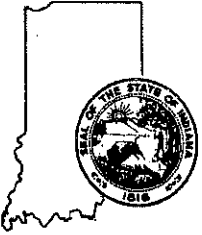


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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

May 22, 2009

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, 2007 to December 31, 2007. 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, 2007, 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.

STATE BOARD OF ACCOUNTS

UNITED HISPANIC-AMERICANS, INC.

FORT WAYNE, INDIANA

Financial Statements

as of December 31, 2007 and 2006

UNITED HISPANIC-AMERICANS, INC.

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December 31, 2007

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April 15, 2008

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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006

| | | ASSETS | |
|--|--|---------------------|---------------------|
| | | 2007 | 2006 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$ 44,233 | \$ 35,745 |
| Pledges receivable | | 248,695 | 123,946 |
| Grants receivable | | 172,801 | 185,369 |
| Accounts receivable - other | | 4,170 | 1,135 |
| Prepaid expenses | | <u>2,383</u> | <u>2,383</u> |
| Total Current Assets | | <u>472,282</u> | <u>348,578</u> |
| PROPERTY AND EQUIPMENT | | 1,931,825 | 1,926,485 |
| LESS: Accumulated depreciation | | <u>(246,906)</u> | <u>(173,423)</u> |
| Net Property and Equipment | | <u>1,684,919</u> | <u>1,753,062</u> |
| OTHER ASSETS: | | | |
| Pledges receivable - long term | | - | 55,650 |
| Grants receivable - long term | | 45,000 | - |
| Cash value - life insurance policy | | <u>23,277</u> | <u>17,524</u> |
| Total Other Assets | | <u>68,277</u> | <u>73,174</u> |
| TOTAL ASSETS | | <u>\$ 2,225,478</u> | <u>\$ 2,174,814</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | | \$ 6,937 | \$ 13,291 |
| Accrued payroll taxes | | 2,991 | 3,546 |
| Accrued expenses | | 13,366 | 13,318 |
| Line of credit payable - bank | | 4,500 | 36,295 |
| Note payable - bank (current portion) | | <u>950,000</u> | <u>776,528</u> |
| Total Current Liabilities | | <u>977,794</u> | <u>842,978</u> |
| NON-CURRENT LIABILITIES: | | | |
| Note payable - bank (net of current portion) | | <u>-</u> | <u>200,000</u> |
| NET ASSETS: | | | |
| Unrestricted | | 789,254 | 801,419 |
| Temporarily restricted | | <u>458,430</u> | <u>330,417</u> |
| Total Net Assets | | <u>1,247,684</u> | <u>1,131,836</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 2,225,478</u> | <u>\$ 2,174,814</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> |
|---|------------------------------|-----------------------------------|--------------------------------|
| <i>SUPPORT, GRANTS AND REVENUES:</i> | | | |
| Grants | \$ 346,204 | \$ 414,717 | \$ 760,921 |
| Contributions | 183,762 | - | 183,762 |
| 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 | <u>286,704</u> | <u>(286,704)</u> | <u>-</u> |
| Total Support, Grants and Revenues | <u>862,957</u> | <u>128,013</u> | <u>990,970</u> |
| <i>EXPENSES:</i> | | | |
| <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 | <u>157,877</u> | <u>-</u> | <u>157,877</u> |
| Total Program Services Expense | <u>739,824</u> | <u>-</u> | <u>739,824</u> |
| <u>Supporting Services:</u> | | | |
| Management and general | 75,454 | - | 75,454 |
| Fundraising | <u>59,844</u> | <u>-</u> | <u>59,844</u> |
| Total Supporting Services Expense | <u>135,298</u> | <u>-</u> | <u>135,298</u> |
| Total Expenses | <u>875,122</u> | <u>-</u> | <u>875,122</u> |
| <i>CHANGE IN NET ASSETS</i> | (12,165) | 128,013 | 115,848 |
| <i>NET ASSETS, BEGINNING OF YEAR</i> | <u>801,419</u> | <u>330,417</u> | <u>1,131,836</u> |
| <i>NET ASSETS, END OF YEAR</i> | <u>\$ 789,254</u> | <u>\$ 458,430</u> | <u>\$ 1,247,684</u> |

See Notes to Financial Statements.

UNITED HISPANIC-AMERICANS, INC.

