

HISPANIC SCHOLARSHIP FUND

MARCH 31, 2010



INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

Hispanic Scholarship Fund

Independent Auditors' Report and Consolidated Financial Statements

Independent Auditors' Report	1
Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 16
Supplementary Information	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18



Independent Auditors' Report

THE BOARD OF DIRECTORS
HISPANIC SCHOLARSHIP FUND
San Francisco, California

We have audited the accompanying consolidated statement of financial position of the **HISPANIC SCHOLARSHIP FUND (the Fund)** as of March 31, 2010, and the related consolidated statement of activities and functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's March 31, 2009 financial statements, and in our report dated August 6, 2009, we expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Hispanic Scholarship Fund as of March 31, 2010, and the results of its activities and 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.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements for the year ended March 31, 2010 taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information for the year ended March 31, 2010 has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Hood & Strong LLP

August 26, 2010

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Hispanic Scholarship Fund

Consolidated Statement of Financial Position

<i>March 31,</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 669,400	\$ 632,107
Restricted cash	300,000	500,000
Investments	24,681,207	22,089,912
Contributions receivable, net	4,192,868	4,594,861
Property and equipment, net	119,541	178,727
Prepaid expenses and other assets	226,108	161,984
Total assets	\$ 30,189,124	\$ 28,157,591
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 815,741	\$ 786,105
Obligations under capital leases	72,552	131,810
Total liabilities	888,293	917,915
Net Assets:		
Unrestricted	469,194	(912,883)
Temporarily restricted	17,382,357	17,290,691
Permanently restricted	11,449,280	10,861,868
Total net assets	29,300,831	27,239,676
Total liabilities and net assets	\$ 30,189,124	\$ 28,157,591

Hispanic Scholarship Fund

Consolidated Statement of Activities

Years Ended March 31, 2010 (with comparative totals for 2009)

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenues:					
Support:					
Grants and contributions	\$ 961,656	\$ 34,194,573	\$ 587,412	\$ 35,743,641	\$ 30,317,051
Special events (net of direct expenses of \$284,793 for 2010)	631,649			631,649	868,362
Investment income, net	1,309,068	1,834,525		3,143,593	(2,978,472)
In-kind contributions	144,626			144,626	540,242
Other Revenue	87,024			87,024	1,032
Net assets released from restrictions	35,937,432	(35,937,432)		-	-
Total support and revenues	39,071,455	91,666	587,412	39,750,533	28,748,215
Expenses and Losses:					
Program services:					
Scholarships	30,874,441			30,874,441	30,296,209
Education and information	3,970,634			3,970,634	5,803,945
Total program services	34,845,075	-	-	34,845,075	36,100,154
Support services:					
Administration	1,648,055			1,648,055	2,133,291
Fund raising	1,196,248			1,196,248	2,064,330
Total support services	2,844,303	-	-	2,844,303	4,197,621
Total expenses	37,689,378	-	-	37,689,378	40,297,775
Change in Net Assets	1,382,077	91,666	587,412	2,061,155	(11,549,560)
Net Assets, beginning of year	(912,883)	17,290,691	10,861,868	27,239,676	38,789,236
Net Assets, end of year	\$ 469,194	\$ 17,382,357	\$ 11,449,280	\$ 29,300,831	\$ 27,239,676

Hispanic Scholarship Fund

Consolidated Statement of Functional Expenses

Year Ended March 31, 2010 (with comparative totals for 2009)

