>	<u>130,684</u>
	<u>879,220</u>	<u>-</u>	<u>879,220</u>
 <b><i>CHANGE IN NET ASSETS</i></b>	 (143,458)	 (155,475)	 (298,933)
 <b><i>RELEASE OF DESIGNATION - PLEDGES</i></b>	 (40,000)	 -	 (40,000)
 <b><i>NET ASSETS, BEGINNING OF YEAR</i></b>	 <u>789,254</u>	 <u>458,430</u>	 <u>1,247,684</u>
 <b><i>NET ASSETS, END OF YEAR</i></b>	 <u><u>\$ 605,796</u></u>	 <u><u>\$ 302,955</u></u>	 <u><u>\$ 908,751</u></u>

See Notes to Financial Statements.

**UNITED HISPANIC-AMERICANS, INC.**

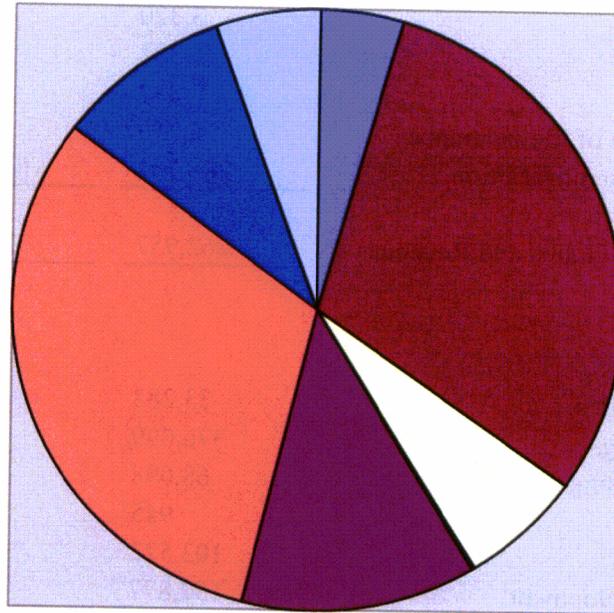
Statement of Activities  
for the year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><i>SUPPORT, GRANTS AND REVENUES:</i></b>			
Grants	\$ 351,704	\$ 414,717	\$ 766,421
Contributions	178,262	-	178,262
Program fees	3,320	-	3,320
Special events	36,382	-	36,382
Interest income	832	-	832
Increase in cash value of life insurance	5,753	-	5,753
Net assets released from restriction	286,704	(286,704)	-
	<u>862,957</u>	<u>128,013</u>	<u>990,970</u>
<b><i>EXPENSES:</i></b>			
<u>Program Services:</u>			
Arts/music programs	33,283	-	33,283
Education/tutoring	376,099	-	376,099
Employment/housing	68,098	-	68,098
Outreach	945	-	945
Tobacco program	103,522	-	103,522
Youth/social development	157,877	-	157,877
	<u>739,824</u>	<u>-</u>	<u>739,824</u>
<u>Supporting Services:</u>			
Management and general	75,454	-	75,454
Fundraising	59,844	-	59,844
	<u>135,298</u>	<u>-</u>	<u>135,298</u>
	<u>875,122</u>	<u>-</u>	<u>875,122</u>
<b><i>CHANGE IN NET ASSETS</i></b>	(12,165)	128,013	115,848
<b><i>NET ASSETS, BEGINNING OF YEAR</i></b>	<u>801,419</u>	<u>330,417</u>	<u>1,131,836</u>
<b><i>NET ASSETS, END OF YEAR</i></b>	<u><u>\$ 789,254</u></u>	<u><u>\$ 458,430</u></u>	<u><u>\$ 1,247,684</u></u>

See Notes to Financial Statements.