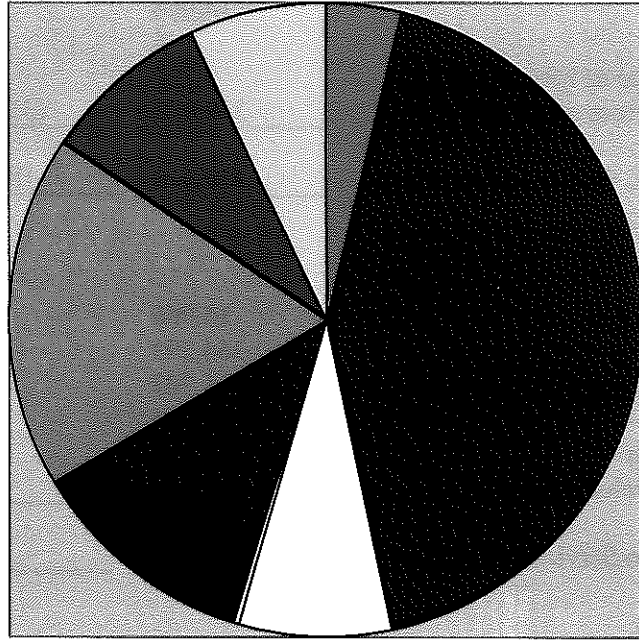
Statement of Activities
for the year ended December 31, 2006

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|------------------------------|-----------------------------------|--------------------------------|
| <i>SUPPORT, GRANTS AND REVENUES:</i> | | | |
| Grants | \$ 262,038 | \$ 229,161 | \$ 491,199 |
| Contributions | 50,484 | - | 50,484 |
| Program fees | 4,010 | - | 4,010 |
| Special events | 14,066 | - | 14,066 |
| Interest income | 6 | - | 6 |
| Increase in cash value of life insurance | 5,728 | - | 5,728 |
| Net assets released from restriction | <u>310,078</u> | <u>(310,078)</u> | <u>-</u> |
| Total Support, Grants and Revenues | <u>646,410</u> | <u>(80,917)</u> | <u>565,493</u> |
| <i>EXPENSES:</i> | | | |
| <u>Program Services:</u> | | | |
| Arts/music programs | 16,966 | - | 16,966 |
| Education/tutoring | 364,293 | - | 364,293 |
| Employment/housing | 61,703 | - | 61,703 |
| Outreach | 12,164 | - | 12,164 |
| Tobacco program | 115,853 | - | 115,853 |
| Youth/social development | <u>171,292</u> | <u>-</u> | <u>171,292</u> |
| Total Program Services Expense | <u>742,271</u> | <u>-</u> | <u>742,271</u> |
| <u>Supporting Services:</u> | | | |
| Management and general | 44,691 | - | 44,691 |
| Fundraising | <u>69,077</u> | <u>-</u> | <u>69,077</u> |
| Total Supporting Services Expense | <u>113,768</u> | <u>-</u> | <u>113,768</u> |
| Total Expenses | <u>856,039</u> | <u>-</u> | <u>856,039</u> |
| <i>CHANGE IN NET ASSETS</i> | (209,629) | (80,917) | (290,546) |
| <i>NET ASSETS, BEGINNING OF YEAR</i> | <u>1,011,048</u> | <u>411,334</u> | <u>1,422,382</u> |
| <i>NET ASSETS, END OF YEAR</i> | <u>\$ 801,419</u> | <u>\$ 330,417</u> | <u>\$ 1,131,836</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.

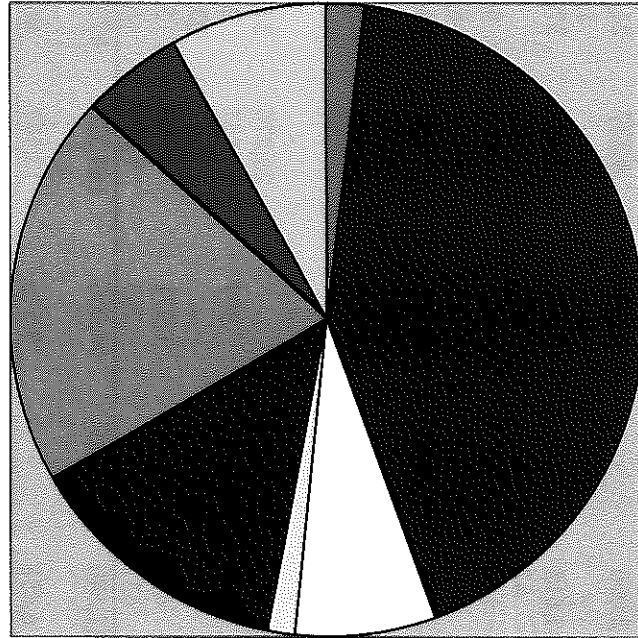
Statement of Functional Expenses
for the year ended December 31, 2007

| | Program Services | | | | | | | Supporting Services | | |
|---------------------------|---------------------|----------------------|--------------------|---------------|-------------------|--------------------------|-------------------|----------------------|------------------|-------------------|
| | Arts/Music Programs | Education / Tutoring | Employment/Housing | Outreach | Tobacco Program | Youth/Social Development | Total | Management & 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 | 2,939 | 33,902 | 6,458 | - | 9,516 | 13,351 | 66,166 | 3,658 | 3,658 | 73,482 |
| 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.

