“FOR 13 YEARS, UNLOCKING HISPANIC POTENTIAL.....”

2001 ANNUAL REPORT
Who We Are

Since 1988, NSHMBA has been instrumental in its commitment to facing the challenges concerning Hispanics within the business community. The humble beginnings took place when a diverse group of Hispanic professionals founded the National Society of Hispanic MBAs, (NSHMBA). Established as a 501(C)(3) non-profit organization, NSHMBA exists to foster Hispanic leadership through graduate management education and professional development. NSHMBA works to prepare Hispanics for leadership positions throughout the US, so that they can provide the cultural awareness and sensitivity vital in the management of the nation’s diverse workforce.

VISION

To be the premier Hispanic MBA professional business network for economic and philanthropic advancement.

MISSION

“...Fostering Hispanic leadership through graduate management education and professional development in order to improve society.”

GOALS

1) To increase enrollment of Hispanics in graduate management programs
2) Assist in the recruitment, career development and promotion of Hispanic business professionals in public and private sectors and small business settings
3) Provide networking opportunities for Hispanic business professionals
4) Promote Hispanic business leadership and entrepreneurship through professional development
5) Provide infrastructure to support goals

STRATEGIC OBJECTIVES

1) Increase membership from 2,000 in 21 chapter groups to 4,000 in 27 chapter groups with 60% MBA professionals by 2003
2) Grow revenues to $3.1 million and diversify funding sources in order that conference revenues will account for 83.3% of the total by 2003
3) Develop an integrated local & national education professional development program by 2002
4) Build comprehensive Web & e-commerce solution for communications, transactions, recruitment and education by 2003
5) Develop and implement model program(s) that impact MBA pipeline by 2003
Sponsors List

