

LATIN AMERICAN ASSOCIATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2010 AND 2009

LATIN AMERICAN ASSOCIATION, INC.

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BROOKS, MCGINNIS & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

5871 GLENRIDGE DRIVE

SUITE 200

ATLANTA, GEORGIA 30328

(404) 531-4940
FAX: (404) 531-4950

MEMBER OF AICPA
DIVISION FOR CPA FIRMS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Latin American Association, Inc.:

We have audited the accompanying statements of financial position of Latin American Association, Inc. (the Association), a nonprofit organization, as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 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 Latin American Association, Inc. as of June 30, 2010 and 2009, 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
February 28, 2011

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents (Note 1)	\$ 420,830	\$ 85,240
Accounts receivable (Note 2)	1,025,570	457,328
Capital campaign pledges, net (Note 3)	20,000	30,000
Prepaid expenses	32,937	14,016
Investments (Note 4)	2,827,188	2,989,949
Property and equipment, net (Notes 1 and 5)	5,496,511	5,709,044
Total assets	\$ 9,823,036	\$ 9,285,577
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 162,629	\$ 133,080
Deferred revenue (Note 6)	76,767	80,549
Total liabilities	239,396	213,629
Commitments and contingencies (Note 13)		
Net assets:		
Unrestricted	5,863,563	6,084,086
Unrestricted - board designated (Note 8)	250,000	250,000
Temporarily restricted (Note 9)	1,679,360	947,145
Permanently restricted (Note 11)	1,790,717	1,790,717
Total net assets	9,583,640	9,071,948
Total liabilities and net assets	\$ 9,823,036	\$ 9,285,577

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

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support and gains:								
Grants	\$ 470,545	\$ 1,179,775	\$ -	\$ 470,545	\$ 439,528	\$ -	\$ 439,528	
Contributions	388,036			1,567,811	298,751		758,051	
Donated facilities (Note 7)	54,000			54,000	60,000		60,000	
Program services	473,569			473,569	470,654		470,654	
Special events	573,928			573,928	519,190		519,190	
Investment income/(loss) (Note 4)	203,219			203,219	(864,777)	(155,303)	(1,020,080)	
Other income	68,300			68,300	82,790		82,790	
	<u>2,231,597</u>	<u>1,179,775</u>	<u>-</u>	<u>3,411,372</u>	<u>1,006,136</u>	<u>303,997</u>	<u>1,310,133</u>	
Net asset reclassification based on enactment of SPMIFA (Note 10)						(245,303)		
Net assets released from restrictions	447,560	(447,560)			645,993	(645,993)		
Total revenue, support, and gains	<u>2,679,157</u>	<u>732,215</u>	<u>-</u>	<u>3,411,372</u>	<u>1,652,129</u>	<u>(96,693)</u>	<u>1,310,133</u>	
Expenses:								
Program services	2,172,824			2,172,824	2,637,811		2,637,811	
Supporting services:								
Resource development and fundraising	564,075			564,075	659,229		659,229	
General and administrative	162,781			162,781	207,915		207,915	
Total supporting services	<u>726,856</u>	<u>-</u>	<u>-</u>	<u>726,856</u>	<u>867,144</u>	<u>-</u>	<u>867,144</u>	
Total expenses and losses	<u>2,899,680</u>	<u>-</u>	<u>-</u>	<u>2,899,680</u>	<u>3,504,955</u>	<u>-</u>	<u>3,504,955</u>	
Increase (decrease) in net assets	(220,523)	732,215	-	511,692	(1,852,826)	(96,693)	(245,303)	
Net assets at beginning of year	6,334,086	947,145	1,790,717	9,071,948	8,186,912	1,043,838	11,266,770	
Net assets at end of year	<u>\$ 6,113,563</u>	<u>\$ 1,679,360</u>	<u>\$ 1,790,717</u>	<u>\$ 9,583,640</u>	<u>\$ 6,334,086</u>	<u>\$ 947,145</u>	<u>\$ 1,790,717</u>	<u>\$ 9,071,948</u>

