

Financial statements of:

**RESOURCE CENTER
OF THE AMERICAS**

Years ended
December 31, 2007 and 2006

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Resource Center of the Americas
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Resource Center of the Americas (the Organization), as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 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 Organization as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Schechter, Doherty, Kauter
Andrew & Sullivan, P.C.*

November 11, 2008

RESOURCE CENTER OF THE AMERICASSTATEMENTS OF FINANCIAL POSITION
DECEMBER 31

	<u>2007</u>	<u>2006</u>
Assets:		
Current assets:		
Cash	\$ 30,335	\$ 35,747
Accounts receivable		20,450
Grants receivable		62,760
Pledges receivable	450	
Inventories		29,829
Prepaid expenses	2,540	2,231
Property and equipment held for sale	<u>1,000,000</u>	
Total current assets	<u>1,033,325</u>	<u>151,017</u>
Property and equipment, net	<u>15,480</u>	<u>1,236,715</u>
Total assets	<u>\$ 1,048,805</u>	<u>\$ 1,387,732</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 56,781	\$ 39,593
Accrued expenses	10,319	7,716
Grants payable	70,870	
Line of credit		20,546
Note payable, current portion	356,572	8,699
Deferred revenue		34,270
Capital lease obligation		<u>1,091</u>
Total current liabilities	<u>494,542</u>	111,915
Note payable, net of current portion		<u>57,812</u>
Total liabilities	<u>494,542</u>	<u>169,727</u>
Net assets:		
Unrestricted	554,263	1,086,014
Temporarily restricted		117,991
Permanently restricted		<u>14,000</u>
Total net assets	<u>554,263</u>	<u>1,218,005</u>
Total liabilities and net assets	<u>\$ 1,048,805</u>	<u>\$ 1,387,732</u>

See notes to financial statements.

RESOURCE CENTER OF THE AMERICAS

	2007			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Bookstore	\$ 114,793			\$ 114,793
Café	13,933			13,933
Donations	118,581			118,581
Fundraising events	25			25
Grants	68,316			68,316
Memberships	21,893			21,893
Miscellaneous	7,904			7,904
Program revenue	<u>121,717</u>			<u>121,717</u>
Total support and revenues	<u>467,162</u>			<u>467,162</u>
Net assets released from restrictions, program or time restrictions satisfied	<u>131,991</u>	<u>\$ (117,991)</u>	<u>\$ (14,000)</u>	
Operating expenses:				
Program services	674,585			674,585
Management and general	326,667			326,667
Fundraising	<u>129,652</u>			<u>129,652</u>
Total expenses	<u>1,130,904</u>			<u>1,130,904</u>
Change in net assets	(531,751)	(117,991)	(14,000)	(663,742)
Net assets, beginning	<u>1,086,014</u>	<u>117,991</u>	<u>14,000</u>	<u>1,218,005</u>
Net assets, ending	<u>\$ 554,263</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 554,263</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31

2006			
<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
\$ 217,028			\$ 217,028
168,094			168,094
144,571			144,571
19,353			19,353
204,687	\$ 25,260		229,947
45,997			45,997
17,840			17,840
<u>258,265</u>	<u> </u>		<u>258,265</u>
<u>1,075,835</u>	<u>25,260</u>		<u>1,101,095</u>
<u>120,213</u>	<u>(120,213)</u>		
1,124,276			1,124,276
157,401			157,401
<u>185,289</u>			<u>185,289</u>
<u>1,466,966</u>			<u>1,466,966</u>
(270,918)	(94,953)		(365,871)
<u>1,356,932</u>	<u>212,944</u>	<u>\$ 14,000</u>	<u>1,583,876</u>
<u>\$ 1,086,014</u>	<u>\$ 117,991</u>	<u>\$ 14,000</u>	<u>\$ 1,218,005</u>