3M
Abbott Laboratories
ACS State & Local Solutions
Advance PCS
Aetna
A.G. Edwards & Sons
Alcoa Inc.
Allegiance Healthcare
Amazon.com
American Airlines
American Express
America West Airlines
Andersen
Anderson School at UCLA, The
AOL Time Warner
Aquila Inc.
ARAMARK Uniform Services
Arizona State University
AstraZeneca
Bank of America
Bank One Corporation
Bayer Corporation
Baylor University, Hankamer
School of Business
Bear, Stearns & Co.
Bentley College
Bernard Hodes Group Inc.
Best Buy Co. Inc.
Board of Governors Federal Reserve Board
Bonnieville Power Administration
Boston Consulting Group, The
BP
Burger King Corporation
Cap Gemini Ernst & Young, LLC
Capital One
Carlson MBA Program, University of Minnesota
Carnegie Mellon University, MBA Program
Centers of Medicaid & Medicaid Services
Chevron Corporation
Cisco Systems
Citigroup
Citrix Systems, Inc.
Clorox Company, The
Coca-Cola Company, The
Colgate-Palmolive
Comerica Bank
Compaq Computer Corporation
ConAgra Foods
Consortium for Graduate Study in Management
Coors Brewing Company
Cornell’s Johnson School
Credit Suisse First Boston
Daimler Chrysler Corporation
Dain Rauscher
Darden Restaurants
David Gomez & Associates, Inc.
Dell
Deloitte & Touche
Delta Airlines
Diversity talent.com
Dr Pepper/Seven Up, Inc.
Duke Energy
Dun & Bradstreet
eFunds
Eli Lilly and Company
El Paso Corporation
Emory University, Goizueta Business School
Enron Corporation
Equiva Services
Ernst & Young
Exelion Corporation
Exxon Mobil Corporation
Fannie Mae
Federal Deposit Insurance Corporation (FDIC)
Federal Home Loan Bank of San Francisco
FedEx
First Union National Bank
Ford Motor Company
Freddie Mac
General Electric
General Mills, Inc.
Genentech Inc.
Georgia-Pacific Corporation
Georgetown University, MBA
Gillette Company, The
GlaxoSmithKline
Goldman Sachs and Company
Hallmark Cards
Hallmark / Binney & Smith
Harley-Davidson Motor Company
HarvardUniversity Business School
H-E-B Grocery Company
HENAA & TECHNCA Magazine
Hewitt Associates LLC
Hewlett Packard Company
Hispanic Association of Colleges & Universities
Hitachi Data Systems
Hobsons
Honeywell
Household International
Humana
IBM
Intel Corporation
Internal Revenue Service
JM Family Enterprises, Inc.
Johnson & Johnson
Johnson Controls, Inc.
JP Morgan Chase
Kellogg Company
Kellogg School of Management, Northwestern University
Kenan-Flagler Business School - UNC at Chapel Hill
Key Corporation
KIPP National
Kmart
KPMG LLP
Kraft Foods
LatPro.Com
Lehman Brothers
LexisNexis
Lockheed Martin Corporation
Lucent Technologies
Marathon Oil Company
Mars, Inc.
Masco Corporation
Mattel, Inc.
Mayo Clinic
MBNA America
McDonald’s Corporation
McGraw-Hill Companies, The
Medtronic, Inc.
Mercedes-Benz USA
Merck & Co., Inc.
Merrill Lynch
Michigan State University, MBA Program
Microsoft Corporation
Minute Maid Company
Mint
MIT Sloan School of Management
MONY Group, The
Morgan Stanley
Motorola, Inc.
National Council of La Raza
Nationwide
NCCI
Nestle USA
New York Life Insurance Company
Northwest Airlines
Novartis Pharmaceuticals Corporation
Office Depot Support Center
Ohio State University, Fisher College of Business
Our Lady of the Lake – School of Business
Paramount Pictures
Pepperdine University, The
Grazzio School of Business
PepsiCo, Inc., Pepsi-Cola, Frito Lay, Tropicana, Quaker
Pfizer Inc.
PHD Project, The
Philip Morris Companies
Pitney Bowes Inc.
PricewaterhouseCoopers LLP
Procter & Gamble
Progressive
Prudential Financial
Quest Diagnostics
Qualcomm
Ralston Purina Company
R.J. Reynolds Tobacco Company
Rice University, Executive Education
Russell Corporation
Ryder
Sabre Inc.
Sara Lee Corporation
SBC Communications, Inc.
Scherping-Plough Corp.
SC Johnson
Sears, Roebuck and Co.
Shell
Siemens USA
Solelectron
Sprint
St. Paul Companies, The
Stanford Graduate School of Business
Stanford Works, The
State Farm Insurance Company
Sun Microsystems
Target Corporation
TCU, Neely School of Business
Texas Instruments
Thunderbird Graduate School of Int’l Mgmt
TIAA CREF
Towers Perrin
Toyota Motor Sales USA, Inc.
Tribune Company
Tricon Global Restaurants
Tuck School of Business, Dartmouth
Tupperware Corporation
TXU
Tyco International
UBS Warburg
Unilever
United Airlines
United Technologies
University of California, Irvine
University of California, Berkely,
Haas School of Business
University of Chicago, Graduate School of Business
University of Dallas, Graduate School of Management
University of Illinois at Urbana Champaign
University of the Incarnate World
University of Maryland – Robert H. Smith School of Business
University of Michigan Business School
University of Norte Dame
University of Southern California,
Marshall School of Business
University of Texas at Austin,
McCombs School of Business
University of Texas at Dallas,
Cohort MBA
University of Texas at San Antonio
U.S. Department of State
Vanderbilt University, Owen School of Management
Verizon
Visa International LAC
Visteon Corporation
Wachovia Bank
Wake Forest University, Babcock
Graduate School of Management
Wal-Mart Stores, Inc.
Walt Disney Company, The
Washington University
Watson Wyatt Worldwide
Wells Fargo and Company
Weyerhaeuser Company
Wharton School of Business,
University of Pennsylvania
Whitehall - Robins Healthcare
WorldCom
XO Communications
Yale School of Management
Dear Members, Sponsors, Educational Partners and Friends of NSHMBA:

On behalf of the Board of Directors and our entire chapter leadership, I am privileged to present to you this 2001 Annual Report. I sincerely wish to thank each and every one of our members and our stakeholders, and most especially our core of dedicated and visionary volunteers, who made our every success possible!

