

LA UNION DEL PUEBLO ENTERO (“LUPE”)
FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

with

Report of Independent Auditor

NATHAN J. PETTY
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
La Union Del Pueblo Entero ("LUPE")
Keene, California

I have audited the accompanying statement of financial position of La Union Del Pueblo Entero ("LUPE") (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Union Del Pueblo Entero ("LUPE") as of December 31, 2005, 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.

A handwritten signature in black ink that reads "Nathan Petty CPA". The signature is written in a cursive style.

Bakersfield, California
November 6, 2006

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005**

Assets:

Current Assets	
Cash	\$ 321,840
Accounts Receivable	64,506
Accounts Receivable - Related Party - Note 5	521
Expense Advances and prepaid expenses	2,292
Total Current Assets	<u>389,159</u>
Property and Equipment - Note 2	
Equipment and Furniture	<u>40,496</u>
Total Property and Equipment	40,496
Less: Accumulated Depreciation	<u>(17,254)</u>
Total Property and Equipment, net of Accumulated Depreciation	<u>23,242</u>
Other Assets	
Security Deposits	<u>2,450</u>
TOTAL ASSETS	\$ <u>414,851</u>
Liabilities:	
Current Liabilities	
Accounts Payable - Trade	\$ 20,422
Payables to Related parties - Note 5	80,491
Accrued Expenses	43,494
Total Current Liabilities	<u>144,407</u>
TOTAL LIABILITIES	<u>144,407</u>
Commitments - Note 7	
NET ASSETS	
Unrestricted	38,067
Temporarily Restricted	<u>232,377</u>
TOTAL NET ASSETS	<u>270,444</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>414,851</u>

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Support:			
Contributions	\$ 19,176	\$	\$ 19,176
Membership Dues	185,931		185,931
Grants and Contracts	782,013	355,000	1,137,013
Total Support	<u>987,120</u>	<u>355,000</u>	<u>1,342,120</u>
Revenue:			
Program Services	249,903		249,903
Service Fees	209,713		209,713
Other Income	31,990		31,990
Total Revenue	<u>491,606</u>	<u>-</u>	<u>491,606</u>
Total Support and Revenue	1,478,726	355,000	1,833,726
Net Assets Released from Restriction			
Restriction Satisfied by Payments	435,279	(435,279)	-
Total Support and Revenue Net of Restrictions	<u>1,914,005</u>	<u>(80,279)</u>	<u>1,833,726</u>
Expenses:			
Program Services Expenses:			
Membership and Services	662,641		662,641
Community Empowerment	970,724		970,724
Total Program Services Expenses	<u>1,633,365</u>	<u>-</u>	<u>1,633,365</u>
Supporting Services Expenses			
Management and General	209,677	-	209,677
Total Supporting Services Expenses	<u>209,677</u>	<u>-</u>	<u>209,677</u>
Total Expenses	<u>1,843,042</u>	<u>-</u>	<u>1,843,042</u>
Change in Net Assets	70,963	(80,279)	(9,316)
Net Assets At Beginning Of Year	<u>(32,896)</u>	<u>312,656</u>	<u>279,760</u>
Net Assets At End Of Year	<u>\$ 38,067</u>	<u>\$ 232,377</u>	<u>\$ 270,444</u>

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005**

	Program Services			Supporting Services	
	Membership & Services	Community Empowerment	Total Program Services	Management and General	Total Expenses
Compensation and Benefits	\$ 395,171	\$ 483,452	\$ 878,623	\$ 113,876	\$ 992,499
Travel and Transportation	13,784	49,040	62,824	33,758	96,582
Office Facilities	47,274	49,719	96,993	1,902	98,895
Office Operations	51,381	89,141	140,522	19,579	160,101
Promotion and Communication	4,258	7,035	11,293	10,000	21,293
Outside and Professional Services	71,831	284,681	356,512	30,562	387,074
Client Services	78,942	7,656	86,598	-	86,598
TOTAL	\$ 662,641	\$ 970,724	1,633,365	\$ 209,677	\$ 1,843,042

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$ (9,316)
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:	
Depreciation	11,381
(Increase) Decrease in:	
Accounts Receivable	(27,577)
Employee Advances	2,608
Deposits and Prepaid Items	4,085
(Decrease) Increase in:	
Accounts Payable and Accrued expenses	<u>33,358</u>
Net Cash Provided by (Used in) Operating Activities	<u>14,539</u>

Cash Flows from Investing Activities

Capital Additions	<u>(16,231)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(16,231)</u>

Net Increase (Decrease) in Cash (1,692)

Cash at Beginning of Year 323,532

Cash at End of Year \$ 321,840

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u><u>\$ -</u></u>
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The accompanying notes are integral parts of these financial statements

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - ORGANIZATION

Mission

La Union Del Pueblo Entero (“LUPE”) was organized exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. This includes but is not limited to empowering Latinos and their communities and enhancing the activities of farm workers, immigrants, and low income families in the United States.