Statement of Functional Expenses
for the year ended December 31, 2006



| | |
|-------------------------------|------------------------------------|
| ■ Arts/Music - 2.0% | ■ Education / Tutoring - 42.6% |
| □ Employment / Housing - 7.2% | □ Outreach - 1.4% |
| ■ Tobacco Program - 13.5% | ■ Youth/Social Development - 20.0% |
| ■ Management & General - 5.2% | ■ Fundraising - 8.1% |

UNITED HISPANIC-AMERICANS, INC.

Statement of Functional Expenses
for the year ended December 31, 2006

| | Program Services | | | | | | | Supporting Services | | |
|---------------------------|---------------------|----------------------|---------------------|------------------|-------------------|--------------------------|-------------------|----------------------|------------------|-------------------|
| | Arts/Music Programs | Education / Tutoring | Employment/ Housing | Outreach | Tobacco Program | Youth/Social Development | Total | Management & General | Fund Raising | Total Expenses |
| Conferences and meetings | \$ 36 | \$ 708 | \$ 118 | \$ 26 | \$ 222 | \$ 338 | \$ 1,448 | \$ 84 | \$ 89 | \$ 1,621 |
| Employee benefits | 262 | 5,210 | 870 | 191 | 1,636 | 2,491 | 10,660 | 618 | 653 | 11,931 |
| Field trips | - | 3,694 | - | - | - | - | 3,694 | - | - | 3,694 |
| Interest expense | 1,744 | 34,688 | 5,789 | 1,270 | 10,892 | 16,584 | 70,967 | 4,115 | 4,351 | 79,433 |
| Occupancy | 677 | 13,474 | 2,249 | 493 | 4,231 | 6,442 | 27,566 | 1,598 | 1,690 | 30,854 |
| Other expense | - | - | - | - | - | - | - | 2,084 | - | 2,084 |
| Payroll taxes | 919 | 18,284 | 3,052 | 669 | 5,741 | 8,741 | 37,406 | 2,169 | 2,293 | 41,868 |
| Postage | 30 | 599 | 100 | 22 | 188 | 286 | 1,225 | 71 | 75 | 1,371 |
| Printing and publications | 188 | 3,743 | 625 | 137 | 1,175 | 1,790 | 7,658 | 444 | 470 | 8,572 |
| Professional fees | 164 | 3,258 | 544 | 119 | 1,023 | 1,558 | 6,666 | 3,645 | 13,500 | 23,811 |
| Program expense | - | - | 7,224 | 230 | 12,669 | 295 | 20,418 | - | - | 20,418 |
| Repairs and maintenance | 394 | 7,844 | 1,309 | 287 | 2,463 | 3,750 | 16,047 | 930 | 984 | 17,961 |
| Salaries and wages | 9,944 | 197,794 | 33,012 | 7,242 | 62,107 | 94,562 | 404,661 | 23,462 | 24,808 | 452,931 |
| Scholarships | - | - | - | - | - | - | - | - | 1,500 | 1,500 |
| Special events | - | - | - | - | - | - | - | - | 12,937 | 12,937 |
| Supplies | 721 | 7,540 | - | - | - | 15,504 | 23,765 | - | - | 23,765 |
| Telephone | 116 | 2,314 | 386 | 85 | 726 | 1,106 | 4,733 | 274 | 290 | 5,297 |
| Transportation | - | 29,026 | - | - | - | - | 29,026 | - | - | 29,026 |
| Travel | - | 1,372 | 546 | 104 | 1,720 | 1,005 | 4,747 | 1,019 | 1,019 | 6,785 |
| Tutors | - | (484) | - | - | - | - | (484) | - | - | (484) |
| Vehicle expenses | 121 | 2,409 | 402 | 88 | 756 | 1,152 | 4,928 | 286 | 302 | 5,516 |
| | <u>15,316</u> | <u>331,473</u> | <u>56,226</u> | <u>10,963</u> | <u>105,549</u> | <u>155,604</u> | <u>675,131</u> | <u>40,799</u> | <u>64,961</u> | <u>780,891</u> |
| Depreciation | 1,650 | 32,820 | 5,477 | 1,201 | 10,304 | 15,688 | 67,140 | 3,892 | 4,116 | 75,148 |
| Total Expenses | <u>\$ 16,966</u> | <u>\$ 364,293</u> | <u>\$ 61,703</u> | <u>\$ 12,164</u> | <u>\$ 115,853</u> | <u>\$ 171,292</u> | <u>\$ 742,271</u> | <u>\$ 44,691</u> | <u>\$ 69,077</u> | <u>\$ 856,039</u> |

See Notes to Financial Statements.