As we mark our accomplishments and measure ourselves versus our strategic direction, it is gratifying for me to note that in 2001 our organization:

- grew significantly to reach 4,243 paid members by year-end (+64.8% vs. ’00)
- added two new chapters, Minneapolis-St. Paul and Tampa Bay, and accepted Kansas City, Philadelphia and San José as chapters-in-formation
- launched Hispanic MBA magazine, our official bi-annual publication, with the participation 106 advertisers for the Conference 2001 Issue
- only seven weeks removed from the tragic events of 9.11.01, set a new record for total attendees at our National Conference & Career Expo in San Antonio – 3,901 (+13.2% over ’00) including 1,618 MBA Students from 139 universities (+115.4% over ’00)
- in partnership with the Hispanic Scholarship Fund and the Lilly Endowment, more than doubled our scholarship distributions to $617,500 (+104.1% vs. ’00) pushing us to a cumulative total of $1,621,000 since 1995

For our community, we noted that:

- Hispanic Americans earning Master’s degrees in Business and Administrative Services eclipsed the 4,000 mark for the first time, up to 4,241 for the 1999-2000 Academic Year. Compared with the baseline academic year of 1998-89 (1,581 degrees conferred) when NSHMBA was founded, this number has nearly tripled!

NSHMBA is dedicated to moving its members - and our society - towards unlimited success in business, in government and in entrepreneurial ventures. We understand and appreciate that to do so, we must nurture mutually beneficial relationships with NSHMBA stakeholders – including our members, corporate partners, academic representatives, professional recruiters and Latino community leaders. As we look ahead to our collaborative future in our increasingly global world – our partnership with each of you – will undoubtedly assure our continued and mutual success.

Respectfully,

John Honaman
Executive Director

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In 2001, the United States surpassed Spain and Colombia to become the 2nd largest Hispanic country

<table>
<thead>
<tr>
<th>Population in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico: 101.8</td>
</tr>
<tr>
<td>United States: 42.5</td>
</tr>
<tr>
<td>Colombia: 40.3</td>
</tr>
<tr>
<td>Spain: 40.9</td>
</tr>
<tr>
<td>Argentina: 37.4</td>
</tr>
</tbody>
</table>

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True Value of the Hispanic Market in 2001...... 42.5 million persons and $591 billion in purchasing power

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The year 2001 was a year of initiatives.

- At the 12th Annual National Conference, NSHMBA launched the Official magazine known as the Hispanic MBA Magazine. This official publication, published in October and March, serves as the program guide to the conference. Today the magazine reaches a circulation of 15,000 members, which includes Hispanic MBA students and professionals.

- Dr. Donna Maria Blancero, Assistant Professor of Management at Arizona State University’s College of Business and affiliate of the Hispanic Research Center, conducted a unique, in-depth study concerning the highest level of Hispanic career achievement within corporate America. The study is scholarly-based on the examination of why the highest achieving Hispanic professionals succeed in the workplace. She is conducting a part two study of her research and plans to disseminate her findings with all members through our publications.

- A newly constructed Web site created a centralized and informative community for all the chapters and the National Office.

- A Career Center was developed to assist Hispanic students with their career search. There are more than 700 job opportunities available. Members can post their resume, search jobs and create a search agent that notifies them about new jobs as they arrive.

- Membership experienced a tremendous growth to reach 4,243 members, nearly a 65 percent increase over last year’s membership. This is greatly due to increased benefits, scholarship opportunities, leadership training, informative Web site, enhanced publications, invaluable conference experience, expanded career center and addition of chapters.

- Through programs and partnerships, we have provided ways for Hispanics to pursue a top graduate education. The HSF/NSHMBA Scholarship Program awarded $617,000 in scholarships. The awards ranged from $2,500, $5,000, $7,500, with fifteen of the $10,000 scholarships and three of the $15,000 scholarships. There were 337 applications submitted and 169 scholarship recipients selected.

