At the National Society of Hispanic MBAs (NSH MBA) we are aware that our success rests on our continued commitment to fulfilling our mission. We stay focused on our strategic objectives of education, professional and leadership development, and research. It has been shown that our dedication has a positive impact in our community, in corporate America, and in our nation.

We are extremely proud to announce that 2006 was a very successful year for NSH MBA, filled with significant advancements in our mission of fostering Hispanic leadership through graduate management education and professional development to improve society. All the accomplishments were possible thanks to our members, stakeholders, and committed and visionary volunteers.

**Summarizing the highlights of our organization for 2006, we find that:**

- Over $1 million was awarded in scholarships to 256 of the best and brightest Hispanic MBA students in 26 states.
- The Business Journal of Hispanic Research was announced to launch in June 2007, initiating a new era with emphasis on research.
- The first Pre-MBA program took place at the Massachusetts Institute of Technology, presenting an opportunity for 48 college students to explore their interest and develop a firm commitment to pursue an MBA.
- The University Partnership Program was created, allowing several colleges and universities to team up with NSH MBA to expand the financial assistance to exceptional Hispanic business students through scholarships, fellowships, and assistantships offered by the participating universities.
- The third Hispanic Executive Summit successfully took place in New York, with an attendance of more than 100 top executives from Corporate America.
- The 17th Annual Conference & Career Expo in Cincinnati, Ohio welcomed a record-breaking attendance of more than 6,500 Hispanic MBAs and students, 237 companies, and 74 academic institutions. The conference is said to have been the largest of its type ever held in the city of Cincinnati, and the second largest ever held in its history.

To present a clearer picture of the organization, the 2006 financial statements are included in this report. We see our financial performance as a scorecard for how well we are serving the Hispanic business community and our nation.

While we are gaining ground, there is still plenty of work to be done. We will certainly assure our sustained success working together, in a mutually beneficial partnership, with our stakeholders. At NSH MBA we are determined to reach our goals and to promote our mission.

We are exceptionally grateful to have been given the task to lead this brilliant organization, and look forward to attain greater accomplishments in the future.

Lourdes Hassler  
Chief Executive Officer  
National Society of Hispanic MBAs

Manuel Fernandez  
National Board Chair  
National Society of Hispanic MBAs
OUR VISION
To be the premier Hispanic MBA professional business network for economic and philanthropic advancement.

OUR MISSION
To foster Hispanic leadership through graduate management education and professional development in order to improve society.
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WHO WE ARE

The National Society of Hispanic MBAs (NSHMBA) was created in 1988 as a 501(c)(3) non-profit organization. Recognized as the nation’s most prestigious Hispanic organization promoting higher education, NSHMBA serves 32 chapters and over 7,000 members in the U.S. and Puerto Rico. NSHMBA works to prepare Hispanics for leadership positions so that they can provide the cultural awareness and sensitivity vital in the management of the nation’s diverse workforce.
STRATEGIC OBJECTIVES

By the year 2020, the collaborative efforts of the National Society of Hispanic MBAs and its partners should reveal an increase in the percentages of Hispanic:

- MBA Graduates from AACSB Business Schools
- Executives leading Fortune 500 companies
- Directors serving Fortune 500 Boards

Together, our goals are accomplished by remaining focused and ensuring that value and efficiency are present with each engagement. This focus and commitment has a positive impact on our community, corporate America and our nation.

To achieve such results NSHMBA will focus on four areas:

- Education
- Professional Development
- Leadership Development
- Research
EDUCATION

NSHMBA is committed to developing and delivering educational programs, which prepare Hispanics for admittance into graduate management schools. NSHMBA is focused on supporting the successful completion of advanced degrees. NSHMBA programs that support education as an area of focus are listed on the following page.
Scholarships
NSHMBa recognized the problem of financing a graduate degree eighteen years ago and in response created the NSHMBa Scholarship Program. With this initiative, NSHMBa has assisted hundreds of outstanding Hispanic students who might not have been able to afford graduate school. The successful completion of an MBA is the key to success not only for that individual, but for the business community as well. Unrestricted support from foundations, corporations and individuals is a primary and crucial source of revenue for NSHMBa, allowing us to direct the funding to the areas of greatest need within our scholarship program. Contributions may be fully tax-deductible.

University Partnerships
Created in 2006, the roots of this program began years ago when individual chapters around the nation collaborated with local universities to offer fellowships, scholarships, and assistantships to deserving candidates. The universities that have teamed up with NSHMBa offer partial to full tuition coverage for NSHMBa members that are current and prospective students in MBA programs. It is the organization’s hope that more universities will join the program and help build the number of opportunities available to Hispanic students seeking MBAs. Thus far, the program has proven to be an invaluable asset to NSHMBa. It is a tradition that will likely continue to increase the success of not only NSHMBa and the universities involved, but most importantly will increase the success of the beneficiaries of the fellowships, scholarships, and assistantships.

To review the participating universities, please visit: www.nshmba.org/financial-assist.