**UNITED HISPANIC-AMERICANS, INC.**

Statement of Functional Expenses  
for the year ended December 31, 2008



■ Arts/Music - 4.4%	■ Education / Tutoring - 30.3%
□ Employment / Housing - 6.4%	□ Outreach - 2%
■ Tobacco Program - 12.5%	■ Youth/Social Development - 31.3%
■ Management & General - 9.3%	■ Fundraising - 5.6%

**UNITED HISPANIC-AMERICANS, INC.**

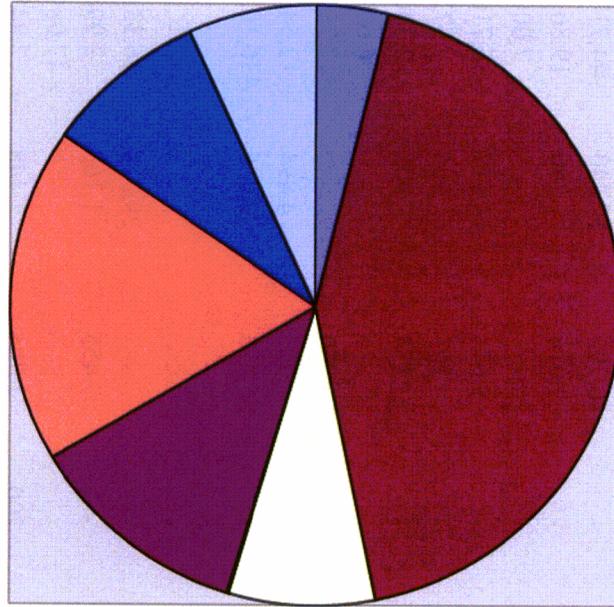
Statement of Functional Expenses  
for the year ended December 31, 2008

	Program Services						Supporting Services		Total Expenses	
	Arts/Music Programs	Education / Tutoring	Employment/ Housing	Outreach	Tobacco Program	Youth/Social Development	Total	Management and General		Fund Raising
Conferences and meetings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301	\$ -	\$ 301
Employee benefits	218	1,181	319	-	569	1,462	3,749	1,396	1,250	6,395
Interest expense	2,604	14,083	3,800	-	6,790	17,440	44,717	5,854	2,244	52,815
Occupancy	1,156	6,255	1,688	-	3,016	7,746	19,861	6,620	6,620	33,101
Other expense	-	7,000	-	-	-	-	7,000	4,069	-	11,069
Payroll taxes	2,138	11,561	3,120	-	5,574	14,317	36,710	2,398	1,842	40,950
Postage	39	213	58	-	103	264	677	226	226	1,129
Printing and publications	136	734	198	-	354	908	2,330	776	776	3,882
Professional fees	-	6,600	-	-	-	-	6,600	10,251	-	16,851
Program expense	-	-	3,104	1,182	13,450	-	17,736	-	-	17,736
Repairs and maintenance	731	3,952	1,066	-	1,905	4,894	12,548	4,183	4,183	20,914
Salaries and wages	25,394	137,342	37,061	-	66,223	170,085	436,105	28,488	21,886	486,479
Scholarships	-	-	-	-	-	-	-	1,500	-	1,500
Special events	-	-	-	-	-	-	-	9,563	6,081	15,644
Supplies	2,102	4,315	-	-	-	29,914	36,331	-	-	36,331
Telephone	175	944	255	-	455	1,169	2,998	999	999	4,996
Transportation	-	47,089	-	-	-	-	47,089	-	-	47,089
Travel	-	4,396	394	200	1,705	1,148	7,843	521	-	8,364
Vehicle expenses	111	601	162	-	290	744	1,908	-	-	1,908
	<u>34,804</u>	<u>246,266</u>	<u>51,225</u>	<u>1,382</u>	<u>100,434</u>	<u>250,091</u>	<u>684,202</u>	<u>77,145</u>	<u>46,107</u>	<u>807,454</u>
Depreciation	<u>3,746</u>	<u>20,261</u>	<u>5,467</u>	<u>-</u>	<u>9,769</u>	<u>25,091</u>	<u>64,334</u>	<u>4,203</u>	<u>3,229</u>	<u>71,766</u>
Total Expenses	<u>\$ 38,550</u>	<u>\$ 266,527</u>	<u>\$ 56,692</u>	<u>\$ 1,382</u>	<u>\$ 110,203</u>	<u>\$ 275,182</u>	<u>\$ 748,536</u>	<u>\$ 81,348</u>	<u>\$ 49,336</u>	<u>\$ 879,220</u>

See Notes to Financial Statements.