- The 12th Annual Conference & Career Expo was held on November 1-3 in San Antonio, TX at the Henry B. Gonzales Convention Center. The theme was “Star Leaders: Blaze Business Trails and Forge New Frontiers.” The conference produced a record-breaking number of 1,618 attendees and 139 academic institutions, compared to 751 attendees and 117 schools in 2000. Of those 139 schools, 28 came from the top 30 schools in the nation as listed in Business Week. In addition, there was an increase from 632 to 879 in the amount of professionals that attended the event.

MBA students and undergraduates numbers also climbed up the ranks from 751 and 20 to 1,618 and 38 respectively.

During the Hispanic Leadership Plenary, in which Hispanic professionals and executives shared visions from their experience of forging business frontiers, Abelardo E. Bru, President & CEO of Frito Lay North America, was the Corporate Keynote Speaker. His inspiring speech was about forging corporate frontiers. Not only did attendees enjoy the activities at the conference, but they also took delight in the sights and sounds of San Antonio’s diversions: The River Walk, The Alamo, Tex-Mex food and Southern hospitality.

- Two chapters became full members: Minneapolis/St. Paul and Tampa Bay. In addition, there were three Chapters-In Formation, which were San Jose, Kansas City and Philadelphia.
2002 Chapter Presidents

Zaida Pericas, Atlanta
Patricia Pérez O’Leary, Austin
Israel López, Boston
Ken Santiago, Chicago
Stephanie Leichnam, Dallas/Ft. Worth
Rosaura Aburto McDonough, Denver
Donald Patrick Martínez, Detroit
Joseph Mesquita, Hartford
Juan J. Padrón, Houston
Steve Ramos, Indianapolis
Laura Rivas, Los Angeles
Robert Macher and Miguel Reyna, Miami
Mark Ponce, Minneapolis-St. Paul
Maria Icaza, New Orleans
Jesus Maldonado-Reyes, New York
Francisco Avalos, Orange County
Yanina Rosario, Orlando
Cosette Gutiérrez, Phoenix
Benjamín Rodríguez, San Antonio
Chanda Idano, San Diego
Mauricio Alvarado, San Francisco
Bárbara Rivera, San Juan
Sheila Godreau, Tampa Bay
Julian Teixeira, Washington DC

2002 Board of Directors

Manny Martinez
Chairman
Donna Blancero
Vice Chairperson
Ricardo Rojo
Secretary/Legal & Compliance Officer
Edmund Nonaca
Treasurer/Chief Financial Officer
Miguel Figueroa
Fundraising Chairperson
Martha Salinas
Education Chairperson
Daisy Ortiz-Cirihal
Marketing/Public Relations Chairperson
Nereida (Neddy) Perez
Regional Chairperson, Central Region
Manuel J. Fernandez
Regional Chairperson, Eastern Region
Michael M. Valencia
Regional Chairperson, Western Region
Jaime Ornelas
Chairman Emeritus

2002 Corporate Advisory Board

AMR Corporation
AOL Time Warner
A.T. Kearney, Inc.
Bank of America
Cap Gemini Ernst & Young
Capital One
Citigroup
Dell Computer
DePaul University
Dr Pepper/Seven Up, Inc.
Ford Motor Company
General Mills
Intel Corporation
Johnson & Johnson
Marsh McLennan Companies
Microsoft
PepsiCo, Inc.
Philip Morris Companies Inc.
Pitney Bowes
PwC Consulting
Procter & Gamble
Sun Microsystems
United Technologies Corporation
University of Maryland
Verizon Communications
Wachovia Corporation
The Walt Disney Company
SHMBA is continuously finding ways to increase the number of Hispanics enrolled in graduate business programs. Our organization has created a pipeline between Hispanic students and Hispanic business professionals. In 2001, there were 23 chapters and 4,243 members.

Albuquerque
On Wednesday, May 16, the Chapter hosted its first Destination MBA Event entitled, “MBA Forum & NSHMBA Scholarship Night,” at the University of New Mexico, Anderson School of Management. The goal was to provide MBA information to undergraduates and employed graduates, as well as promote the NSHMBA Scholarship Program.

Atlanta
In celebration of their official designation as a NSHMBA Chapter, they hosted a fun-filled event. Over 270 guests attended the event and helped raise $5,000 in a silent auction that was donated to the scholarship fund.