Internships
The NSHMBa internship program was created with the goal to provide corporate partners access to top Hispanic talent while fostering the professional development and career growth of Hispanic MBA students. NSHMBa is committed to providing students with a valuable career growth opportunity, while delivering to corporations a way to diversify their workforce with talented Hispanic interns earning their MBAs, and a cost effective way to streamline the recruitment process to fill the talent pipeline.

Case Competitions
This opportunity is offered by NSHMBa every year at the national conference and allows teams of both undergraduate and graduate students from selected universities to compete in areas such as marketing and finance.

Education for Success
Thousands of Hispanic MBA students and professionals attend the conference looking for career opportunities and professional development. As part of the conference, NSHMBa hosts the Education for Success program, where high school students are exposed to the conference and to seminars that encourage them to continue on to college and to be successful in their lives. This program increases awareness of the importance of education and encourages young Hispanic high school students to develop their leadership skills.

Latin Initiative to Foster Empowerment (L.I.F.E.)
This program is targeted to first and second year undergraduate Hispanic students and provides them a welcome to the university and access to tangible resources throughout the year. The goal of the program is to build a self-sustaining community of students dedicated to each other’s success. We truly believe that this program has the potential to serve as a catalyst in the personal development and success of Hispanic undergraduate students. In order to reach this goal, we must provide students the opportunity to build a network of peers, professionals, and mentors that assist them in navigating through the college experience and ensure their successful graduation from college.
PROFESSIONAL DEVELOPMENT

The establishment of a professional development center of excellence, based upon a consistent methodology of world-class program development and content for all stakeholders, enables a continuation of the education process. Professional Development is a life-long and career-long journey shared with our stakeholders and society at large. NSH MBA programs that support professional development as an area of focus are listed on the next page.
Brillante Awards
The Brillante Award, the most prestigious honor granted by the Society, is given to outstanding leaders whose work and contributions reflect the Society's mission “to foster Hispanic leadership through graduate management education and professional development in order to improve society.” Recipients have demonstrated success in balancing the needs and perspectives of customers, stakeholders, and employees with organization-wide results. Their conduct, results-oriented leadership, and support of the society has earned and maintained a high degree of public confidence and trust. In addition, they have provided exceptional service to the American people over an extended period of time. Award categories include Corporate Excellence, Corporate Executive Excellence, Member Service Excellence, Educational Excellence, Entrepreneur Excellence, and Not-for-Profit Excellence.

Hispanic Executive Summit
An inspiring professional program, the Summit focuses on governance and leadership and was created for executives, director level and above, with 10 or more years of experience. The purpose of the Hispanic Executive Summit is to provide a dynamic exchange of ideas, principles, and leadership strategies that deliver real-time value. The exceptional content and contemporary format of this summit are designed to acquire new and meaningful knowledge while establishing lasting, executive relationships.

Professional Development Day
At our national conference the entire first day is committed to professional development. There are six different workshops; marketing, finance, leadership, management, career development and professional competencies.

Career Management
The purpose of the program is to improve the job search and career management success of NSHMBA members. It provides the opportunity to meet with volunteer professional résumé writers and career coaches from career management organizations at selected NSHMBA Chapters and during the NSHMBA Annual Conference & Career Expo. NSHMBA members receive one-on-one coaching to address specific career questions including: how to begin the job search process, interviewing, career management, and personal career branding. The participants also receive a personal résumé critique, specific recommendations on how to improve their résumé, and targeted strategies for marketing their resume and cover letter as part of a coordinated job search campaign.
LEADERSHIP DEVELOPMENT

Administering a leadership development program for NSHMBA Officers and Staff enables continuous improvement and succession planning as an organization. Our commitment to our people is delivered by offering training in Governance, Leadership, Fiduciary Responsibility, and Project Management, among other relevant topics.
NSHMBA announced the development of a new research division for 2007. The creation of this new division will lead NSHMB into the future as the premier source of research on Hispanics in the workplace and in higher education.

**The Business Journal of Hispanic Research**

Launched by the research division, it includes content from both academics and business practitioners with the goal of relaying both advanced business theory and best business practices. It is the first and only journal that contains cutting edge research and managerial implications for Hispanic professionals, managers and executives, as well as those individuals who work for, with, or supervise Hispanic Professionals. Topics include, but are not limited to: employment issues, marketing, education, corporate governance, and organizational research.

The Business Journal of Hispanic Research will be published twice in 2007 and quarterly in the years following. With a circulation of more than 10,000, the journal has a readership which includes Fortune 500 companies, universities, and NSHMBA members (7,000+ as of 04/07).
ANNUAL CONFERENCE & CAREER EXPO

The Annual Conference & Career Expo is where NSHMB’s mission really comes to life. It combines NSHMB’s four focus areas — Education, Professional Development, Leadership Development and Research — through networking functions, professional development seminars, executive forum, case competitions, and other events. It features a career expo that serves as a pavilion of job opportunities for thousands of the best and brightest Hispanic MBA professionals and students looking for a promising career. Companies that embrace diversity attend to find the most talented Hispanics, and come to this event seeking the best and brightest candidates for a wide range of positions. The NSHMB Annual Conference and Career Expo is an unparalleled tribute to higher education in the Hispanic community with record-breaking attendance every year.
The Business Journal of Hispanic Research
A landmark announcement, was made at the National Society of Hispanic MBAs’ 17th Annual Conference and Career Expo, Oct. 27, 2006, in Cincinnati, OH which will have a profound and quantifiable impact on the way Americans view Hispanics in higher education and in the executive workforce. NSHMBAA announced the creation of its new research division, which will launch The Business Journal of Hispanic Research in June 2007. The periodical will be a peer-reviewed research journal which will focus on topics that relate to Hispanic business professionals, managers, and executives, as well as diversity professionals and others who manage or work with Hispanic business professionals.