**UNITED HISPANIC-AMERICANS, INC.**

Statement of Functional Expenses  
for the year ended December 31, 2007



■ Arts/Music - 3.8%	■ Education / Tutoring - 43.0%
□ Employment / Housing - 7.8%	□ Outreach - .1%
■ Tobacco Program - 11.8%	■ Youth / Social Development - 18.0%
■ Management & General - 8.6%	■ Fundraising - 6.8%

**UNITED HISPANIC-AMERICANS, INC.**

Statement of Functional Expenses  
for the year ended December 31, 2007

	Program Services						Supporting Services			
	Arts/Music Programs	Education / Tutoring	Employment/ Housing	Outreach	Tobacco Program	Youth/Social Development	Total	Management and General	Fund Raising	Total Expenses
Conferences and meetings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,233	\$ -	\$ 1,233
Employee benefits	268	3,091	589	-	868	1,217	6,033	3,058	2,011	11,102
Interest expense	3,212	37,051	7,058	-	10,400	14,592	72,313	5,898	3,998	82,209
Occupancy	933	10,760	2,050	-	3,020	4,237	21,000	7,000	7,000	35,000
Other expense	-	1,000	-	-	-	-	1,000	3,535	39	4,574
Payroll taxes	1,644	18,964	3,613	-	5,323	7,469	37,013	2,046	2,046	41,105
Postage	37	430	82	-	121	169	839	279	280	1,398
Printing and publications	135	1,554	296	-	436	612	3,033	1,012	1,011	5,056
Professional fees	-	8,000	-	-	-	-	8,000	8,945	7,000	23,945
Program expense	-	-	4,533	945	8,845	121	14,444	-	-	14,444
Repairs and maintenance	501	5,776	1,100	-	1,621	2,275	11,273	3,757	3,757	18,787
Salaries and wages	18,601	214,549	40,871	-	60,221	84,495	418,737	23,152	23,151	465,040
Scholarships	-	-	-	-	-	-	-	1,500	-	1,500
Special events	-	-	-	-	-	-	-	7,578	4,973	12,551
Supplies	4,648	953	-	-	-	26,276	31,877	-	-	31,877
Telephone	123	1,414	269	-	397	557	2,760	921	920	4,601
Transportation	-	33,905	-	-	-	-	33,905	-	-	33,905
Travel	-	1,961	648	-	1,971	1,407	5,987	1,882	-	7,869
Vehicle expenses	242	2,789	531	-	783	1,099	5,444	-	-	5,444
	<u>30,344</u>	<u>342,197</u>	<u>61,640</u>	<u>945</u>	<u>94,006</u>	<u>144,526</u>	<u>673,658</u>	<u>71,796</u>	<u>56,186</u>	<u>801,640</u>
Depreciation	<u>2,939</u>	<u>33,902</u>	<u>6,458</u>	<u>-</u>	<u>9,516</u>	<u>13,351</u>	<u>66,166</u>	<u>3,658</u>	<u>3,658</u>	<u>73,482</u>
Total Expenses	<u>\$ 33,283</u>	<u>\$ 376,099</u>	<u>\$ 68,098</u>	<u>\$ 945</u>	<u>\$ 103,522</u>	<u>\$ 157,877</u>	<u>\$ 739,824</u>	<u>\$ 75,454</u>	<u>\$ 59,844</u>	<u>\$ 875,122</u>

See Notes to Financial Statements.

