

**MEXICAN AMERICAN
BAR FOUNDATION, INC.**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND
SEPTEMBER 30, 2006**

MEXICAN AMERICAN BAR FOUNDATION, INC.
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Independent Member of
POLARIS
INTERNATIONAL

To the Board of Directors
Mexican American Bar Foundation, Inc.
Los Angeles, California

We have audited the accompanying statement of financial position of Mexican American Bar Foundation, Inc. (a nonprofit organization) as of September 30, 2007 and September 30, 2006, and the related statements of activities 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 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 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 Mexican American Bar Foundation, Inc. as of September 30, 2007 and 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Krost, Baumgarten, Kniss & Guerrero
Pasadena, California
December 9, 2008

MEXICAN AMERICAN BAR FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 226,462	\$ 117,651
Pledge receivable, net	81,777	103,646
Total Assets	\$ 308,239	\$ 221,297
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 13,500	\$ 12,475
Total Liabilities	13,500	12,475
 NET ASSETS		
Unrestricted	194,413	110,996
Temporarily restricted	100,326	97,826
Total Net Assets	294,739	208,822
Total Liabilities and Net Assets	\$ 308,239	\$ 221,297

See accompanying notes.

MEXICAN AMERICAN BAR FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

	2007	2006
Change in unrestricted net assets		
Revenues and support		
Event Income	\$ 221,185	\$ 218,725
Contributions - Directors	900	900
Other Contributions	39,305	745
Other Income	7,399	2,475
	268,789	222,845
Net assets released from restrictions		
Expiration of time restrictions	27,500	-
	296,289	222,845
 Expenses		
Program Expenses		
Fund raising event expense	79,632	64,458
Scholarships	120,050	81,500
	199,682	145,958
Management and General Expenses		
General and administrative expenses	13,130	27,349
Taxes	60	137
	13,190	27,486
	212,872	173,444
	83,417	49,401
 Change in temporarily restricted net assets		
Contributions	30,000	97,826
Net assets released form restrictions	(27,500)	-
	2,500	97,826
 INCREASE IN NET ASSETS	85,917	147,227
 NET ASSETS AT BEGINNING OF YEAR	208,822	61,595
 NET ASSETS AT END OF YEAR	\$ 294,739	\$ 208,822

See accompanying notes.

MEXICAN AMERICAN BAR FOUNDATION, INC.
STATEMENT OF NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Ending Balance , 2005	\$ 61,595	\$ -	\$ 61,595
Increase in Net Assets 2006	<u>49,401</u>	<u>97,826</u>	<u>147,227</u>
Ending Balance , 2006	<u>\$ 110,996</u>	<u>\$ 97,826</u>	<u>\$ 208,822</u>
Increase in Net Assets 2007	<u>83,417</u>	<u>2,500</u>	<u>85,917</u>
Net Assets End of Year	<u>\$ 194,413</u>	<u>\$ 100,326</u>	<u>\$ 294,739</u>

See accompanying notes.

MEXICAN AMERICAN BAR FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 85,917	\$ 147,227
Adjustments to reconcile net assets to net cash provided by operating activities:		
(Increase) decrease in pledges receivable, net	21,869	(93,056)
Increase in accounts payable	1,025	12,225
	<u>22,894</u>	<u>(80,831)</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>108,811</u>	<u>66,396</u>
Net increase in cash	108,811	66,396
Cash and cash equivalents at beginning of year	<u>117,651</u>	<u>51,255</u>
Cash and cash equivalents at end of year	<u>\$ 226,462</u>	<u>\$ 117,651</u>

See accompanying notes.

**MEXICAN AMERICAN BAR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mexican American Bar Foundation, Inc. (“the Foundation”), is a California nonprofit Corporation organized November 8, 1991. The Foundation is dedicated to providing financial assistance to men and women of Latino heritage who are pursuing careers in the law field.

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Accounts Receivable

Revenue is recognized upon the earlier receipt of either a cash remittance or pledge. A pledge is a donor’s written unconditional promise to give. Pledges are recorded as revenue and accounts receivable in accordance with donor restrictions. Accounts receivable are carried at fair value – uncollectible pledges are recognized when they become uncollectible. There is no provision for uncollectible pledges recorded in these financial statements.