The core of LUPE’s mission is its community based leadership development program. This approach is done through the creation of committee structures of residents, called *comites*. This community leadership program is based upon the notion that every community, regardless of social, economic and physical condition has the assets and resources that can be mobilized when community leaders are better informed and empowered. LUPE seeks to increase the capacity of these community leaders through leadership training and empowerment so that they are more effective in changing the social and physical environmental threats to improve the health and well being of individuals, families and communities.

Programs

LUPE believes that communities must be approached holistically. Economics, poor health, poor community infrastructure, cultural isolation, linguistic challenges, the lack of education and transportation, and lack of governmental system knowledge are all issues that impact many of the communities LUPE serves. Therefore, programs are very community focused, that include: early childhood development, higher education, economic development and housing advocacy, advocacy on immigrant and health care issues and occupational health and safety.

Each office location also provides critical support services for *comite* leaders and LUPE members. They are tailored to the needs of each regional area. Member services include: ESL and GED classes, homeownership education, certified tax services, immigration services, notary services and economic opportunity programs. LUPE operates programs in California, Texas and Arizona.

In the Salinas, California area LUPE provides a variety of services to seniors, including meals on wheels and recreational and social services. Youth are served by after school and summer recreation programs. Adults are served by programs providing ESL, GED and leadership training classes, financial services, parent training, immigration information and assistance in accessing government services.

In the Central California, Phoenix and Texas offices adult services are provided as listed above.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of LUPE (the “Organization”) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Non-Profit Status and Income Taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service. The Organization is also exempt from State of California taxation under provisions of the California Revenue and Taxation code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Revenue and Support

The Organization receives grant support from other nonprofit organizations and recognizes grant support when funds are received.

Donated Services

Volunteers have donated time to the Organization in support of its programs and services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Refundable Advances

LUPE records grant revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. Any balance in refundable advances at year end would represent amounts received under cost reimbursable grants that would be expended in the next fiscal year in accordance with the grant period. There was no refundable advance at December 31, 2005 and no activity in the refundable advance account during 2005.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. Contributions with donor imposed restrictions are recorded as unrestricted contributions in the period received if the Organization meets the restrictions in the period the contribution is received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and discloses. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment having a useful life of more than one year are capitalized and depreciated.

Property and equipment are recorded at cost, or fair market value if contributed, and are depreciated using the straight-line method over the estimated useful lives of the assets generally as follows:

Furniture and equipment	3-5 years
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Depreciation expense for the year 2005 was \$11,381.

Cash

At December 31, 2005 the Organization’s cash in bank balances exceeded the Federally insured limits. At December 31, 2005 the Organization’s uninsured cash balances totaled \$218,229.

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

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

LA UNION DEL PUEBLO ENTERO (“LUPE”)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005

NOTE 4 - CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. LUPE had no cash equivalents at December 31, 2005.

NOTE 5 - RELATED PARTY TRANSACTIONS

During 2004 the Organization contracted with organizations which are (1) related by virtue of a management relationship or, (2) which were formed for the mutual benefit of farm workers. These organizations have provided services and paid fees to the Organization, or were paid a fee to provide program services and/or general administrative services which furthered the mission of the Organization.

	Total Sales <u>Amount</u>	Receivable Balance <u>December 31, 2005</u>
United Farm Workers of America	\$ 521	\$ <u>521</u>
	Total Purchase <u>Amount</u>	Payable Balance <u>December 31, 2005</u>
United Farm Workers of America	\$ 110,821	\$ 21,251
National Farm Worker Service Center, Inc.	76,400	11,812
F.E.R.N.I.	90,800	25,000
Juan De La Cruz Pension Plan	3,798	460
Robert F. Kennedy Medical Plan	71,190	9,468
F.I.E.L.D.	56,376	<u>12,500</u>
Total		\$ <u>80,491</u>

NOTE 6—RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Community Empowerment	\$187,045
General Support	<u>45,332</u>
	<u>\$232,377</u>

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 7 – COMMITMENTS UNDER LONG-TERM LEASES

The Organization leases office space and office equipment under long term leases. The Organization also rents office space on a month to month basis.

During 2005 office rental expense totaled \$41,836 and equipment lease expense totaled \$6,072. Future obligations over the primary term of the long-term leases as of December 31, 2005 are as follows:

Year Ended December 31,	<u>Amount</u>
2006	\$ 29,474
2007	17,634
2008	<u>2,030</u>
Total	\$ <u>49,138</u>