	2010					
	Programs					2009
	Scholarship	Education and Information	Administration	Fund Raising	Total	Total
Program Distributions:						
Scholarships awarded	\$ 28,487,008				\$ 28,487,008	\$ 27,623,078
Grants and other awards		\$ 83,097			83,097	366,897
Total program distributions	28,487,008	83,097	-	-	28,570,105	27,989,975
Personnel Expenses:						
Salaries	722,533	856,847	\$ 1,054,751	\$ 520,710	3,154,841	5,291,259
Payroll taxes	58,373	63,555	75,210	43,728	240,866	399,949
Employee benefits	139,794	146,564	212,667	99,539	598,564	889,649
Recruiting and temporary workers	159,233	103,318	39,503	38,248	340,302	322,736
Honorariums and other expenses	103,836				103,836	99,959
Total personnel expenses	1,183,769	1,170,284	1,382,131	702,225	4,438,409	7,003,552
Other Expenses:						
Professional fees	34,880	1,157,996	274,256	294,345	1,761,477	1,517,513
Occupancy	246,913	186,298	258,158	179,921	871,290	957,826
Dues and subscriptions	325	1,500	2,279	9,843	13,947	29,038
Interest, fees and taxes	11,811	6,171	115,586	11,371	144,939	111,105
Newsletters, printing and postage	63,374	127,229	21,335	31,125	243,063	254,558
Office expense and equipment	4,850	41,446	42,333	13,733	102,362	168,300
Telephone	22,963	26,282	36,378	27,335	112,958	156,632
Insurance	4,205	4,506	28,864	4,806	42,381	44,347
Equipment rental and maintenance	16,838	8,437	21,317	14,025	60,617	63,166
Travel and conferences	99,146	67,349	98,447	114,132	379,074	476,216
Outreach events	7,699	449,810			457,509	641,389
Marketing	7,567	15,799	100,338	2,031	125,735	199,581
Bad debt				85,505	85,505	(31,060)
Legal and other		28,320	102,087	44,000	174,407	531,976
Depreciation	10,582	21,007	56,866	17,145	105,600	183,661
Total other expenses	531,153	2,142,150	1,158,244	849,317	4,680,864	5,304,248
Overhead allocation	672,511	575,103	(892,320)	(355,294)	-	-
Total Expenses	\$ 30,874,441	\$ 3,970,634	\$ 1,648,055	\$ 1,196,248	\$ 37,689,378	\$ 40,297,775
Expense Allocation	82%	11%	4%	3%	100%	

Hispanic Scholarship Fund

Consolidated Statement of Cash Flows

<i>Years Ended March 31,</i>	2010	2009
Operating Activities:		
Change in net assets	\$ 2,061,155	\$ (11,549,560)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	105,599	183,661
Gain on investments, net	2,706,941	3,705,198
Allowance for doubtful accounts	(82,113)	(31,297)
Changes in assets and liabilities:		
Contributions receivable, net	484,107	2,556,858
Prepaid expenses and other assets	(63,563)	131,053
Scholarships payable	5,051	(1,922,581)
Accounts payable and accrued expenses	24,025	(92,327)
Net cash provided (used) by operating activities	5,241,202	(7,018,995)
Investing Activities:		
Purchase of investments	(15,862,380)	(48,393,147)
Proceeds from sale of investments	10,764,142	55,085,000
Purchase of equipment	(46,413)	(24,451)
Net cash (used) provided by investing activities	(5,144,651)	6,667,402
Financing Activities:		
Payments on capital lease	(59,258)	(75,108)
Net cash used by financing activities	(59,258)	(75,108)
Increase (Decrease) in Net Cash	37,293	(426,701)
Cash, beginning of year	632,107	1,058,808
Cash, end of year	\$ 669,400	\$ 632,107

Supplemental Cash Flow Information:

Interest paid	\$ 7,789	\$ 14,286
In-kind contributions	\$ 144,626	\$ 540,242

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 1 - Organization:

The Hispanic Scholarship Fund (The Fund) is the nation's leading Hispanic scholarship organization, providing the Hispanic community and other minorities more college scholarships and educational outreach support than any other organization in the country. In its 35 year history, the Hispanic Scholarship Fund has awarded close to \$300 million in scholarships to more than 50,000 students in need. Two-thirds of these students were the first in their families to attend college. For the 2009-2010 academic year, the Fund gave close to \$29 million in scholarship dollars to approximately 4,500 Latino students. The Funds' scholars are high achievers and they have or are attending close to 2,000 of the nation's diverse and academically rigorous colleges and universities in all 50 states, Puerto Rico, Guam and the U.S. Virgin Islands. The Fund is headquartered in San Francisco with a regional office in New York.

The primary services provided by the Fund are summarized below.

Scholarship Programs – The Fund administers scholarship programs funded by donations from corporations, non-profit organizations and individuals. The Fund also provides scholarships through the Gates Millennium Scholars (GMS) program in collaboration with the United Negro College Fund.

Outreach Programs - The Fund provides educational services to Hispanics, other minority parents and their children from K-12. A variety of brief evening to all day weekend workshops cover preparation for college, college selection, application process and applying for scholarships and financial aid.

University Programs - The Fund offers programs to Hispanic students enrolled in college. These include student groups on campus to increase the students' connection with their college campus as well as academic support services for scholarship recipients and their parents.