RESOURCE CENTER OF THE AMERICASSTATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ (663,742)	\$ (365,871)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	50,255	56,636
Provision for asset impairments of building	209,793	
Decrease (increase) in assets:		
Accounts receivable	20,450	(14,581)
Pledges receivable	(450)	88,632
Grants receivable	62,760	137,484
Inventories	20,830	27,077
Prepaid expenses	(309)	(158)
(Decrease) increase in liabilities:		
Deferred revenue	(34,270)	(4,025)
Accounts payable	17,188	5,923
Accrued expenses	2,603	(1,537)
Grants payable	<u>70,870</u>	
Net cash used in operating activities	<u>(244,022)</u>	<u>(70,420)</u>
Cash flows from investing activities, purchase of property and equipment	<u>(29,814)</u>	<u>(9,477)</u>
Cash flows from financing activities:		
Change in line of credit	(20,546)	20,546
Payments on:		
Capital lease	(1,091)	(3,713)
Note payable	(69,939)	(6,485)
Proceeds from note payable	<u>360,000</u>	
Net cash provided by financing activities	<u>268,424</u>	<u>10,348</u>
Net decrease in cash	(5,412)	(69,549)
Cash at beginning of year	<u>35,747</u>	<u>105,296</u>
Cash at end of year	<u>\$ 30,335</u>	<u>\$ 35,747</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 16,324</u>	<u>\$ 9,976</u>

See notes to financial statements.

RESOURCE CENTER OF THE AMERICAS

	2007			
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 270,316	\$ 59,757	\$ 53,873	\$ 383,946
Employee benefits	49,699	10,987	9,904	70,590
Payroll taxes	<u>19,936</u>	<u>4,407</u>	<u>3,973</u>	<u>28,316</u>
Total salaries and related expenses	339,951	75,151	67,750	482,852
Cost of sales:				
Bookstore	71,689			71,689
Café	3,829			3,829
Bad debts	7,127	1,576	9,792	18,495
Building management	27,122	2,628		29,750
Equipment maintenance	9,687	734	1,337	11,758
Events	355		310	665
Insurance	14,098	1,067	1,946	17,111
Interest	16,563	9,270		25,833
Loss on impairment		209,793		209,793
Memberships	2,230	903	145	3,278
Other	11,776	892	1,625	14,293
Postage and shipping	2,842	628	3,903	7,373
Printing and copying	14,929	895	4,130	19,954
Professional fees	85,857	9,953	29,478	125,288
Programs	468			468
Small equipment purchases	5,008	379	691	6,078
Supplies	2,757	2,121	159	5,037
Telephone and utilities	16,507	7,431	2,671	26,609
Travel	<u>386</u>	<u>110</u>		<u>496</u>
Total expenses before depreciation	633,181	323,531	123,937	1,080,649
Depreciation	<u>41,404</u>	<u>3,136</u>	<u>5,715</u>	<u>50,255</u>
Total expenses	<u>\$ 674,585</u>	<u>\$ 326,667</u>	<u>\$ 129,652</u>	<u>\$ 1,130,904</u>

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31

2006			
Program services	Management and general	Fundraising	Total
\$ 380,419	\$ 84,097	\$ 75,817	\$ 540,333
75,020	16,584	14,951	106,555
29,202	6,455	5,820	41,477
484,641	107,136	96,588	688,365
138,539			138,539
70,644			70,644
111,510	8,445	15,390	135,345
10,478	1,015		11,493
7,367	558	1,017	8,942
4,195		3,674	7,869
14,366	1,088	1,983	17,437
6,396	3,580		9,976
1,284	519	84	1,887
26,708	2,152	4,173	33,033
4,545	1,005	6,243	11,793
20,444	1,226	5,656	27,326
116,044	13,453	39,842	169,339
29,119			29,119
4,514	342	623	5,479
4,829	3,714	278	8,821
20,383	9,175	3,298	32,856
1,608	459		2,067
1,077,614	153,867	178,849	1,410,330
46,662	3,534	6,440	56,636
\$ 1,124,276	\$ 157,401	\$ 185,289	\$ 1,466,966

1. Nature of activities and summary of significant accounting policies:

Nature of activities:

Resource Center of the Americas (the Organization) was founded as Central America Resource Center in 1983. The Organization's purpose as stated in its Amended Articles of Incorporation is educational, specifically by developing and implementing an educational program on Latin America, the Caribbean, and the United States relationship with the region; by collecting resources and information on the above in a library, and by disseminating that information to the public.

