

THE LATINO COMMUNITY FOUNDATION
(A SUPPORTING ORGANIZATION OF
THE SAN FRANCISCO FOUNDATION)

JUNE 30, 2010

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

The Latino Community Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 10

Independent Auditors' Report

THE BOARD OF TRUSTEES
THE LATINO COMMUNITY FOUNDATION
San Francisco, California

We have audited the accompanying statement of financial position of **THE LATINO COMMUNITY FOUNDATION (LCF)** as of June 30, 2010, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of LCF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the LCF's 2009 financial statements and in our report, dated November 17, 2009, we expressed an unqualified opinion of those financial statements.

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 present fairly, in all material respects, the financial position of The Latino Community Foundation as of June 30, 2010, 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.

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January 14, 2011

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The Latino Community Foundation

Statement of Financial Position

<i>June 30, 2010 (with comparative totals for 2009)</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 562,829	\$ 524,375
Restricted cash	87,283	
Grants and pledges receivable	491,679	565,705
Investments, at fair value		31,276
Total assets	\$ 1,141,791	\$ 1,121,356
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 23,705	\$ 18,984
Grants payable	493,245	133,750
Total liabilities	516,950	152,734
Net Assets:		
Unrestricted	182,214	179,153
Temporarily restricted	442,627	789,469
Total net assets	624,841	968,622
Total liabilities and net assets	\$ 1,141,791	\$ 1,121,356

The Latino Community Foundation

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2010 (with comparative totals for 2009)

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and Support:				
Contributions and grants	\$ 39,677	\$ 717,144	\$ 756,821	\$ 897,746
Special events	178,325		178,325	173,851
Investment income	15	45	60	1,840
Net assets released from restrictions	1,064,031	(1,064,031)	-	-
Total revenue and support	1,282,048	(346,842)	935,206	1,073,437
Expenses:				
Program services:				
Grants	765,951		765,951	276,250
Other	260,571		260,571	236,460
Management and general	81,747		81,747	51,404
Fundraising:				
Direct benefits to donors	16,215		16,215	14,248
Special events	53,877		53,877	54,840
Other	100,626		100,626	54,832
Total expenses	1,278,987	-	1,278,987	688,034
Change in Net Assets	3,061	(346,842)	(343,781)	385,403
Net Assets - Beginning of year	179,153	789,469	968,622	583,219
Net Assets - End of year	\$ 182,214	\$ 442,627	\$ 624,841	\$ 968,622

The Latino Community Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2010 (with comparative totals for 2009)</i>	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ (343,781)	\$ 385,403
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and pledges receivable	74,026	(332,789)
Accounts payable and other liabilities	4,721	8,334
Grants payable	359,495	38,750
Net cash provided by operating activities	94,461	99,698
Cash Flows from Investing Activities:		
Proceeds from sale of investments	31,276	3,617
Net cash provided by investing activities	31,276	3,617
Net Increase in Cash and Equivalents	125,737	103,315
Cash and Equivalents - Beginning of year	524,375	421,060
Cash and Equivalents including Restricted Cash - End of year	\$ 650,112	\$ 524,375

The Latino Community Foundation

Notes to the Financial Statements

Note 1 - Organization:

The Latino Community Foundation (LCF) is a non-profit corporation organized in 1989 under the laws of the State of California to promote giving within the Latino community and invest in organizations that strengthen Latino families in the San Francisco Bay Area. LCF has been a supporting organization of The San Francisco Foundation since fiscal year 2003.

LCF's mission is to build a better future for California's communities by investing in Latino children and families. It meets its mission by investing in California communities, increasing philanthropy among Latinos, and serving as an advocate for the Latino community.

The current grant making programs include the Children & Youth Initiative and Family Financial Independence (FFI). The Children and Youth Initiative, which focuses on the needs of Latino children age zero to five and their families to promote early childhood enrichment programs, parent engagement, and teen pregnancy prevention. The Broadband Awareness and Adoption project, under the FFI program, aims to increase access to and use of internet broadband services among low-income Latino families in the greater San Francisco Bay Area to close the digital divide.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of LCF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Description of Net Assets

LCF reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted

Unrestricted net assets represent the portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

The Latino Community Foundation

Notes to the Financial Statements

Temporarily Restricted

LCF reports gifts of cash and other assets as temporarily 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.

Permanently Restricted

These stipulate that resources be maintained permanently but permit LCF to expend some or all of the income (or other economic benefits) derived from the donated assets. LCF does not have permanently restricted net assets.

c. Revenue Recognition

Contributions that are in substance unconditional are recorded as revenue at their fair value when the promise to give to LCF is made. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions with time restrictions are reported as temporarily restricted net assets until the time restriction is met.