UNITED HISPANIC-AMERICANS, INC.

Statements of Cash Flows
for the years ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|
| <i>CASH FLOWS FROM OPERATING ACTIVITIES:</i> | | |
| Change in net assets | \$ 115,848 | \$ (290,546) |
| Adjustments to Reconcile Change in Net Assets to Cash | | |
| Provided (Used) by Operating Activities: | | |
| Depreciation | 73,482 | 75,148 |
| Increase in cash value of life insurance policy | (5,753) | (5,728) |
| Changes in Operating Assets and Liabilities: | | |
| Receivables | (104,566) | 215,514 |
| Prepaid expenses | - | 625 |
| Accounts payable | (6,354) | 968 |
| Accrued expenses and payroll taxes | <u>(507)</u> | <u>(679)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>72,150</u> | <u>(4,698)</u> |
| <i>CASH FLOWS FROM INVESTING ACTIVITIES:</i> | | |
| Purchase of property and equipment | <u>(5,336)</u> | <u>-</u> |
| <i>CASH FLOWS FROM FINANCING ACTIVITIES:</i> | | |
| Net proceeds from (payments on) line of credit | (31,795) | 36,295 |
| Net payments on long-term debt | <u>(26,531)</u> | <u>(23,475)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>(58,326)</u> | <u>12,820</u> |
| Net increase in cash | 8,488 | 8,122 |
| Cash and cash equivalents - beginning of year | <u>35,745</u> | <u>27,623</u> |
| <i>CASH AND CASH EQUIVALENTS - END OF YEAR</i> | <u>\$ 44,233</u> | <u>\$ 35,745</u> |
| <i>DETAIL OF CASH:</i> | | |
| Cash and cash equivalents - unrestricted | \$ 44,233 | \$ 35,710 |
| Cash and cash equivalents - temporarily restricted | <u>-</u> | <u>35</u> |
| | <u>\$ 44,233</u> | <u>\$ 35,745</u> |
| <i>SUPPLEMENTARY CASH FLOW INFORMATION:</i> | | |
| Interest paid (net of amount capitalized) | <u>\$ 84,327</u> | <u>\$ 21,141</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, 2007 and 2006.

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>2007</u> | <u>2006</u> |
|--------------------------------|---------------------|---------------------|
| Building and improvements | \$ 1,727,179 | \$ 1,727,179 |
| Equipment | 169,946 | 166,006 |
| Vehicles | 34,700 | 33,300 |
| | <u>1,931,825</u> | <u>1,926,485</u> |
| Less: Accumulated depreciation | <u>(246,906)</u> | <u>(173,423)</u> |
| Net Property and Equipment | <u>\$ 1,684,919</u> | <u>\$ 1,753,062</u> |

NOTE 4. NOTE PAYABLE

The Organization has a note payable with Markle Bank. The agreement calls for interest at the Prime Rate (7.50% and 8.25 % as of December 31, 2007 and 2006, respectively) and semi-annual payments of \$200,000. The note matures on June 6, 2008. Borrowings on the note are collateralized by real estate held by the Organization. The outstanding balance on the note as of December 31, 2007 and 2006 was \$950,000 and \$976,528, respectively.

NOTE 5. LINE OF CREDIT

The Organization has a revolving \$50,000 line of credit with Chase Bank. The line of credit bears interest at the Prime Rate plus 1.00% (8.50% and 9.25% at December 31, 2007 and 2006, respectively). Borrowings from the line are collateralized by substantially all of the Organizations' assets. There was \$4,500 and \$36,295 borrowed against the line as of December 31, 2007 and 2006, 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>2007</u> | <u>2006</u> |
|----------------------|-------------------|-------------------|
| Capital improvements | \$ 7,657 | \$ 10,627 |
| Education/Tutoring | 107,143 | 63,292 |
| General Operations | 95,100 | 106,168 |
| Tobacco Program | 144,242 | 40,000 |
| Youth Development | <u>104,288</u> | <u>110,330</u> |
| Total | <u>\$ 458,430</u> | <u>\$ 330,417</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>2007</u> | <u>2006</u> |
|----------------------|-------------------|-------------------|
| Capital improvements | \$ 2,970 | \$ - |
| Education/Tutoring | 63,292 | 56,443 |
| General Operations | 77,834 | 95,000 |
| Tobacco Program | 40,000 | 82,000 |
| Youth Development | <u>102,608</u> | <u>76,635</u> |
| Total | <u>\$ 286,704</u> | <u>\$ 310,078</u> |