On August 16, 2007, the Organization suspended all operations due to cash flow issues. The Board carried out the activities necessary to lay off all staff and liquidate assets as further described in Note 14.

Contributions:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are 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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

At December 31, 2007 and 2006, unrestricted net assets included \$0 and \$10,000, respectively, which were restricted by Board action for building maintenance. The Board released the 2006 net assets from restriction in November 2007.

Contributed services:

A number of volunteers have made contributions of their time to develop and enhance the Organization's programs. Volunteer time that does not enhance non-financial assets or require specialized training is not recorded.

Use of estimates:

The timely preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

Management reviews balances outstanding greater than 60 days and provides an allowance against those that are deemed to be uncollectible. After management has used exhaustive collection efforts, accounts receivable balances are written off against the allowance.

Inventories:

Inventories, consisting primarily of books, cards, calendars and crafts, are stated at the lower of cost or market on a first-in, first-out method.

Property and equipment and depreciation methods:

Property and equipment, either purchased or received, is recorded at cost for purchased items and at the estimated value on date of receipt for donated items. The Organization capitalizes all property and equipment with an estimated life in excess of one year.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

1. Nature of activities and summary of significant accounting policies (continued):

Library:

All of the books in the library are considered exhaustible and are capitalized. Books are recorded at cost for purchased items and at the estimated value for donated items.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Financial statement presentation:

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.

Income taxes:

The Internal Revenue Service has determined that the Organization is exempt, as a public charity, from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income tax.

Deferred revenue:

Deferred revenue represents unearned class fees received in advance.

Advertising costs:

Advertising costs are expensed as incurred. Advertising expense was \$5,726 and \$5,577 for the years ended December 31, 2007 and 2006, respectively.

Functional allocation of expenses:

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

2. Concentration of credit risk:

The Organization maintains cash at a financial institution in Minnesota. At times, the bank balance may exceed federally insured limits. The Organization has not experienced any loss associated with this practice.

3. Accounts receivable:

	<u>2007</u>	<u>2006</u>
Trade receivables	\$ 1,599	\$ 23,065
Less allowance for doubtful accounts	<u>1,599</u>	<u>2,615</u>
	<u>\$ 0</u>	<u>\$ 20,450</u>

4. Property and equipment:

	<u>2007</u>	<u>2006</u>
Building	\$ 1,142,538	\$ 1,334,154
Mural	68,963	68,963
Furniture and equipment	87,132	246,903
Library	78,608	78,609
Land	<u>51,000</u>	<u>51,000</u>
	<u>1,428,241</u>	1,779,629
Less accumulated depreciation	<u>412,761</u>	<u>542,914</u>
	<u>1,015,480</u>	1,236,715
Less property and equipment held for sale	<u>1,000,000</u>	<u> </u>
	<u>\$ 15,480</u>	<u>\$ 1,236,715</u>

5. Grants receivable, long-term:

In 2005, the Organization received a three-year \$150,000 grant to be received in January 2006, 2007 and 2008. The grant was unconditional and was to be used for administrative purposes. The discount rate on the long-term portion of the grant was 7.25% in 2006. Due to the events occurring in 2007, the amount due in 2008 was fully reserved in 2006.

Grants receivable at December 31, 2007 are \$0, and at December 31, 2006, they were as follows:

	<u>2006</u>
Grants receivable	\$ 112,760
Less discounts to net present value	<u>7,269</u>
	105,491
Less current portion	<u>62,760</u>
	42,731
Less allowance	<u>42,731</u>
	<u>\$ 0</u>

6. Line of credit:

The Organization had a line of credit of \$90,000 dated September 9, 2004 that was reduced to \$75,000 on January 1, 2005, with Bremer Bank.

The Organization had drawn \$20,546 against the line of credit as of December 31, 2006, and in 2007, the line of credit was informally extended. The Organization defaulted on this note due to events that caused the Organization to suspend operations as described in Note 1, and the bank was paid in full on August 23, 2007.