The majority of the Fund's revenue comes from foundations, corporations, and individuals.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The Fund reports information regarding its financial position and activities according to the class of its net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Temporarily Restricted Net Assets - The portion of net assets whose use by the Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund.

Permanently Restricted Net Assets - The portion of net assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund.

b. Principles of Consolidation

The consolidated financial statements include the Fund and the Hispanic Scholarship Fund Institute (the Institute), since the Fund is the sole member of HSFI. All inter-entity transactions have been eliminated upon consolidation.

c. Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which have original maturities of three months or less, exclusive of cash equivalents held as part of the endowment or the Fund's marketable securities.

d. Contributions and Receivables

Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to contribute to the Fund. Restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Fund reviews the individual receivable balances at year end to evaluate the appropriate allowance for uncollectible receivables and contributions.

Long term contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market interest rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributed income.

e. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial 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, are recorded at their fair values in the period received.

During the year ended March 31, 2010, the Fund recorded in-kind donations, consisting primarily of legal services and airline vouchers. These contributions are reflected in the financial statements as both in-kind donations and expenses. In-kind donations amount to approximately \$145,000 as of March 31, 2010.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

f. Investments

Investments in marketable securities are carried at fair value based upon quoted market prices, with changes in unrealized gain and losses reflected in the consolidated statement of activities. Realized gains and losses resulting from sales of securities are calculated on an adjusted cost based on the trade date for publicly traded investments or upon closing of the transaction for private investments.

Alternative investments are valued at net asset value per unit or percentage of ownership as reported by the funds at December 31, 2009, and adjusted for cash receipts, cash disbursements, and securities distributions through March 31, 2010. Those estimated fair values may differ significantly from the values that could have been used had a ready market for the investments existed. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements.

g. Fair Value Measurements

The Fund carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the investments.

In 2009 the Financial Accounting Standards Board (FASB) published an update relating to the fair value of investments in certain entities that calculate net asset value per share. The Fund implemented the update and it did not have an impact on its consolidated financial statements.

In 2010, FASB issued additional disclosure requirements for fair value measurements. Under this guidance, the fair value hierarchy disclosures are to be further desegregated by classes (subsets of the line items in the financial statements) and additional disclosures made about transfers between levels 1 and 2. These disclosures are effective for fiscal year 2011. Additional disclosures about level 3 measurements will be required for fiscal year 2012. The impact of this guidance will be additional disclosures in the consolidated financial statements.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

h. Property and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the useful lives of the assets, ranging from three to five years.

i. Functional Allocation of Expenses

The Fund's expense allocations are based on the amount of unfunded activities (development, operations, etc.) less all revenues that cover these activities (interest, unrestricted funds, etc.). The remaining balance is called "unfunded overhead". This "unfunded overhead" is allocated across all funded employees (outreach, regions, etc.) in order to allocate the overhead of supporting these funded employees. Certain costs have been allocated among programs on a direct cost basis specified by donors.

j. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for the year ended March 31, 2009, from which the summarized information is derived.

Certain reclassifications have been made to the prior year consolidated financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

k. Estimates

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

l. Income Taxes

The Fund and Institute are a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3).

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Fund adopted this new guidance for the year ended March 31, 2010. Management evaluated the Fund's tax positions and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments:

Investments are summarized below as of March 31, 2010:

	Cost	Fair Value	Unrealized Gain (loss)
Corporate Bonds	\$ 2,195,499	\$ 2,194,414	\$ (1,085)
US Government Agency Bonds	2,864,445	2,864,007	(438)
Domestic Equities	4,472,042	4,778,712	306,670
International Equities	2,620,828	2,344,674	(276,154)
Fixed Income Funds	3,889,719	3,936,407	46,688
Alternative Investments	1,420,828	1,584,116	163,288
	17,463,361	17,702,330	238,969
Money Market Funds	6,978,877	6,978,877	
Total Investments	\$ 24,442,238	\$ 24,681,207	\$ 238,969

Included in net investment income is \$117,195 of realized gain, \$2,543,528 of unrealized gains, and \$482,869 of interest and dividends, net of (\$63,895) of investment fees for the year ended March 31, 2010.