17th Annual Conference and Career Expo
Providing the perfect mix to attract both attendees and exhibitors, Cincinnati, Ohio welcomed a record-breaking attendance at NSHMBAA’s 2006 Annual Conference and Career Expo. More than 6,500 Hispanic MBAs and students, 237 companies, and 74 academic institutions gathered at the newly expanded and renovated Duke Energy Center. The exhibit floor was filled with hundreds of exhibiting companies seeking to recruit the best and the brightest Hispanic business minds. The theme of this conference was “Embracing our heritage and bridging our future” with Procter & Gamble as the lead sponsor.
Hispanic Executive Summit

The third NSHMBa Summit was hosted April 27-29, 2006 at the Grand Hyatt Hotel Park Avenue at Grand Central in New York, New York, with an attendance of more than 100 top executives from corporate America, and BMW as the lead sponsor. In a series of wide-ranging speeches, panel discussions, and roundtables, corporate executives provided leadership tools and tips, and between sessions, plenty of networking opportunities. The Summit included strategies for making diversity a core component of America’s top corporations. During the event NSHMBa presented the Ultimate Hispanic Executive Award to Henry Hernandez, a forceful advocate of diversity, and first national president and co-founder of NSHMBa in 1988.

Encuentro

In the presence of 48 students, NSHMBA opened the first Pre-MBA Program with a familiar team building exercise that launched an intensive two and a half days of bonding, networking, and a reaffirmed commitment of pursuing an MBA. The attendees were chosen from 153 college students and recent grads and were invited to attend the all-expenses-paid inaugural event, held at the Massachusetts Institute of Technology, June 22-25, 2006. NSHMBA conceived this program to let young people explore their interest in an MBA and to help them find out what is involved in getting one.
Scholarships
In 2006, the National Society of Hispanic MBAs (NSHMBa) was pleased to award for the first time over $1 million in scholarships from funds raised solely by NSHMBa. A total of 256 of the best and brightest Hispanic MBA students in 26 states benefited from this remarkable financial assistance program.

NSHMBa is proud of the over one million dollar landmark; however, it is more proud of the effect these students will have on the landscape of business schools and corporations around the country.

University Partnership Program
In 2006, the National Society of Hispanic MBAs teamed with several colleges and universities across the United States with the hope of increasing the number of Hispanic students completing bachelor’s and master’s degrees. With this initiative, NSHMBa seeks to expand its financial assistance to exceptional Hispanic business students through scholarships, fellowships and assistantships offered by participating universities.

Brillante Award for Excellence
The National Society of Hispanic MBAs commends the 2006 Brillante Award for Excellence Recipients for their dedication and excellent example. The work and contributions of these outstanding leaders reflect the Society’s mission of fostering Hispanic leadership through graduate management education and professional development in order to improve society.

Corporate Excellence
General Mills

Corporate Executive Excellence
Francisco “Cisco” Codina, Group Vice President
Ford Motor Company

Member Service Excellence
Julian Teixeira, Washington DC Chapter

Educational Excellence
University of Texas at San Antonio

Entrepreneur Excellence
David H. Segura, Founder, President, and CEO
VisionIT

Not-For-Profit Excellence
Hispanic College Fund

NSHMBa Scholarships Awarded

<table>
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<tr>
<th>Year</th>
<th>Amount Awarded</th>
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<tbody>
<tr>
<td>1989-1994</td>
<td>$200,000</td>
</tr>
<tr>
<td>1997</td>
<td>$400,000</td>
</tr>
<tr>
<td>2002</td>
<td>$600,000</td>
</tr>
<tr>
<td>2006</td>
<td>$1,200,000</td>
</tr>
</tbody>
</table>
CORPORATE ADVISORY BOARD (03/2007)

3M
ADVO, Inc.
American Airlines
American Express
A.T. Kearney, Inc.
Bank of America
Cadbury Schweppes
Capital One
Citigroup Inc.
ConAgra Foods, Inc.
Coors Brewing Company
Dell Inc.
Exxon Mobil
Ford Motor Company
General Mills
Georgia-Pacific Corporation
Hewitt Associates
Intel Corporation
Johnson & Johnson
Merck & Co.
Microsoft
PepsiCo, Inc.
Pitney Bowes
Procter & Gamble
Prudential
Sun Microsystems
Target
The Home Depot
The Walt Disney Company
UBS
United Technologies
Corporation
Verizon Communications
Wachovia Corporation