Cash and Cash Equivalents

The Foundation places its temporary cash investments with high-quality financial institutions. At times, cash balances held at financial institutions were in excess of federally insured limits. The board of trustees believes no significant concentration of credit risk exists with respect to these cash investments. For purposes of the statement of cash flow, the Company considers all cash accounts and all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

Federal and State Income Taxes

The foundation is incorporated as a not-for-profit corporation under the laws of the State of California and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, generally, is exempt from federal and state income tax.

Accordingly, no provision for income taxes is included in these financial statements.

**MEXICAN AMERICAN BAR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets:

Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets:

Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets which have their restriction met in the same year are reported as unrestricted in the statement of activities.

Permanently restricted net assets:

Net assets subject to donor-imposed stipulations that will be maintained permanently by the Foundation. There were no permanently restricted net assets at September 30, 2007 and September 30, 2006.

In-Kind Contributions and Donated Services

A substantial number of unpaid volunteers and corporate contributors have made significant contributions of their time, service, money for out-of-pocket expenses, and other resources. Since it is difficult to place a value on their time, service and resources, or fully account for these out-of-pocket expenses, the values of these contributions are not included in these financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable in more than one year are discounted to their present value at the time the pledge is received using risk-free rates. Pledges receivable at September 30, 2007 and September 30, 2006 consisted of the following:

	2007	2006
Receivable in less than one year	\$ 35,000	\$ 35,000
Receivable in one to five years	50,000	75,000
	85,000	110,000
Less: Discount on long-term pledges receivable	(3,223)	(6,354)
	\$ 81,777	\$ 103,646

MEXICAN AMERICAN BAR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS

MABF – USC MAAA Legal Scholarship Fund

In June 2005 the Board of Directors of the Foundation approved a \$25,000 contribution to the USC Mexican American Alumni Association Endowment Fund, which was its second such pledge. The Foundation completed its first pledge of \$25,000 in June 2004.

Under the terms of the above pledges, the Foundation agreed to make five annual payments of \$5,000 to the USC Mexican American Alumni Association Endowment Fund.

In return for each 5-year pledge, the USC Mexican American Alumni Association Endowment Fund has agreed to fund an annual scholarship in the amount of \$4,000, in perpetuity, to one or more USC law students. The Foundation determines who the recipients will be and the amount of each scholarship award, which bears the name “Mexican American Bar Foundation – USC Mexican American Alumni Association Legal Scholarship.”

Accordingly, during the years 2000 to 2004, the USC Mexican American Alumni Association Endowment Fund awarded \$4,000 each year to one or more USC law students selected by the Foundation Board of Directors. Commencing in 2005 Mexican American Alumni Association Endowment Fund will award \$8,000 each year to one or more USC law students selected by the Foundation’s Board of Directors. These funds are administered and disbursed by the USC Mexican American Alumni Association Endowment Fund and therefore are not recorded as revenues or expenditures.

The Foundation may make additional contributions, at its discretion, to USC Mexican American Alumni Association Endowment Fund each year. The USC Mexican American Alumni Association Endowment Fund will match any additional contributions on a dollar for dollar basis and award scholarships in the matched amounts to USC law students selected by the Foundation’s Board of Directors.

**MEXICAN AMERICAN BAR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – COMMITMENTS (continued)

MABF – USC MAAA Legal Scholarship Fund

Contributions paid to USC-Mexican American Alumni Association Endowment Fund at September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Pledged contributions, beginning of the year	\$ 35,000	\$ 30,000
Contributions made current year	<u>5,000</u>	<u>5,000</u>
Pledged contributions, end of year	<u>40,000</u>	<u>35,000</u>
Additional contributions, beginning of the year	12,750	11,750
Contributions made current year	<u>12,250</u>	<u>1,000</u>
Additional contributions, end of year	<u>25,000</u>	<u>12,750</u>
Total Contributions USC MAAA Endowment Fund	<u>\$ 65,000</u>	<u>\$ 47,750</u>

Scholarships awarded under through the MABF-USC MAAA Legal Scholarship Fund at September 30, 2007 and September 30, 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Scholarships, beginning of the year	\$ 61,500	\$ 51,500
Scholarships, current year	<u>32,500</u>	<u>10,000</u>
Scholarships, end of the year	<u>\$ 94,000</u>	<u>\$ 61,500</u>