Austin
On Saturday, October 13, the chapter and Dell Computer hosted the First Annual Professional Development Day. Members were able to network and meet with professionals from Dell.

Boston
Chapter kicked-off its first year as an official chapter at their Inaugural Reception. The reception was sponsored by FleetBoston Financial and Harvard University. More than 100 representatives from corporate, academic and communities attended the event.

Chicago
On Friday, April 6, the chapter held its 2001 Kick-Off Event. It was an enjoyable evening of Latin Jazz, networking, awards, cocktails and lots of fun.

Dallas/Ft. Worth
On September 15, the chapter hosted its first gala, with the theme, “Latin Explosion: Shaping the Leaders of Tomorrow.” The keynote speaker was John C. Guerra, Jr., AT&T consumer marketing vice president for the Southwest Region. The gala’s purpose was to raise funds for chapter initiatives.

Denver
In partnership with the College of Business Administration of the University of Colorado at Denver and the Ford Motor Company’s Denver Regional Office, NSHMBA Western Region held its first Leadership and Chapter Development Institute. The purpose was to provide professional development to chapter leaders and provide tools to develop strategic goals.

Detroit
The chapter held its first Annual Gala and Fundraiser for members, sponsors and local partners. The guest speaker was the Honorable Dennis W. Archer, Mayor of the City of Detroit.

Hartford
Over 125 people attended the Chapter’s 3rd Annual Awards Celebration, which recognized many programs and activities. Such programs were the College/Corporate QUEST 2001 recruiting event and the Corporate Summer Intern Program.

Houston
More than 150 people attended the chapter’s 2nd Annual MBA Forum and Scholarship Night. The goal was to provide Latinos with information about the different programs and admission requirements of specific graduate schools.

Los Angeles
On September 15, the chapter held the 1st Annual MBA Student Welcome Mixer, featuring the first ever “MBA Games Business School Challenge 2001.” The event, which took place in Griffith Park, brought together MBA students throughout Southern California and over 10 Fortune 500 companies.
Miami
With the support of Citrix Systems, the Chapter presented an informational lecture on the application of an MBA education to e-commerce. The event attracted many new members from surrounding universities, as well as technology professionals from local companies.

Minneapolis/St. Paul
On July 28, the chapter and the National Black Association hosted the first Annual Professional Development Conference. There were seminars in areas of leadership, management and negotiation.

New York
On March 22, together with New York Black MBAs and MetLife Harlem Financial Services Center, the chapter hosted an event entitled, “From Wall Street to 125th Street.” There was a distinguished panel that discussed financial services in the urban area.

Orange County
On Tuesday, August 28, the chapter hosted an exciting summer event entitled, “How the Tax Relief Act of 2001 Affects You and Your Education Planning!” The special guest speaker was Flora Burke, Vice President, Sales Director of Citigroup Asset Management.

Orlando
On Wednesday, March 7, the chapter held a Professional Networking Reception at the SunTrust Banker’s Guest Club. This event was an opportunity for members to present their nominations for the Board of Directors.

Phoenix
The chapter hosted the first major speaking engagement by a senior executive, Intel Corporation’s Vice President and Worldwide Manufacturing Operations General Manager, Brian Harrison. The event was also sponsored by the Graduate Latin Business Exchange and the ASU MBA affiliate student organization of the Phoenix Chapter.

San Diego
The Chapter sponsored its first San Diego Padre Family Day at QualComm Stadium, in an effort to attract prospective members. Also in attendance were professionals from Gateway, Palm, Inc. and the VP of Hispanic & International Marketing for the San Diego Padres.

San Francisco
The Chapter held its first Professional Development Session, hosted by Right Management Consultants. The guest speaker was Danny Lewis, Lead Senior Career Management Consultant for the San Francisco, San Ramon region.

San Juan
On April 25-29, the chapter, in partnership with the Hispanic Bar Association, the U.S. Chamber of Commerce and the League of Latin American Citizens, hosted the first Hispanic Internet Summit at the InterContinental Resort & Casino.