Non-Profits
Consortium for Graduate Studies in Management
Hispanic Association of Colleges & Universities
National Council of La Raza

Universities
Florida International University
University of Texas at Austin
Bentley College

NATIONAL BOARD (03/2007)

CEO
Lourdes M. Hassler

NATIONAL CHAIR
Manuel J. Fernandez
JP Morgan Chase

BOARD OF DIRECTORS
Vice Chair
Cosette Gutierrez
Bank of America

National Secretary
Eddie Correa
Cisco

Treasurer
Miguel J. Figueroa
Grant Thornton, LLP

National Director
Yvonne M. Martin
Otis Elevator Company

National Director
Steve A. Ramos
IBM Corporation

National Director
Mark Ponce
General Electric Healthcare

National Director At Large
Henry Esparza
Johnson & Johnson

Regional Director / North Central
America Baez
Comcast

Regional Director / North East
Orna Wiseman
Business Technology Strategies

Regional Director / South East
Maria Elena Elsalde
SunTrust Bank

Regional Director / North West
Roberto C. Ayala
Cisco

Regional Director / South West
Al Escobar
CIMA Associates, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS

The leadership team of NSHMBA offers readers of the organization’s financial statements a narrative business overview, an analysis of the financial activities, and an insight into the organizational structure of NSHMBA for the fiscal year.

At NSHMBA we are committed to reach our goals and promote our mission. Our operational focus supported by the new initiatives launched, redesign of longstanding programs, and continued investments in the organizational staffing further strengthen the position of NSHMBA for long term success.

Financial Highlights

- The assets of NSHMBA exceeded its liabilities at the close of the most recent fiscal year with total liabilities and net assets of $7,633,705. Of this amount, $6,780,100. (unrestricted net assets) may be used to meet the organization’s ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, NSHMBA’s revenues increased 15% through an increase in conference revenue that is attributable to NSHMBA’s growth and the decrease in the conference expenses (moved from Anaheim to Cincinnati).
- Additional increases in revenue can be attribute to a 69% increase in Interest Income from the addition of $3,000,000 CD with higher interest yield; a more effective collection process resulting in better reporting and accrual from iHispano, a 158% increase; and execution of successful 3rd Annual Hispanic Executive Summit (HES) which increased both in member participation and sponsorship.
- Unrealized/Realized gains on investment, this gain/loss had previously been recorded as straight interest (incorrect) in 2005, corrected in 2006.
- Expenses increased primarily due to payroll and programs as highlighted in the following section.
- Awarded over $1 million Scholarships to members.
Organizational Structure and Highlights of National Office

In 2006, NSHMBa’s CEO announced a comprehensive review and reorganization of the organization to meet the growth of NSHMBa and that of our corporate and university sponsors. Through this review, the need for additional staff was determined. In 2005, the National Office Staff for NSHMBa consisted of ten full-time employees and two long-term contractors. As NSHMBa reorganized in 2006, a Research Division was established as well as the Regional Vice President roles. Also contributing to the addition in staff is an increased focus in marketing NSHMBa and our education programs. These initiatives combined increase the National Office staff to fifteen full-time employees and four long-term contractors.

NSHMBa’s Research Division

NSHMBa, as the premier source of research on Hispanics in the workplace and in Higher Education, utilizes research as the foundation for our programs and initiatives. Research-based professional and leadership development programs were conceptually developed in 2006 for rollout in 2007 and beyond. In addition, the strategy for The Business Journal of Hispanic Research, a peer-reviewed research journal that addresses both academic and executive perspectives, is developed and will be launched in June 2007. This strategic initiative was undertaken as a commitment to NSHMBa’s mission to increase the graduation rate of Hispanic MBAs and ensure Hispanic career success through professional and leadership development.

Regional Vice President (RVP) Role

The introduction of the new established National Office RVP role will provide the needed continuity at a local level working with our Chapters and the communities in which they reside. The RVPs represent the National Office and are responsible for identifying and providing the tools our chapters volunteers need to be successful, ensuring the NSHMBa brand is consistently represented through the Chapters, and improving the performance and fund raising of the Chapters. This new role will help ensure NSHMBa is delivering on the promises made to our partners and membership while supporting our mission to continue fostering the success of Hispanics through education and leadership.

Marketing Updates

In 2006, additional staff was identified as necessary for the Marketing department in order to meet the goals outlined to support new programs as well as the identified enhancements planned for existing programs. A search for the best talent began in 2006, with a goal to have 3 full-time marketing employees by early 2007. During this hiring process, several initiatives were occurring simultaneously. These initiatives include: refreshing the brand image for the Hispanic Executive Summit and the Brilliante Award for Excellence, establishing an image for the 2007 Conference and Career Expo and the University Partnership Program, improving the article submission process for the Bottom Line Newsletter, centralizing the creation of marketing materials, working with the RVPs to ensure the NSHMBa brand is consistently represented with our Chapters, and hiring an interim advertising agency.
2006 Key Highlight for selected NSHMBA Programs and Services

NSHMBA continues to elevate existing programs and services by establishing criteria, implementing processes, and investing in the required staff to support each program and service. As an organization, NSHMBA awarded over $1M in scholarships to our members. This goal was achieved with the help of all of our Chapters and the National Office. This was achieved during a period where the NSHMBA National Office and a committee of our Chapter leaders completely redesigned the scholarship program. The committee’s recommendations included increased dollar amount of each scholarship awarded in an effort to meet the rising costs of education, and established donor sponsor levels to recognize our most generous donors. The newly established role of Student Ambassadors has also improved communication and engagement with the students and universities.