Fair Value Measurements:

The table below presents investments measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Corporate Bonds		\$ 2,194,414		\$ 2,194,414
US Government Agency Bonds		2,864,007		2,864,007
Domestic Equities	\$ 4,778,712			4,778,712
International Equities	2,344,674			2,344,674
Fixed Income Funds	3,936,407			3,936,407
Alternative Investments				
SelectInvest			\$ 884,116	884,116
Abbey Capital Limited		700,000		700,000
Total	\$ 11,059,793	\$ 5,758,421	\$ 884,116	\$17,702,330

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

SelectInvest ARV, Ltd. is a fund of hedge funds that allocates capital to a select group of investment managers and currently consists of 21 managers. These funds specialize on event driven arbitrage and relative value strategies. SelectInvest ARV is in the process of liquidating and the redemption is expected to be complete in 2013.

Abbey Capital Limited (ACL) is a diversified Fund of Funds investing only in managed futures. The markets traded include bonds, money markets, foreign exchange markets and commodity markets. Most of the trading will be done in the derivative markets in both long and short positions. Abbey is generally liquid daily with a 5 days notice. The Fund has no unfunded commitments in ACL.

The following table is a roll forward of the statement of financial position amounts for investments classified in Level 3 of the valuation hierarchy defined above.

Balance March 31, 2009	\$ 2,435,659
Purchases (sales), net	(1,607,617)
Realized and unrealized gains (losses), net	56,074
Balance March 31, 2010	\$ 884,116

Financial Instruments Not Measured at Fair Value

Some of the Fund's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such assets and liabilities include: Cash and cash equivalents, contribution receivables and accounts payable.

Note 4 - Contributions Receivable:

Contributions receivable consisted primarily of commitments made by corporations and foundations. Contribution receivables are due as follows:

Receivable in less than one year	\$ 2,685,277
Receivable in one to five years	1,668,170
Less discounts to net present value	(37,329)
Allowance for doubtful accounts	(123,250)
Net contributions receivable	\$ 4,192,868

During the fiscal year ending March 31, 2010, the Fund received a total of \$2,050,000 of conditional grants for scholarships and program. These contributions are conditional upon the grantor's satisfactory review of program activities.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 5 - Endowments:

In 2008, the Fund implemented ASC 958-205-45-28 *Classifications of Donor-Restricted Endowment Funds Subject to UPMIFA* which was effective for fiscal years ending after December 15, 2008. The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its SPMIFA which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009.

The Fund has interpreted the California enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Fund to appropriate for expenditures or accumulate so much of an endowment fund as the Fund determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted until appropriated for expenditure by the Fund. As a result of this interpretation, the Fund has not changed the way permanently restricted net assets are classified. See note 2a for further information on net asset classification. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the Fund and the endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the Fund.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Changes in Endowment Net Asset for the year ended March 31, 2010 are as follows:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of year	\$ (1,211,274)		\$ 10,861,868	\$ 9,650,594
Investment Return:				
Income		\$ 292,506		292,506
Expenses		(58,188)		(58,188)
Net Gain (realized and unrealized)	1,211,274	1,508,339		2,719,613
Total Investment Return		1,742,657		1,742,657
Contributions		400	590,662	591,062
Appropriation of Endowment for Expenditure		(133,380)		(133,380)
Subtotal before other changes		1,609,677	590,662	2,200,339
Other changes:				
Prior year classification adjustment			(3,250)	(3,250)
Endowment Net Assets, End of year	\$ -	\$ 1,609,677	\$ 11,449,280	\$ 13,058,957

Note 6 - Property and Equipment:

Property and equipment consists of the following at March 31, 2010:

Capital lease equipment	\$ 534,554
Equipment and Furniture	293,191
Software	99,274
Leasehold Improvements	175,389
	1,102,408
Less: accumulated depreciation	(982,867)
Total	\$ 119,541

Included in property and equipment are assets leased under capital leases with cost and accumulated depreciation totaling \$534,554 and \$471,495, respectively.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 7 - Commitments:

Office Agreements and Capital Leases

The Fund entered into several lease agreements for its headquarters and regional offices; in addition the Fund also maintains capital lease agreements for copiers and office equipment. Future aggregate lease payments are as follows:

Fiscal Year Ending	Operating Leases	Capital Leases
2011	\$ 788,000	\$ 43,106
2012	761,000	13,958
2013	462,000	12,860
2014		11,762
2015		1,853
Total future minimum lease commitments	\$ 2,011,000	83,539
Less amount representing interest		10,987
Present value of net minimum lease payments		72,552
Less current portion of capital lease obligations		37,771
Capital lease obligations, excluding current portion		\$ 34,781

In addition to the Fund's operating and capital leases, certain equipment and facilities are leased on a month-to-month basis. The amount of lease expense during the year ended March 31, 2010 was approximately \$871,000.

