

**Congressional Hispanic
Leadership Institute**
Financial Statements
For the Fourteen Months Ended December 31, 2006
and Report Thereon

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Congressional Hispanic Leadership Institute, Inc.

We have audited the accompanying statement of financial position of Congressional Hispanic Leadership Institute (CHLI) as of December 31, 2006, and the related statements of activities and cash flows for the fourteen months then ended. These financial statements are the responsibility of CHLI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 CHLI as of December 31, 2006, and the changes in its net assets and its cash flows for the fourteen months then ended in conformity with accounting principles generally accepted in the United States of America.

Cocchiaro & Associates, LLC

September 24, 2007
Alexandria, Virginia

CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2006

ASSETS	
Current Assets	
Cash	\$ 273,026
Certificate of Deposit	21,033
Contributions receivable	50,000
Prepaid expenses	<u>23,705</u>
Total Current Assets	367,764
Furniture and Equipment	<u>8,873</u>
TOTAL ASSETS	\$ <u>376,637</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	\$ <u>5,537</u>
TOTAL LIABILITIES	<u>5,537</u>
Committments and risks	
NET ASSETS	
Unrestricted net assets	346,358
Temporarily restricted net assets	<u>24,742</u>
TOTAL NET ASSETS	<u>371,100</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>376,637</u>

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

CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
STATEMENT OF ACTIVITIES
For the Fourteen Months Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 120,000	\$ 75,000	\$ 195,000
In-kind contributions	183,020	-	183,020
Special events	306,468	-	306,468
Interest and other income	9,009	-	9,009
Net assets released from restrictions	<u>100,258</u>	<u>(100,258)</u>	<u>-</u>
Total Support and Revenue	<u>718,755</u>	<u>(25,258)</u>	<u>693,497</u>
EXPENSES			
Program Expenses	458,478	-	458,478
Supporting Services			
General and administrative	152,223	-	152,223
Fundraising	<u>150,834</u>	<u>-</u>	<u>150,834</u>
Total Supporting Services	<u>303,057</u>	<u>-</u>	<u>303,057</u>
Total Expenses	<u>761,535</u>	<u>-</u>	<u>761,535</u>
Change in Net Assets	(42,780)	(25,258)	(68,038)
Net Assets, Beginning of Period	<u>389,138</u>	<u>50,000</u>	<u>439,138</u>
Net Assets, End of Period	<u>\$ 346,358</u>	<u>\$ 24,742</u>	<u>\$ 371,100</u>

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

CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
STATEMENT OF CASH FLOWS
For the Fourteen Months Ended December 31, 2006
Increase (Decrease) in Cash

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (68,038)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	2,850
Changes in assets and liabilities:	
Decrease in pledges receivable	5,000
Increase in prepaid expenses and deposit	(17,247)
Decrease in accounts payable and accrued expenses	<u>(4,378)</u>
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	<u>(81,813)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvested certificate of deposit interest	(1,033)
Purchases of furniture and equipment	<u>(2,505)</u>
NET CASH FLOW USED IN INVESTING ACTIVITIES	<u>(3,538)</u>
NET INCREASE IN CASH	(85,351)
CASH , BEGINNING OF PERIOD	<u>358,377</u>
CASH, END OF PERIOD	<u>\$ 273,026</u>

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

CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For the Fourteen Months Ended December 31, 2006

1. Organization and Summary of Significant Accounting Policies

Organization

Congressional Hispanic Leadership Institute (CHLI) is a 501(c)(3) nonprofit organization incorporated in November 2003 under the District of Columbia Nonprofit Act and commenced operations on March 4, 2004. The Congressional Hispanic Leadership Institute (CHLI) works to promote alternative approaches to challenges faced by more than 40 million Americans of Hispanic and Portuguese descent living in the United States today. Through educational partnerships and events, CHLI provides opportunities for discussion and exploration of strategic solutions for community challenges that in turn, benefit the nation as a whole. CHLI is a non-partisan organization dedicated to creating a broader awareness of the diversity of thought, heritage, interests and views of Americans of Hispanic and Portuguese descent. Its establishment serves as a strong testament to the vibrant growth and increasingly important role of the United States' largest minority community. CHLI's programs are supported by cash and in-kind contributions from board members and the organizations they represent and revenue from special fundraising events.