In addition to the scholarship program, the University Partnership Program (UPP) evolved from existing Chapter involvement with the local universities in their communities. Through the UPP, NSHMBA teams up with colleges and universities across the United States with the goal of increasing the number of Hispanic students completing bachelors and masters degrees. Financial assistance for outstanding Hispanics students is provided by the participating universities. The UPP, now managed holistically from NSHMBA’s National Office, encompassed 8 universities by the end of 2006, with others pending and includes an online application request web page. This online process links the potential students to the universities. The UPP has become one of the most sought after partnerships with universities across the states. The UPP will further enhance our ability to grow the amount of total Scholarships awarded.

In addition to the improvements made to the aforementioned programs, the NSHMBA annual conference grew to nearly 7000 attendees and 300 sponsors. Education for Success and Professional Development Day at conference was well attended and received high scores on evaluations; and the L.I.F.E. program continues to flourish. In addition, NSHMBA has begun and put in place new initiatives focusing on leadership development programs for NSHMBA Officers and Staff. This is enabling continuous improvement and succession planning for our organization.

Looking Forward to 2007

NSHMBA continues to look ahead and strategically plan for the future of our organization, our members and our community. As discussed, in 2006, NSHMBA CEO, Lourdes Hassler, announced major changes in the structure of the organization. Through this evolution, the NSHMBA Board of Directors has approved additional staff for the National Office, bringing the total to 36 full-time employees in 2007. The addition of the new staff will be allocated to RVPs (6 in total), converting contractors to NSHMBA staff (as deemed cost effective), adding additional staff to the education programs, marketing programs, and ancillary administrative support.
In support of NSHMBa’s focus on education, leadership development, professional development and research, 2007 will bring expansive changes to our marketing collateral. Every program will be impacted with new content to support our focus and a more visible brand image. In order to accomplish a marketing refresh of this extent, an interim advertising agency will be retained for the year and a formal RFP process will be administered for a long-term agency of record.

The elevation of NSHMBa’s current programs and services will continue in 2007 with a heightened focus on the executive level of NSHMBa Member. HES and the professional development programs will include more researched based content and be targeted to the needs of our executive members.

Supporting all of NSHMBa's initiatives and the Chapters, will be the development of an Information Technology solution. The IT infrastructure will be integrated into the overall infrastructure of NSHMBa to ensure our organization is prepared for growth and is scalable as we grow.

Implementing these new goals in 2007 will certainly affect the many functions and responsibilities of the organization and our community in the coming years. With each new step we make progress toward our goals of increasing Hispanic Directors serving Fortune 500 Boards, Hispanic Executives leading Fortune 500 companies, and MBA Graduates from AACSB Business Schools.

Fiduciary Responsibility Going Forward
The organization's business is designed to be measured over the long term. If we look forward, even though uncertainties make forecasts difficult, the organization is better positioned now than it ever has been through several initiatives launched in 2006. The organization has a targeted long term investment strategy supported by the Board and the investment committee; it will aid the organization and continue to help evaluate underperforming and less strategic areas of the organization's portfolio. The organization anticipates a continued moderate to high growth that will be driven by the organization's proven ability to successfully transform its processes and practices to deliver value to the our membership, partners, and stakeholders.

The key to future success will be to align the organization’s actions with the organization’s intentions. This will be achieved by continued improvements and progress to integrate NSHMBa's business with an effective use of technology, internal development and strategic positioning.

At NSHMBa we are committed to reach our goals and uniquely positioned to achieve our vision. Our operational focus complements the new initiatives launched, the redesign of longstanding programs, and continued investments in the organizational staffing further strengthen the position of NSHMBa for long term success.
INDEPENDENT AUDITOR’S REPORT

March 15, 2007

Board of Directors
National Society of Hispanic MBAs
c/o Sam Cheng, CFO
1303 Walnut Hill Lane, Suite 100
Irving, Texas 75038

We have audited the accompanying Statement of Financial Position of National Society of Hispanic MBAs (a nonprofit organization) as of December 31, 2006, and the related Statements of Financial Activities and Cash Flows for the year 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. The prior year comparative totals have been derived from the Organization’s 2005 financial statements. Those financial statements were audited by other auditors whose report expressed an unqualified opinion on those financial statements. We audited the adjustments relating to the change in accounting principle made to the Organization’s 2005 financial statements (Notes J and K).

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 referred to above present fairly, in all material respects, the financial position of National Society of Hispanic MBAs as of December 31, 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.