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

LATIN AMERICAN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Resource Development/ Fundraising	General & Administrative	Total Supporting Services	Total
Salaries	\$ 913,195	\$ 239,200	\$ 218,815	\$ 458,015	\$ 1,371,210
Taxes and benefits	175,269	43,741	39,096	82,837	258,106
Professional fees	113,453	8,919	172,050	180,969	294,422
Telephone	8,671	585	15,910	16,495	25,166
Occupancy	62,598	-	161,450	161,450	224,048
Equipment maintenance/rental	2,358	-	25,181	25,181	27,539
Special events	12,862	127,893	47	127,940	140,802
Office expense and supplies	19,712	8,958	39,896	48,854	68,566
Travel	19,136	887	3,088	3,975	23,111
Staff development/conferences	6,571	3,659	6,111	9,770	16,341
Assistance to individuals	90,316	-	-	-	90,316
Marketing	5,705	27,098	5,600	32,698	38,403
Textbooks and publications	39,469	-	-	-	39,469
Insurance	3,096	-	15,497	15,497	18,593
Miscellaneous expenses	434	1,650	20,420	22,070	22,504
Depreciation	173,572	26,519	40,993	67,512	241,084
Overhead allocations	526,407	74,966	(601,373)	(526,407)	-
Total expenses	\$ 2,172,824	\$ 564,075	\$ 162,781	\$ 726,856	\$ 2,899,680

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

LATIN AMERICAN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program Services</u>	<u>Resource Development/ Fundraising</u>	<u>General & Administrative</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 1,180,746	\$ 254,429	\$ 245,885	\$ 500,314	\$ 1,681,060
Taxes and benefits	208,291	49,439	42,317	91,756	300,047
Professional fees	166,277	49,700	217,487	267,187	433,464
Telephone	17,208	697	18,740	19,437	36,645
Occupancy	69,717	-	147,278	147,278	216,995
Equipment maintenance/rental	688	14,027	34,271	48,298	48,986
Special events	23,767	103,260	-	103,260	127,027
Office expense and supplies	25,732	5,489	34,958	40,447	66,179
Travel	31,158	930	4,988	5,918	37,076
Staff development/conferences	7,226	5,472	3,443	8,915	16,141
Assistance to individuals	99,170	-	-	-	99,170
Marketing	25,953	33,791	2,150	35,941	61,894
Textbooks and publications	49,060	4,727	4,707	9,434	58,494
Insurance	2,296	-	28,786	28,786	31,082
Miscellaneous expenses	9,562	4,467	16,336	20,803	30,365
Depreciation	187,428	28,636	44,266	72,902	260,330
Overhead allocations	533,532	104,165	(637,697)	(533,532)	-
Total expenses	\$ <u>2,637,811</u>	\$ <u>659,229</u>	\$ <u>207,915</u>	\$ <u>867,144</u>	\$ <u>3,504,955</u>

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

LATIN AMERICAN ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 511,692	\$ (2,194,822)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	241,084	260,330
Net realized and unrealized investment (gain) loss	(196,388)	1,161,528
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(568,242)	161,995
Prepaid expenses	(18,921)	6,403
Increase (decrease) in:		
Accounts payable and accrued expenses	29,549	(4,446)
Deferred revenue	(3,782)	(24,276)
Net cash used in operating activities	(5,008)	(633,288)
Cash flows from investing activities:		
Purchase of property and equipment	(28,552)	(11,182)
Proceeds from sale of investments	2,396,147	3,267,615
Purchase of investments	(2,036,997)	(2,636,285)
Net cash provided by investing activities	330,598	620,148
Cash flows from financing activities:		
Capital campaign - contribution collections	10,000	8,674
Net cash provided by financing activities	10,000	8,674
Net increase (decrease) in cash and cash equivalents	335,590	(4,466)
Cash and cash equivalents - beginning of year	85,240	89,706
Cash and cash equivalents - end of year	\$ 420,830	\$ 85,240

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

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

The Latin American Association, Inc. (the Association) is a nonprofit organization in the metropolitan Atlanta area. The purpose of the Association is to provide Hispanic families and individuals with basic transitional services in order to facilitate integration into larger communities, to advocate with other organizations on behalf of Hispanics and to foster in the community an awareness of the presence and contributions of Hispanics. The Association is funded primarily through monies received from private organizations and individuals, government grants, as well as program service fees and special events.

Method of Reporting

The Association's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, based on stipulations made by the donor.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions in accordance with GAAP.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

Contributions - Continued

The Association records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations regarding the duration that the long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

Marketable securities acquired by gift are recorded at their fair market value on the date of receipt. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time in the Association's programs and supporting services. If donated services either created or enhanced non-financial assets or required specialized skills that would need to be purchased if not donated, the value of those donated services would be recorded.