During the fourteen months ended December 31, 2006, CHLI changed its fiscal year end from October 31 to December 31. Accordingly, these audited financial statements cover the period November 1, 2005 through December 31, 2006.

Furniture and Equipment and Related Depreciation and Amortization

Furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reported in the statement of activities, as appropriate. At December 31, 2006, CHLI's fixed assets were comprised of computer and other equipment with a cost of \$14,028 and accumulated depreciation of \$5,155

Classification of Net Assets

The net assets of CHLI are classified as follows:

- Unrestricted net assets are available for the general operations of CHLI
- Temporarily restricted net assets represents amounts restricted by the donor for specific purposes or periods of time. At December 31, 2006, temporarily restricted net assets were available for the financial literacy program (\$15,000) and the policy series (\$9,742).

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CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For the Fourteen Months Ended December 31, 2006

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

CHLI recognizes revenue from unconditional grants and contributions when notification of the funding commitment is received from the donor. CHLI reports contributions of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a 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.

Inkind Revenue and Expense

During the fourteen months ended December 31, 2006, CHLI primarily received in-kind donations of televised event promotion and video production. CHLI records in-kind revenue and the related expense at fair value on the date of donation as provided by the donor or by reference to prevailing market rates for similar goods or services as provided by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated to the programs and supporting services proportionately based on direct personnel costs.

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.

2. Contributions Receivable

Contributions receivable represents amounts due from various supporters. All amounts are due within one year and are considered fully collectible.

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CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For the Fourteen Months Ended December 31, 2006

3. Inkind Goods and Services

During the fourteen months ended December 31, 2006, CHLI received inkind donations of goods and services in support of its fundraising and other supporting services as follows:

Hispanic Heritage Month Public Service Announcements	\$ 150,000
Intern program video production	20,000
Computer lap tops for interns	<u>13,020</u>
Total	\$ <u>183,020</u>

4. Operating Leases

CHLI leases its current office space under the terms of a short-term lease that expires on December 31, 2007. The lease includes all office furniture and equipment, excluding computers, and requires monthly payments of \$3,100 for rent and an additional \$524 per month for equipment rental and other charges. Rent expense for the fourteen months ended December 31, 2006 was \$29,644. The future minimum lease payment for the year ending December 31, 2007 is \$39,060, plus the cost of equipment rental and other charges.

5. Programs

CHLI's program activities are comprised of general program activities, the Scholarship program, the Ford Motor Company/CHLI Intern Program, the CHLI Policy Series and other programs. Total expenses for the fourteen months ended December 31, 2006 were:

Direct Expenses:

General program	\$ 150,000
Ford Motor Company/CHLI Intern Program	83,716
Scholarship Program	50,000
CHLI Policy Series and other programs	<u>29,691</u>
Total Direct Expenses	313,407
Allocated salary and benefits	73,433
Allocated rent and other overhead	<u>71,638</u>
Total Program Expenses	\$ <u>458,478</u>

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CONGRESSIONAL HISPANIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For the Fourteen Months Ended December 31, 2006

6. Concentration of Risk

CHLI maintains its cash balances at a single financial institution. While the amount at times is in excess of the FDIC insured limit of \$100,000, and, therefore, bears some risk, CHLI has not experienced and does not anticipate any loss of funds. As of December 31, 2006, the amount held at this financial institution in excess of the amount guaranteed by federal agencies was \$180,470.

7. Retirement Plan

CHLI maintains a 403(b) retirement plan for eligible employees. For the fourteen months ended December 31, 2006, CHLI made \$5,048 in employer contributions to the plan.

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, CHLI is exempt from the payment of taxes on income other than net unrelated business income. For the fourteen months ended December 31, 2006, CHLI had no significant net unrelated business income and no provision for income taxes was required.

9. Subsequent Event - Line of Credit

Subsequent to December 31, 2006, CHLI entered into a line of credit agreement with a financial institution in the amount of \$50,000.

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