As discussed in Note J, the Organization changed its method of accounting for Membership revenue in 2006.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in statements of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2006 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2005 information was audited by other auditors.

Davis Clark & Company
Certified Public Accountants
A Limited Liability Company
2705 Swiss Avenue
Dallas, Texas 75204
T: 214.824.2556
F: 214.823.9367
www.texascpa.com
### NSHMBA Statements of Financial Position

December 31, 2006 and 2005

<table>
<thead>
<tr>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 6,653,013</td>
</tr>
<tr>
<td>Investments, at market</td>
<td>384,816</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for doubtful accounts of $23,450 and $75,000 at December 31, 2006 and 2005, respectively</td>
<td>416,288</td>
</tr>
<tr>
<td>Other assets</td>
<td>76,576</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>7,530,693</td>
</tr>
<tr>
<td>Deposits</td>
<td>5,452</td>
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<tr>
<td>Property and equipment, net</td>
<td>97,560</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>$ 7,633,705</td>
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<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>520,475</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>333,130</td>
</tr>
<tr>
<td><strong>Total liabilities (current)</strong></td>
<td>853,605</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>6,780,100</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 7,633,705</td>
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</tbody>
</table>

See accompanying notes to financial statements.
NSHMBA STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th>Changes in unrestricted net assets</th>
<th>2006</th>
<th>2005</th>
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<tbody>
<tr>
<td><strong>Revenues:</strong></td>
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</tr>
<tr>
<td>Conference</td>
<td>$4,581,048</td>
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<tr>
<td>Contributions</td>
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<td>423,249</td>
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<tr>
<td>Chapter events</td>
<td>425,965</td>
<td>933,858</td>
</tr>
<tr>
<td>Membership</td>
<td>291,998</td>
<td>241,666</td>
</tr>
<tr>
<td>Interest</td>
<td>215,369</td>
<td>127,702</td>
</tr>
<tr>
<td>Advertising</td>
<td>214,195</td>
<td>236,629</td>
</tr>
<tr>
<td>Career Center</td>
<td>211,122</td>
<td>81,963</td>
</tr>
<tr>
<td>National Events</td>
<td>163,488</td>
<td>36,367</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>27,580</td>
<td>6,711</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>9,459</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>1,935</td>
<td>995</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$6,953,833</td>
<td>$6,055,523</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>4,235,372</td>
<td>3,495,784</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,643,266</td>
<td>1,244,643</td>
</tr>
<tr>
<td>Fundraising</td>
<td>337,769</td>
<td>69,394</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$6,216,407</td>
<td>$4,809,821</td>
</tr>
<tr>
<td><strong>Increase in unrestricted net assets</strong></td>
<td>737,426</td>
<td>1,245,702</td>
</tr>
<tr>
<td><strong>Unrestricted net assets at beginning of year</strong></td>
<td>$6,042,674</td>
<td>$4,796,972</td>
</tr>
<tr>
<td><strong>Unrestricted net assets at end of year</strong></td>
<td>$6,780,100</td>
<td>$6,042,674</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## NSHMBA STATEMENTS OF CASH FLOWS

For the years ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in unrestricted net assets</td>
<td>$ 737,426</td>
<td>$ 1,245,702</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>23,922</td>
<td>15,772</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>(27,580)</td>
<td>(18,545)</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>(9,459)</td>
<td>0</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>227,276</td>
<td>(275,602)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(47,134)</td>
<td>(11,856)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>55,317</td>
<td>335,918</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>151,579</td>
<td>(75,161)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>$ 1,111,347</strong></td>
<td><strong>$ 1,236,228</strong></td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |             |             |
| Purchase of investments               | (15,572)    | (1,011,159) |
| Proceeds from sale of investments     | 1,021,293   | 0           |
| Purchases of property and equipment   | (97,526)    | (15,012)    |
| **Net cash provided by/(used in) investing activities** | 908,195     | (1,026,171) |
| **Net increase in cash and cash equivalents** | 2,019,542   | 210,057     |

| **Cash and cash equivalents at beginning of year** | $ 4,633,471 | $ 4,423,414 |
| **Cash and cash equivalents at end of year**       | $ 6,653,013 | $ 4,633,471 |

See accompanying notes to financial statements.
A. Nature of Business

The National Society of Hispanic MBAs (the “Organization”) is a not-for-profit corporation organized to promote graduate management education, entrepreneurship, and the visibility of Hispanics in executive level management positions to create a stronger awareness within the business and not-for-profit sectors. The Organization’s principal source of revenue is obtained from sponsors at conferences and chapter events intended to provide scholarships and educational opportunities to the membership. The Organization’s corporate offices are located in Irving, Texas.

B. Summary of Significant Accounting Policies

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

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

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant accounting estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. These accounting estimates include valuation of accounts receivable and deferred revenues. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The Organization maintains cash and cash equivalent balances at multiple financial institutions.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for a probable uncollectible amount through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Accordingly, accounts receivable are shown net of an allowance for doubtful accounts of $23,450 and $75,000 as of December 31, 2006 and 2005, respectively.