Tampa Bay
The new chapter-in-formation held their kick-off reception at the University of Tampa, John H. Sykes School of Business. Over 60 members and guests, including several representatives from school and corporations, attended the event sponsored by Tropicana Products, Inc.

Washington D.C.
The chapter celebrated its 10th Anniversary and as a long-standing tradition, it held a reception hosted by a Hispanic member of Congress. This year’s theme was “Educational Challenges in the New Millennium.”
Auditor's Report

Accountants and Management Consultants

Report of Independent Certified Public Accountants

Board of Directors
National Society of Hispanic MBAs

We have audited the accompanying statements of financial position of the National Society of Hispanic MBAs (the "Society") as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society'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 an 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 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 National Society of Hispanic MBAs as of December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Houston, Texas
October 22, 2002
Auditor's Report

National Society of Hispanic MBAs

STATEMENTS OF FINANCIAL POSITION

December 31,

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,262,202</td>
<td>$2,097,335</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>186,478</td>
<td>108,201</td>
</tr>
<tr>
<td></td>
<td>2,448,680</td>
<td>2,205,536</td>
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<tr>
<td><strong>INVESTMENTS, at market</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>277,621</td>
<td>295,822</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(103,318)</td>
<td>(56,982)</td>
</tr>
<tr>
<td></td>
<td>108,570</td>
<td>102,095</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td>8,301</td>
<td>2,940</td>
</tr>
<tr>
<td></td>
<td><strong>$2,843,172</strong></td>
<td><strong>$2,606,393</strong></td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS |                |                |
| **CURRENT LIABILITIES**   |                |                |
| Accounts payable and accrued liabilities | $ 86,644 | $ 265,368     |
| Deferred revenue           | 25,000         |                |
|                            | 111,644        | 265,368        |
| **NET ASSETS**             |                |                |
| Unrestricted net assets    | 2,731,528      | 2,341,025      |
|                            | **$2,843,172** | **$2,606,393** |

The accompanying notes are an integral part of these statements.
National Society of Hispanic MBAs

STATEMENTS OF ACTIVITIES
Year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNRESTRICTED</strong></td>
<td></td>
<td></td>
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<tr>
<td>Revenues</td>
<td></td>
<td></td>
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<tr>
<td>Conference</td>
<td>$2,483,083</td>
<td>$2,473,319</td>
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<td>Membership</td>
<td>130,340</td>
<td>88,425</td>
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<tr>
<td>Contributions</td>
<td>569,073</td>
<td>459,935</td>
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<tr>
<td>Interest</td>
<td>64,504</td>
<td>79,976</td>
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<tr>
<td>Other</td>
<td>54,825</td>
<td>47,915</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>3,301,825</td>
<td>3,149,570</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>1,149,084</td>
<td>1,014,699</td>
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<tr>
<td>Unrealized losses on investments</td>
<td>23,054</td>
<td>21,081</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,739,184</td>
<td>1,451,008</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,911,322</td>
<td>2,486,788</td>
</tr>
<tr>
<td>Increase in unrestricted net assets</td>
<td>390,503</td>
<td>662,782</td>
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<tr>
<td>Net assets at beginning of year</td>
<td>2,341,025</td>
<td>1,678,243</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$2,731,528</td>
<td>$2,341,025</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
# Auditor's Report

## National Society of Hispanic MBAs

### STATEMENTS OF CASH FLOWS

Year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$390,503</td>
<td>$662,782</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>46,336</td>
<td>16,446</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>57,305</td>
<td>130,481</td>
</tr>
<tr>
<td>Unrealized losses on investments</td>
<td>23,054</td>
<td>21,081</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in other assets</td>
<td>(5,361)</td>
<td>6,878</td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
<td>(135,582)</td>
<td>(19,102)</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable</td>
<td>(178,724)</td>
<td>185,753</td>
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<tr>
<td>Increase (decrease) in deferred revenue</td>
<td>25,000</td>
<td>(73,250)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>222,531</td>
<td>931,069</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(4,853)</td>
<td>(105,296)</td>
</tr>
<tr>
<td>Purchases of fixed assets</td>
<td>(52,811)</td>
<td>(86,204)</td>
</tr>
<tr>
<td>Net cash used by investing activities</td>
<td>(57,664)</td>
<td>(191,500)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>164,867</td>
<td>739,569</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>2,097,335</td>
<td>1,357,766</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$2,262,202</td>
<td>$2,097,335</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
National Society of Hispanic MBAs