Investments

In conformity with GAAP, all investments in equity securities with a readily determinable market value and all investments in debt securities are reported at fair market value with gains and losses included in the statements of activities. See Note 4 also.

Property and Equipment

It is the policy of the Association to capitalize property and equipment in excess of \$1,000. The cost of property, buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Buildings are depreciated over 30 years, and other Association property is depreciated over lives ranging from 5 to 15 years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Association is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as an organization other than a private foundation. In the opinion of management, the Association continues to operate as a tax-exempt organization and, accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents consist primarily of demand deposits with a single financial institution. For the purposes of the statements of cash flows, the Association considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. The balances in the Association's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2010 and 2009. At June 30, 2010, the Association's bank accounts exceeded this limit by \$127,532. The Association's bank account balances were under this limit at June 30, 2009.

Investments are protected by the Securities Investor Protection Corporation (SIPC). The SIPC provides up to \$500,000 in securities protection per customer that includes protection for up to \$100,000 in un-invested cash. At June 30, 2010 and 2009, the Association's investment accounts exceed this amount by \$2,327,188 and \$2,489,949, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses, accounts payable and accrued expenses are carried at amounts which approximates their fair value due to the short-term nature of these instruments. Investment assets are classified in accordance with GAAP, as described in Note 4.

New Accounting Pronouncement

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. The intent of this FSP is to provide guidance on the net asset classification of donor-restricted endowment funds. The FSP also expands disclosures about an organization's endowment funds, both donor-restricted and board-designated, whether or not the organization is subject to UPMIFA. The Association adopted FAS No. 117-1 for the year ended June 30, 2009. The impact of this adoption on the Association's Statement of Financial Position and Statement of Activities is discussed in Note 10.

In June 2009, the Financial Accounting Standards Board (FASB) established *FASB Accounting Standards Codification (ASC)* as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The ASC does not change GAAP, except in limited circumstances, and the content of the ASC carries the same level of GAAP authority. Other than the manner in which the new accounting guidance is referenced, the adoption of this change did not have a material effect on the Association's financial statements.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. Accounts Receivable

Accounts receivable consist of the following at June 30:

	2010	2009
United Way pledge	\$ 321,414	\$ 357,871
Contribution receivable	515,661	-
Grants and government contracts	121,541	79,174
Special events	65,697	20,283
Other receivables	1,257	-
	\$ 1,025,570	\$ 457,328

3. Capital Campaign Pledges, Net

Pledges receivable from the Association's 1999 capital campaign consist of the following at June 30:

	2010	2009
Pledges expected to be collected in:		
Less than one year	\$ 10,000	\$ 10,000
One to five years	10,000	20,000
	20,000	30,000
Less:		
Present value discount	-	-
Capital campaign pledges, net	\$ 20,000	\$ 30,000

4. Investments

The Association classifies its investment assets in accordance with GAAP which establishes a hierarchy of inputs to fair value measurements, as follows:

- Level 1* - Quoted prices in active markets for identical assets or liabilities
- Level 2* - Inputs that are derived principally from or corroborated by observable market data
- Level 3* - Inputs that are unobservable and significant to the overall fair value measurement

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. Investments - Continued

The Association's direct investments in equity securities consist exclusively of investments in mutual funds. Accordingly, the Association's direct investments in equity security investments are Level 1 investments. Additionally, at June 30, 2010 and 2009, the Association held money market funds and cash comprising approximately 48.4% and 28.8% of total investment assets. Money market funds are carried at their cost value, which approximates fair value.

The Association's fixed income investments consisted primarily of government and agency bonds, and debt securities issued by corporations. Substantially all of the Association's fixed income securities are traded actively among dealers. The Association valued such securities at prices provided by its investment manager, which obtained such pricing from recognized pricing services. Such services generally provided daily asset pricing and were verified by the investment manager by reference to a secondary pricing source. Accordingly the Association's fixed income investments were classified as Level 2 investments for the year ended June 30, 2009. During the year ended June 30, 2010 all the fixed income investments were liquidated. None of the Association's investments are Level 3 investments.