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

The Organization follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. This statement requires investments with readily determinable fair values to be stated at fair value with realized and unrealized gains and losses included in the statement of activities. The investments of the Organization are stated as quoted market values in an active market as of the end of the year. These investments are subject to market or credit risks customarily associated with debt and equity investments.

Property and Equipment

The Organization capitalizes significant expenditures for property and equipment at cost. Depreciation is computed using an accelerated method, double declining balance, over the estimated useful lives of the assets, which range from three to five years.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Unrestricted, TemporarilyRestricted and Permanently Restricted Net Assets

The Organization presents its financial statements in accordance with SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets: Includes net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor 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.

Permanently restricted net assets: Net assets required to be maintained in perpetuity, with only the income used for operating activities due to donor-imposed restrictions.
B. Summary of Significant Accounting Policies (continued)

Donated Materials, Equipment, and Services
Donated materials and equipment are reflected as donated revenue and support with an offsetting expense in the accompanying financial statements and are recorded at fair market value at the date of receipt.

The Organization accounts for contributed services received in connection with the active participation by volunteers in the Organization’s service programs as well as for contributed services received from various organizations in connection with management, general activities, and special events. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The estimated value of such services is reflected as donated support with an offsetting expense in the accompanying financial statements.

Contributions
The Organization accounts for contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, time-restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenue Recognition and Deferred Revenue
The Organization recognizes revenues when a contribution acknowledgement is received, sponsorship agreements are satisfied, events are held, or membership revenue is earned. Amounts received in advance of the next year’s annual conference or chapter events are recorded as a liability under “Deferred revenue” until such services are delivered. Membership revenue is recognized when received.

C. Affiliated Chapters

The Organization has affiliated chapters in Atlanta, Austin, Boston, Chicago, Cincinnati, Connecticut, Denver, Detroit, Dallas/Ft. Worth, Houston, Indianapolis, Kansas City, Los Angeles, Minneapolis, New York, Orange County, Orlando, Philadelphia, Phoenix, Puerto Rico, Rio Grande Valley, San Antonio, San Diego, San Francisco, San Jose, Seattle, South Florida, Tampa Bay, and Washington D.C. There are three chapters-in-formation in Cleveland, New Jersey, and New Mexico. Organization operations conducted through these chapters are included in these financial statements.

D. Investments

Investments as of December 31 are summarized as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$282,218</td>
<td>$384,816</td>
</tr>
<tr>
<td>2005</td>
<td>$1,282,218</td>
<td>$1,353,498</td>
</tr>
</tbody>
</table>

The investment return and its classification in the statements of activities for the years ended December 31, are summarized in the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Unrestricted</th>
<th>Unrestricted gain on Equity Mutual Funds</th>
<th>Realized gain on CD</th>
<th>Total investment return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td>$27,580</td>
<td>9,459</td>
<td>$37,039</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>$6,711</td>
<td>11,834</td>
<td>$18,545</td>
</tr>
</tbody>
</table>

Realized/unrealized investment income, gains, losses, interest, and dividends are allocated to unrestricted, temporarily restricted, and permanently restricted net assets based on donor restrictions, when applicable.

E. Property and Equipment

The following is a summary of property and equipment for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment and software</td>
<td>$139,510</td>
<td>$168,291</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(41,950)</td>
<td>(144,335)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$97,560</strong></td>
<td><strong>$23,956</strong></td>
</tr>
</tbody>
</table>

Depreciation expense amounted to $23,922 and $15,772 for the years ended December 31, 2006 and 2005, respectively. Assets with a total cost of $126,307 were disposed of during 2006.

F. Federal Income Taxes

The Organization has been classified as a publicly supported organization, and not a private foundation, under Sections 501(a) and 501(c)(3) of the Internal Revenue Code (the “Code”) because it is an organization of the type described in Section 509(a)(2) of the Code. Therefore, the Organization is exempt from federal income tax, except to the extent of any unrelated business income. The Organization recognized approximately $19,000 and $26,000 in unrelated business income taxes related to advertising services for the year ended December 31, 2006 and 2005, respectively.

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G. Commitments and Contingencies

The Organization leases office space for its corporate office. In addition, the Organization has three other operating leases that include the office copier, postage machine, and phone system. As of December 31, 2006, the future minimum lease payments under non-cancelable operating leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lease Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$128,755</td>
</tr>
<tr>
<td>2008</td>
<td>125,775</td>
</tr>
<tr>
<td>2009</td>
<td>122,633</td>
</tr>
<tr>
<td>2010</td>
<td>121,022</td>
</tr>
<tr>
<td>2011</td>
<td>69,088</td>
</tr>
</tbody>
</table>

Total minimum lease payments $567,273

Total rent expense for the year ended December 31, 2006 and 2005 was approximately $98,817 and $74,000, respectively.

The Organization hosts special events, primarily an annual conference and career expo, typically held at a convention center and/or hotel facility. Such events require the organization to enter into binding contractual agreements to use the convention center and/or hotel facilities. From time to time, the contractual agreements contain non-refundable deposits and cancellation fees.