7. Note payable:

At December 31, 2006, the Organization had a loan through Bremer Bank with an outstanding balance of \$66,511 and an interest rate of LIBOR (5.08% at December 31, 2006) plus 2.5% that was secured by a mortgage on the building.

On June 20, 2007, the Organization entered into a \$360,000 note payable with Nonprofits Assistance Fund. Proceeds from this note were used to pay off the loan from Bremer Bank on June 26, 2007. This agreement calls for monthly payments of \$3,000 through May 2, 2010, including interest payable at 8% with the remaining balance due on June 2, 2010. The loan is secured by a mortgage on the building. Due to events occurring in 2007, which are further described in Note 14, the Organization defaulted on this loan effective August 16, 2007; therefore, the entire balance of \$356,572 is classified as current at December 31, 2007. The note was repaid in full on April 18, 2008.

8. Capital lease:

Capital lease commitments represent obligations under leases for office equipment. The cost of the equipment and the related accumulated depreciation is as follows:

	<u>2007</u>	<u>2006</u>
Office equipment	\$ 4,154	\$ 16,343
Less accumulated depreciation	<u>4,154</u>	<u>15,863</u>
	<u>\$ 0</u>	<u>\$ 480</u>

There are no future minimum payments on the capital leases. They have all been paid as of December 31, 2007.

9. Operating lease:

The Organization has a minimum lease agreement for a copier, and the future payments are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2008	\$ 3,487
2009	3,487
2010	3,487
2011	3,487
2012	<u>290</u>
Total payments	<u>\$ 14,238</u>

10. Restricted net assets:

Temporarily restricted net assets are \$0 as of December 31, 2007, and as of December 31, 2006, they were available for the following purposes or period:

	<u>2006</u>
Restricted as to purpose, capacity building	\$ 12,500
Restricted as to time	<u>105,491</u>
Total temporarily restricted	<u>\$ 117,991</u>

Permanently restricted net assets represented an endowment gift received in 2002. In 2007, they were released from restriction for use in general operations.

11. Net assets released from restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donor as follows:

	<u>2007</u>	<u>2006</u>
Purpose restriction accomplished:		
El Centro Derechos Laborales		\$ 12,700
Jay and Rose Phillips Family Foundation	\$ 12,500	
Time restriction accomplished:		
Otto Bremer Foundation		30,000
Minnesota State Bar Foundation	2,000	
Minnesota Department of Education	10,760	16,000
Bush Foundation	92,731	46,513
U.S. Conference of Catholic Bishops		<u>15,000</u>
	<u>\$ 117,991</u>	<u>\$ 120,213</u>

12. Retirement plan:

The Organization maintains a tax-deferred annuity plan that covers virtually all employees. The Organization made matching contributions of \$1,503 and \$3,441 to the plan during 2007 and 2006 respectively.

13. Impairment of long-lived assets:

On April 18, 2008, the Organization sold its building for \$1,000,000 as further described in Note 14. The carrying value of the assets sold was greater than their fair value.

Management identified the property, equipment and inventory included in the sale, which had a carrying value of \$1,209,793, and adjusted the balance of these assets down to their fair value at December 31, 2007, which was \$1,000,000. The impairment loss of \$209,793 is included in operating expenses.

14. Subsequent events:

Reorganization:

Due to the Organization suspending operations in 2007, it liquidated its assets in 2008 by selling its building to Bloomington Holdings, LLC. The terms of the purchase agreement, dated January 23, 2008, and amended March 6, 2008, called for a sale price of \$1,000,000 and a closing date of April 18, 2008. The proceeds were used to pay all lender and creditor obligations including a mortgage payable to the Nonprofits Assistance Fund, which was entered into in 2007 as described in footnote 7.

Fiscal year 2008 will be a year of transition to a smaller educational organization. The Organization plans to invest most of the proceeds from its building sale and use some of the proceeds to restart the organization. The Organization intends to hire up to 1.5 full-time equivalent staff persons and will maintain a Website and internet communication. The educational programming will be done with partner organizations that focus on issues of the Americas, globalization and immigration.

The Organization entered into a lease agreement to rent office space in its former location commencing May 1, 2008 and expiring April 30, 2013. Monthly and gross rentals are \$0.