Cost and fair market value of investments are summarized in the table below:

	Fair Value Hierarchy Level	Cost	Unrealized Appreciation (Depreciation)	Fair Market Value
<u>June 30, 2010</u>				
Equity mutual funds	1	1,543,512	(83,512)	1,460,000
Money market and cash funds	1	1,367,188	-	1,367,188
Total investments		\$ 2,910,700	\$ (83,512)	\$ 2,827,188
<u>June 30, 2009</u>				
Equity mutual funds	1	1,737,184	(356,628)	1,380,556
U.S. government obligations	2	749,696	112	749,808
Money market and cash funds	1	859,585	-	859,585
Total investments		\$ 3,346,465	\$ (356,516)	\$ 2,989,949

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. Investments - Continued

The components of investment income (loss) consist of the following at June 30:

	2010	2009
Interest and dividends	\$ 6,831	\$ 141,448
Net realized and unrealized gains and losses	196,388	(1,161,528)
	\$ 203,219	\$ (1,020,080)

For the years ending June 30, 2010 and 2009, investment income has been reduced by management expenses totaling \$19,733 and \$22,592, respectively.

5. Property and Equipment, Net

Components of property and equipment consist of the following at June 30:

	2010	2009
Land	\$ 1,151,846	\$ 1,151,846
Buildings	5,929,807	5,929,807
Furniture and fixtures	231,944	231,944
Equipment	501,021	472,470
Vehicles	28,597	28,597
	7,843,215	7,814,664
Less accumulated depreciation	(2,346,704)	(2,105,620)
	\$ 5,496,511	\$ 5,709,044

Depreciation expense for the years ended June 30, 2010 and 2009 was \$241,084 and \$260,330, respectively.

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

6. Deferred Revenue

Deferred revenue represents funds received during the current year that will not be earned until the events occur in the next fiscal year. Deferred revenue consists of the following at June 30:

	2010	2009
Latin Fever Ball	\$ 45,500	\$ 5,000
Youth Conference	15,000	40,000
Education	9,513	-
Youth Summer Camp and Literacy	4,754	15,000
Enlace	1,000	-
Rent	1,000	-
Annual campaign	-	10,000
Spanish Program	-	10,549
	\$ 76,767	\$ 80,549

7. Lease Commitments

The Association has previously entered into lease agreements for office space in Clayton, Cobb, and Gwinnett counties. During 2005 the Association closed their satellite locations and replaced them with donated outreach centers. In 2009, one outreach center was closed. The estimated value of these donated facilities of \$54,000 and \$60,000 for the years ended June 30, 2010 and 2009, respectively, have been reflected in the accompanying financial statements as donated facilities revenue with a like amount included in program services as occupancy expense.

In addition, the Association leases certain equipment under operating lease agreements. Total rent expense under equipment leases was \$13,617 for the year ended June 30, 2010 and \$30,073 for the year ended June 30, 2009.

The Association has a future minimum operating lease commitment for office equipment. Following are the annual lease payments under the terms of this lease:

	June 30,
2011	\$ 13,188
2012	13,188
2013	6,045
	\$ 32,421

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

8. Board Designated Net Assets

Unrestricted net assets at June 30, 2010 and 2009 include a board designated amount of \$250,000. The board designated the net assets for a disaster reserve.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Program and support services	\$ 867,067	\$ 76,292
Building fund	484,879	513,012
United Way	321,414	357,871
Other	<u>6,000</u>	<u>-</u>
	<u>\$ 1,679,360</u>	<u>\$ 947,175</u>

Net assets totaling \$447,560 and \$645,993, respectively, were released from donor restrictions during the years ended June 30, 2010 and 2009 by incurring expenses satisfying the purposes specified by donors.

10. Endowed Net Assets

The Association's endowment consists of one restricted fund from one donor established for annual support of outreach services. As required by GAAP, net assets associated with endowment funds, including funds designated by the Association's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Association's endowment net asset composition is as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Unrestricted	\$ (163,394)	\$ (305,259)
Permanently Restricted	<u>1,790,717</u>	<u>1,790,717</u>
	<u>\$ 1,627,323</u>	<u>\$ 1,485,458</u>

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

10. Endowed Net Assets - Continued

Changes in the Association's endowment for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance	\$ (305,259)	\$	\$ 1,790,717	\$ 1,485,458
Disbursements	(60,000)			(60,000)
Interest & Dividends	19,027			19,027
Investment Gains (Losses)				
Realized	(13,400)			(13,400)
Unrealized	209,798			209,798
Management Fees	(13,560)			(13,560)
Ending Balance	<u>\$ (163,394)</u>	<u>\$ -</u>	<u>\$ 1,790,717</u>	<u>\$ 1,627,323</u>