The Organization has entered into a professional services agreement with RK Association Management, Inc. (“RK”) to provide site selection, décor, catering, coordination, transportation and entertainment for the annual conference. Total compensation under the agreement is:

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 Conference</td>
<td>$160,000</td>
</tr>
<tr>
<td>2008 Conference</td>
<td>164,500</td>
</tr>
<tr>
<td>2009 Conference</td>
<td>169,000</td>
</tr>
</tbody>
</table>

Total $493,500

H. Concentration of Credit Risk

The Federal Deposit Insurance Corporation insures accounts at financial institutions up to $100,000. Cash on hand exceeded the federally insured limit by approximately $6,450,000 and $5,492,000 as of December 31, 2006 and 2005, respectively. The Organization did not experience any losses related to uninsured amounts during 2006 and 2005.

I. Employee Benefit Plan

The Organization sponsors a safe harbor 401 (k) plan (the “Plan”) covering employees with a minimum of six months of employment. The Plan provides for the Organization to contribute the total amount of the participants’ salary deferrals each Plan Year. The Plan also provides a match of 100% of the employee contributions for an amount up to 3% of each employee’s compensation plus 50% of participant salary deferrals between 3% and 5% of each employee’s compensation. Company matching contributions totaled $13,486 and $14,105 for the years ended December 31, 2006 and 2005, respectively.

J. Change in Accounting Principle

Effective January 1, 2006, the Organization changed its method of revenue recognition for membership income. Management believes the new method is preferable since membership revenue is non-refundable and member benefits are de minimis and provided to all members. Previously membership income was recognized and prorated based upon the month a member joined the organization. Under the new method of revenue recognition, all membership revenue is recognized when received. The effect of the change was to decrease the change in net assets for 2006 by $125,382.

K. Restatement of Prior Period Financials

The 2005 financial statements have been restated to reflect the change in membership revenue recognition noted in Note J. The effect of the change was to increase the change in net assets for 2005 by $125,382. The effect of the restatement on the change in unrestricted net assets and financial position as of and for the year ended December 31, 2005 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As previously reported</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total membership revenue</td>
<td>$116,284</td>
<td>$241,666</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>1,214,909</td>
<td>1,245,702</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$303,933</td>
<td>$181,551</td>
</tr>
<tr>
<td>Net assets</td>
<td>5,917,292</td>
<td>6,042,674</td>
</tr>
</tbody>
</table>

L. Reclassifications

Certain reclassifications were made to the 2005 financial statements in order for them to the more comparable to the 2006 financial statements.
### NSHMBA Statements of Functional Expenses

For the years ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Fees</td>
<td>1,336,548</td>
<td>507,419</td>
</tr>
<tr>
<td>Conference/Events</td>
<td>1,327,922</td>
<td>1,795,763</td>
</tr>
<tr>
<td>Scholarships</td>
<td>1,041,816</td>
<td>758,178</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>981,279</td>
<td>565,979</td>
</tr>
<tr>
<td>Travel/Travel Related</td>
<td>375,316</td>
<td>254,344</td>
</tr>
<tr>
<td>Information Technologies</td>
<td>245,779</td>
<td>165,098</td>
</tr>
<tr>
<td>Supplies</td>
<td>151,615</td>
<td>74,302</td>
</tr>
<tr>
<td>Gifts in Kind Expense</td>
<td>127,907</td>
<td>0</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>127,199</td>
<td>99,199</td>
</tr>
<tr>
<td>Occupancy</td>
<td>86,440</td>
<td>49,757</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>81,777</td>
<td>51,671</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>77,014</td>
<td>46,426</td>
</tr>
<tr>
<td>Postage and Shipping</td>
<td>49,105</td>
<td>50,995</td>
</tr>
<tr>
<td>Misc/Other Expenses</td>
<td>44,866</td>
<td>27,562</td>
</tr>
<tr>
<td>Equip Rental &amp; Maintenance</td>
<td>25,709</td>
<td>23,969</td>
</tr>
<tr>
<td>Taxes - Other</td>
<td>24,515</td>
<td>37,188</td>
</tr>
<tr>
<td>Depreciation</td>
<td>23,922</td>
<td>15,772</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>22,405</td>
<td>75,000</td>
</tr>
<tr>
<td>Grants to Non-Profits</td>
<td>20,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Equipment/Furniture</td>
<td>17,498</td>
<td>30,329</td>
</tr>
<tr>
<td>Dues/Subscriptions</td>
<td>15,713</td>
<td>2,203</td>
</tr>
<tr>
<td>Strategic Initiatives</td>
<td>6,118</td>
<td>65,766</td>
</tr>
<tr>
<td>In-House Publications</td>
<td>5,926</td>
<td>0</td>
</tr>
<tr>
<td>Fines, Penalties &amp; Judgements</td>
<td>18</td>
<td>53,901</td>
</tr>
<tr>
<td>Barter Agreements</td>
<td>0</td>
<td>9,000</td>
</tr>
</tbody>
</table>

**Total Functional Expenses** | $6,216,407 | $4,809,821

See accompanying notes to financial statements.