Long term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the years in which those promises are received.

LCF has determined that all receivables are fully collectible, and no allowance for uncollectible accounts has been recorded. This is based on previous experience and management's analysis of specific contract and promises made.

d. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and equivalents reflects the balance in LCF's interest-bearing checking account. Certain cash and equivalents reflect requirements to hold certain cash in separate bank accounts.

The Latino Community Foundation

Notes to the Financial Statements

e. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments may differ under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Accordingly, actual results could differ from those estimates.

f. Income Taxes

The Latino Community Foundation is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. LCF may be subject to tax on unrelated business income, if any, generated by its investments.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Latino Community Foundation adopted this new guidance for the year ended June 30, 2010. Management evaluated the Latino Community Foundation's tax positions and concluded that the Latino Community Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, LCF is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for the years before 2005.

g. Grant Expenses

Grant expenses are recognized when an unconditional promise to give is approved by the Board of Trustees. Grant refunds are recorded as a reduction of grant expense at the time the grant is refunded to LCF.

h. Functional Allocation of Expenses

The cost of LCF's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on historical time incurred among the programs and supporting services benefited.

The Latino Community Foundation

Notes to the Financial Statements

i. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with LCF's financial statements for the year ended June 30, 2009, from which the summarized information is derived. Certain reclassifications have been made to the prior year financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

j. Recent Accounting Pronouncements

Adopted:

The FASB issued the Accounting Standards Codification (ASC). The ASC is the single source for all authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The ASC reorganizes GAAP pronouncements into accounting topics and displays all topics using a consistent structure. LCF adopted the ASC standard effective June 30, 2010.

In April 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 820-10-35, 50, and 55 as an amendment to ASC Topic 820, *Fair Value Measurements and Disclosures*. Among other items it defined major category as related to the disclosure of investments in the fair value hierarchy. LCF has adopted the disclosure requirements in the financial statements as of June 30, 2010.

Pronouncements effective in the future:

In January 2010, FASB issued additional disclosure requirements for fair value measurements. Under this guidance, the fair value hierarchy disclosures are to be further disaggregated by classes (subsets of the line items in the financial statements) and additional disclosures made about transfers between levels 1 and 2. These disclosures are effective for 2010. Additional disclosures about level 3 measurements will be required for 2011. The impact of this guidance will be additional disclosures in the financial statements.

The Latino Community Foundation

Notes to the Financial Statements

Note 3 - Grants and Pledges Receivable:

The balance consists of commitments made by individuals and non-profit organizations. The commitments are due as follows:

Due within one year	\$	419,079
Due within two years		75,000
Less discount to net present value		(2,400)
		<hr/>
	\$	491,679

LCF has a conditional grant outstanding at June 30, 2010 of approximately \$328,000. The grant is conditional upon matching funds being raised and has therefore not been recorded.

Note 4 - Temporarily Restricted Net Assets:

Temporarily restricted net assets as of June 30, 2010 are available for the following purposes programs:

Latino Children and Youth Initiative	\$	331,152
California Emerging Technology Fund		85,143
Strategic Planning		26,332
		<hr/>
	\$	442,627

Net assets were released during 2010 in accordance with the donors' intent or release of time restrictions as follows:

Latino Children and Youth Initiative	\$	503,268
California Emerging Technology Fund		530,532
Strategic Planning		30,231
		<hr/>
	\$	1,064,031

Note 5 - Concentration of Credit Risk:

LCF has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of receivables. In addition to receivables, concentrations of credit risk exist for cash and cash equivalents. At June 30, 2010, the LCF had approximately \$318,000 of cash deposits in excess of federally insured limits.

The Latino Community Foundation

Notes to the Financial Statements

Note 6 - Related Party Transactions:

LCF disbursed \$15,839 to The San Francisco Foundation for administrative and accounting support. Beginning April 1, 2010, LCF assumed its administrative and accounting functions and agreed to pay the San Francisco Foundation monthly fees for rent and office services. As of June 30, 2010 LCF paid \$3,686 for these services.

The San Francisco Foundation contributed \$6,791 to LCF during fiscal year ending June 30, 2010.

Note 7 - Subsequent Events:

The management of LCF has reviewed the results of activities for the period of time from its fiscal year ended June 30, 2010 through January 14, 2011, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements and no subsequent events have occurred which would require disclosure.