**UNITED HISPANIC-AMERICANS, INC.**

Statements of Cash Flows  
for the years ended December 31, 2008 and 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2008</u>	<u>2007</u>
Change in net assets	\$ (298,933)	\$ 115,848
Release of designation - pledges	(40,000)	-
Adjustments to Reconcile Change in Net Assets to Cash		
Flows From Operating Activities:		
Depreciation	71,766	73,482
Increase in cash value of life insurance policy	(5,174)	(5,753)
Changes in Operating Assets and Liabilities:		
Receivables	274,789	(104,566)
Prepaid expenses	203	-
Accounts payable	12,002	(6,354)
Accrued expenses and payroll taxes	8,604	(507)
<u>Net Cash Flows From Operating Activities</u>	<u>23,257</u>	<u>72,150</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(1,500)</u>	<u>(5,336)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from (payments on) line of credit	64,952	(31,795)
Net proceeds from life insurance loan	25,000	-
Net payments on long-term debt	<u>(100,015)</u>	<u>(26,531)</u>
<u>Net Cash Flows From Financing Activities</u>	<u>(10,063)</u>	<u>(58,326)</u>
Net increase in cash	11,694	8,488
Cash and cash equivalents, beginning of year	<u>44,233</u>	<u>35,745</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u><u>\$ 55,927</u></u>	 <u><u>\$ 44,233</u></u>
 <b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>		
Interest paid (net of amount capitalized)	<u><u>\$ 47,237</u></u>	<u><u>\$ 84,327</u></u>

See Notes to Financial Statements.

# UNITED HISPANIC-AMERICANS, INC.

## Notes to Financial Statements

### NOTE 1. NATURE OF ACTIVITIES

The mission of the United Hispanic-Americans, Inc. (the "Organization") is to promote the advancement of Hispanic Americans through leadership development, youth activities, and cultural education. The Organization's support is derived from local, state and federal grants and public contributions.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

#### ***FINANCIAL REPORTING:***

##### Method of Accounting:

The financial statements of the Organization have been prepared on the accrual basis.

The Organization follows the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

##### Contributions:

The Organization follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions. Contributions that are restricted or temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

##### Unrestricted Net Assets:

The balance of resources over which the Board of Directors has discretionary control.

##### Temporarily Restricted Net Assets:

Contributions that are restricted by donors for a specific purpose. Restricted contributions are reported as temporarily restricted net assets in the period in which the contributions are received and transferred to unrestricted net assets when the restrictions have been met.

UNITED HISPANIC-AMERICANS, INC.

Notes to Financial Statements (Continued)

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***FINANCIAL REPORTING:*** (Continued)

Use of Estimates:

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

Pledges and Grants Receivable:

Capital and other donor-restricted pledges are recorded as contributions to temporarily restricted net assets. Pledges receivable over a period of years are valued at the discounted value of future cash flows using the organization's latest borrowing rate. The difference between the full amount and the discounted value of the pledge or grant is recognized as an additional contribution over the life of the pledge or grant.

The Organization considers pledges and grants receivable to be fully collectible; accordingly, no allowance for doubtful pledges and grants is provided. If amounts become uncollectible, they are charged to operations when that determination is made. Any difference between this method and the allowance method required under generally accepted accounting principles would be immaterial.

All long-term pledge and grant receivables are due within one to two years as of December 31, 2008 and 2007.

Property and Equipment:

The Organization records property and equipment at cost, if purchased, or at estimated fair market value, if donated, and provides for depreciation over the estimated useful life of the asset using the straight-line method. Estimated useful lives range from five to thirty-nine years. Costs and related accumulated depreciation are removed from the accounts for assets retired from service and a gain or a loss on disposition is recorded when realized. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, there is no provision for Federal or State taxes. However, the Organization may be subject to federal and state income taxes on unrelated business income as defined in the Internal Revenue Code.

UNITED HISPANIC-AMERICANS, INC.

Notes to Financial Statements (Continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*FINANCIAL REPORTING:* (Continued)

Cash Equivalents:

The Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Concentration of Credit Risk:

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and pledges and grants receivable. The Organization maintains cash and cash equivalents with highly rated institutions. At times, such amounts may be in excess of the FDIC insured limit. The Organization, periodically, assesses the financial strength of its contributors and grantors and, as a consequence, believes that its pledges and grants receivable credit risk exposure is limited.

The Organization receives a substantial amount of its support from federal, state and local governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Donated Goods and Services:

In-kind contributions are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both in-kind contribution revenue and expenses on the statements of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance non-financial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Functional Expenses:

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management.

UNITED HISPANIC-AMERICANS, INC.