Changes in the Association's endowment for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance	\$ -	\$ 245,303	\$ 1,790,717	\$ 2,036,020
Disbursements		(90,000)		(90,000)
Interest & Dividends		69,705		69,705
Investment Losses				
Realized		(105,844)		(105,844)
Unrealized	(305,259)	(104,102)		(409,361)
Management Fees		(15,062)		(15,062)
Ending Balance	<u>\$ (305,259)</u>	<u>\$ -</u>	<u>\$ 1,790,717</u>	<u>\$ 1,485,458</u>

Investment Policy

The Association's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified period(s) as well as endowed board designated funds. There were no endowed board designated funds as of June 30, 2010 or 2009. Under this policy as approved by the Board of Directors, the endowed assets are invested in a manner that is intended to maximize the results while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an

LATIN AMERICAN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

10. Endowed Net Assets - Continued

Investment Policy - Continued

average rate of return of approximately 6-8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation for all of its investments that is as follows: 30-40% of the total asset value is invested in bonds and cash and 60-70% of the total asset value is invested in equities. However, the pursuit of this allocation is constrained by a policy adopted in April 2009, of not investing unrestricted or temporarily restricted funds in equities. Consequently, at June 30, 2010 and 2009, endowment net assets were invested 90% and 93%, respectively, in equities and total investments were invested 52% and 46%, respectively, in equities. To pursue the targeted allocation, the portfolio is rebalanced on a semi-annual basis. These asset allocations are accomplished by the investment manager through investing in multiple mutual funds comprised of equities or fixed income investment instruments.

Spending Policy

The Association has a policy of appropriating for distribution each year 2-4.5% of its endowment fund's average fair value over the prior year. This policy has been approved by the foundation which created the endowment. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at an annual average rate of 1.5-6%. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide a margin of real growth through favorable investment return as well as additional real growth through new gifts. As a result of the decline in stock value at June 30, 2009 the value of the endowment assets had fallen to \$1,485,458 or \$305,259 less than the initial gift. However, at June 30, 2010, the endowment assets had increased in value to \$1,627,323 or \$163,394 less than the initial gift. Notwithstanding this decline, the Association expects to continue to appropriate for distribution 2-4.5% of the endowment fund's average fair value in accordance with its spending policy. The Association expects that the endowment fund value will be restored through market appreciation of these assets.

LATIN AMERICAN ASSOCIATION, INC.
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10. Endowed Net Assets - Continued

Interpretation of Relevant Law

The Association has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consistent with the spending policy described above which has been approved by the donor, the Association is not required to preserve the fair value of the original gift, as long as it adheres to the spending policy and invests in funds prudently. Nevertheless in accordance with GAAP, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Association and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association.

Fund Deficiency

From time to time, the fair value of assets associated with the Association's endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as a decrease in unrestricted net assets. The permanently restricted endowment fund had a deficiency of \$163,394 and \$305,259 at June 30, 2010 and 2009, respectively. This deficiency resulted from the unprecedented financial crisis that occurred in the United States during fiscal 2009.

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11. Permanently Restricted Net Assets

A permanently restricted contribution in the amount of \$1,790,717 was received from a foundation during the year ended June 30, 2005. The grant agreement stipulates that each year an amount representing earnings on this endowment will be used for designated purposes which is consistent with the Association's spending policy for endowment funds. Annual disbursements of \$60,000 and \$90,000 were made for the years ended June 30, 2010 and 2009, respectively, in accordance with the Organization's disbursement policy.

12. Retirement Plans

All full and part-time employees who are at least 21 years of age and who have worked for the Association for at least two years are eligible to participate in a non-contributory simplified employee pension plan (SEP). The Association contributed 5% of each employee's salary during fiscal year 2008 which was continued until January 2009 when it was decreased to 1% and then suspended in May 2009. Pension expense incurred by the Association for the years ended June 30, 2010 and 2009, was \$0 and \$24,195, respectively.

In addition, all full and part-time employees are eligible to participate in the Association's tax deferred annuity plan (TDA). Employee contributions to the plan are deducted from gross salaries before they are taxed. Benefit payments are available in the form of an annuity, specified payment option (SPO), or a single lump sum.

13. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Association deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

14. Subsequent Events

Management has evaluated events and transactions which occurred through February 28, 2011, which was the date the financial statements were available to be issued. As a result of that evaluation, management determined that there were no events or transactions that would require disclosure.