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of Operations

The National Society of Hispanic MBAs (the Society) is a not-for-profit corporation organized to promote graduate management education, entrepreneurship and the visibility of Hispanics in executive level management positions and to create a stronger awareness within the business and not-for-profit sectors. The Society’s principal source of revenue is obtained from sponsors at conferences intended to provide scholarships and educational opportunities to the Hispanic community. Membership revenue and corporate contributions provide additional income.

2. Basis of Accounting

The Society prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

3. 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 increased those net asset classes. Restrictions fulfilled in the same time period in which the contribution is received are reported as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Contributed property and equipment is recorded at fair value at the date of donation. The Society reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Society considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

5. **Uninsured Cash Balances**

The Society maintains cash and cash equivalent balances at several financial institutions. The balances held in these accounts are secured by the Federal Deposit Insurance Corporation up to $100,000. From time to time, balances in these accounts exceed the federally insured amounts, however, the Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

6. **Tax-Exempt Status**

The Society has been granted a tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code.

7. **Accounts and Pledges Receivable**

The Society considers accounts and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. When amounts become uncollectible, they are charged to operations when that determination is made.

8. **Fixed Assets**

Purchased assets are recorded at cost. Depreciation is computed using an accelerated method over estimated useful lives of the asset ranging from five to seven years.

9. **Investments**

All investments are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized and change in unrealized gains and losses on investments, interest, and dividends) is included in the Statements of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. However, if a restriction is fulfilled in the same time period in which investment income or loss is realized, the Society records the investment income or loss as an increase to unrestricted net assets.
National Society of Hispanic MBAs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Years ended December 31, 2001 and 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

10. Donated Material and Service

Donated furniture, equipment and artwork are included in the accompanying financial statements at their estimated fair value at the time of the donation.

The Society recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

11. Concentration of Credit and Market Risk

Financial instruments that potentially expose the Society to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Society has not experienced any losses on its cash equivalents. The Society’s investments do not represent significant concentrations of market risk inasmuch as the Society’s investment portfolio is adequately diversified among issuers and industries.

12. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE B – AFFILIATED CHAPTERS

The Society has affiliated chapters in San Francisco, Miami, San Antonio, Chicago, New York, Houston, Los Angeles, Phoenix, Dallas-Ft. Worth, Puerto Rico, Austin, Denver, Orange County, Washington, D.C., Hartford, Detroit, Orlando, Atlanta, Boston, San Diego, Kansas City, Minneapolis-St. Paul, Philadelphia, San Jose and Tampa Bay. Society operations conducted through the chapters are included in these financial statements.
NOTE C - INVESTMENTS

Investment income and loss is allocated to unrestricted, temporarily restricted and permanently restricted net assets based on donor restrictions.

The following table compares the investments' cost to the aggregate market price as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Agg.</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>$267,533</td>
<td>$277,621</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market</td>
</tr>
<tr>
<td></td>
<td>$262,680</td>
<td>$295,822</td>
</tr>
</tbody>
</table>

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>$87,511</td>
<td>$ 69,729</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>20,860</td>
<td>20,860</td>
</tr>
<tr>
<td>Software</td>
<td>103,517</td>
<td>68,488</td>
</tr>
<tr>
<td></td>
<td>211,888</td>
<td>159,077</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(103,318)</td>
<td>(56,082)</td>
</tr>
<tr>
<td></td>
<td>$108,570</td>
<td>$102,095</td>
</tr>
</tbody>
</table>

NOTE E - COMMITMENTS AND CONTINGENCIES

The Society leases space in a building that houses its National office operations. As of December 31, 2001, the future minimum lease payments under noncancelable operating leases through June 2002 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$18,288</td>
</tr>
</tbody>
</table>

Total rent expense for the years ended December 31, 2001 and 2000 was approximately $43,000 and $39,000.