Notes to Financial Statements (Continued)

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Building and improvements	\$ 1,728,679	\$ 1,727,179
Equipment	169,946	169,946
Vehicles	34,700	34,700
	<u>1,933,325</u>	<u>1,931,825</u>
Less: Accumulated depreciation	<u>(318,672)</u>	<u>(246,906)</u>
Net Property and Equipment	<u>\$ 1,614,653</u>	<u>\$ 1,684,919</u>

**NOTE 4. NOTE PAYABLE**

The Organization has a note payable with Markle Bank. The agreement calls for interest at the Prime Rate (4.25% and 7.50 % as of December 31, 2008 and 2007, respectively) and semi-annual payments of \$200,000. The note matured on June 6, 2008 and is currently being re-negotiated. Borrowings on the note are collateralized by land, building and building improvements. The outstanding balance on the note as of December 31, 2008 and 2007 was \$849,985 and \$950,000, respectively.

**NOTE 5. LINE OF CREDIT**

The Organization has a revolving \$70,000 line of credit with Chase Bank. The line of credit bears interest at the Prime Rate plus 1.00% (5.25% and 8.50% at December 31, 2008 and 2007, respectively). Borrowings from the line are collateralized by the Organizations' assets with the exception of land, building and building improvements. There was \$69,452 and \$4,500 borrowed against the line as of December 31, 2008 and 2007, respectively.

**UNITED HISPANIC-AMERICANS, INC.**

Notes to Financial Statements (Continued)

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2008</u>	<u>2007</u>
Capital improvements	\$ 7,657	\$ 7,657
Education/Tutoring	125,000	107,143
General Operations	80,833	95,100
Tobacco Program	54,090	144,242
Youth Development	<u>35,375</u>	<u>104,288</u>
Total	<u>\$ 302,955</u>	<u>\$ 458,430</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

Purpose restrictions accomplished as of December 31:

	<u>2008</u>	<u>2007</u>
Capital improvements	\$ -	\$ 2,970
Education/Tutoring	107,144	63,292
General Operations	86,767	77,834
Tobacco Program	90,152	40,000
Youth Development	<u>104,287</u>	<u>102,608</u>
Total	<u>\$ 388,350</u>	<u>\$ 286,704</u>

May 12, 2009

To the Board of Directors  
United Hispanic-Americans, Inc.

We have audited the financial statements of United Hispanic-Americans, Inc. for the year ended December 31, 2008, and have issued our report thereon dated April 16, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 22, 2009. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United Hispanic-Americans, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on the estimated useful life of each asset. We evaluated the key factors and assumptions used to develop the estimate for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 16, 2009.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Management Comments

The minutes of the Board of Directors meetings did not indicate Board approval of the following actions; the Executive Director's compensation (and support in determining that the amount is reasonable compared to non-profits of similar classification in the same geographical area) and the Form 990 review. We recommend that these be discussed and voted upon by the Board of Directors on an annual basis.

We recommend having the person receiving checks/cash prepare a listing when the mail is opened and prior to forwarding to the Executive Director for deposit preparation. These listings should be periodically compared to the accounting and bank records to verify that they agree by someone independent of the cash receipts function. This will provide verification that all funds received in the mail were deposited and entered into the accounting system.

We noted during our testing of payroll that the hours on payroll time sheets did not add correctly or agree with hours paid on payroll check. We recommend having someone review time sheets for accuracy and initialing/dating that figures have been verified before processing payroll.

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We recommend that management establish a standard accounting and operating procedures manual outlining policies to be followed. The preparation and maintenance of written standard procedures is very useful to do the following:

- Establish consistent organization practices,
- Fix accounting and bookkeeping responsibilities.
- Reduce the likelihood of coding errors and assist in the preparation of timely and accurate monthly financial statements.
- Aid in review by management for adherence to Organization policies.
- Aid in exchange of management ideas.
- Provide the Organization with a source of information that will not be lost if key personnel leave.
- Aid in the training of new employees, especially in the event of an untimely resignation of key accounting staff.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility.

This information is intended solely for the use of the Board of Directors and management of United Hispanic-Americans, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Krouse, Kern & Co., Inc.