The corporate lease security deposit is collateralized by a \$300,000 Certificate of Deposit. The Fund is required to maintain the CD over the term of the lease.

Note 8 - Letter of Credit:

The Fund maintains a Letter of Credit agreement (the Agreement) of \$300,000 with Citibank, N.A. The Agreement matures on August 31, 2010. Interest rate at year end is at prime. The Fund had no outstanding balance with the bank at year end.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods as of March 31, 2010:

Scholarships	\$ 12,194,295
Programs and Other	5,188,062
	\$ 17,382,357

During fiscal year 2010, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors totaling \$35,937,432.

Note 10 - Permanently Restricted Net Assets:

Permanently restricted net assets of \$11,449,280 are restricted to investment in perpetuity, the income from which supports scholarships of the Fund.

Note 11 - Retirement Plans:

The employees of the Fund participate in a simplified Employee Pension Plan established under the Section 401(k) of the Internal Revenue Code. The contributions made by the Fund are a minimum of 3% of the annual salary of eligible employees up to a maximum salary of \$245,000. For the year ended March 31, 2010, the Fund's contribution to the plan totaled \$95,723.

Note 12 - Contingencies:

The Fund, through the Hispanic Scholarship Fund Institute, has, in the past, received and expended grants from the federal government which are subject to annual audit under OMB Circular A-133 and on a periodic basis by federal agencies. Management is of the opinion that no material liability will result from such audits.

The Fund is involved from time to time in routine matters of litigation or other claims. Management does not believe there are any such matters that could materially affect its financial position.

Hispanic Scholarship Fund

Notes to Consolidated Financial Statements

Note 13 - Concentrations of Risk:

The Fund has defined its financial instruments which are potentially subject to risk as cash, contributions receivable and investments. The Fund has cash deposits in excess of federally insured limits.

In order to mitigate credit and market risk the Fund maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the individual investment manager's performance. The investment custodian is Morgan Stanley.

One donor comprises approximately 59% of the contribution revenue for the year ended March 31, 2010. Two donors comprise approximately 57% of the contributions receivables for the year ended of March 31, 2010.

Note 14 - Related Parties:

The Hispanic Scholarship Fund Institute is a related party supporting organization.

Effective after April 1, 2003, the Board of Directors of the Fund became the sole corporation member of the Institute, thus resulting in consolidation of the financial statements.

Certain board members and their employers made contributions on an individual basis as well as through corporations by whom they are employed. For the year ended March 31, 2010 such total contributions were approximately \$3,503,000.

In a prior fiscal year the Fund received a grant from W.K. Kellogg for the purpose of improving education among Hispanic youth through the establishment of the National Hispanic Education Alliance (the Alliance). This entity is not currently in operation.

Note 15 - Subsequent Events:

The Fund has reviewed the results of operations for the period of time from March 31, 2010 through August 26, 2010, the date the financial statements are available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure

Hispanic Scholarship Fund

Consolidating Statement of Financial Position (See Independent Auditors' Report)

Schedule 1

March 31, 2010

	Hispanic Scholarship Fund			Hispanic Scholarship Institute			Consolidated Totals			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets										
Cash and cash equivalents	\$ 626,149			\$ 22,251	\$ 21,000		\$ 648,400	\$ 21,000		\$ 669,400
Restricted cash	300,000						300,000			300,000
Investments	144,939	\$ 13,306,460	\$ 11,229,808				144,939	13,306,460	\$ 11,229,808	24,681,207
Contributions receivable, net	(81,501)	4,054,897	219,472				(81,501)	4,054,897	219,472	4,192,868
Property and equipment, net	117,996			1,545			119,541			119,541
Prepaid expenses and other assets	226,668					\$ (560)	226,108			226,108
Total assets	\$ 1,334,251	\$ 17,361,357	\$ 11,449,280	\$ 23,796	\$ 21,000	\$ (560)	\$ 1,357,487	\$ 17,382,357	\$ 11,449,280	\$ 30,189,124
Liabilities and Net Assets										
Liabilities										
Accounts payable and accrued expenses	\$ 815,741			\$ 560		\$ (560)	\$ 815,741			\$ 815,741
Obligations under capital leases	72,552						72,552			72,552
Total liabilities	888,293			560		(560)	888,293			888,293
Net Assets	445,958	\$ 17,361,357	\$ 11,449,280	23,236	\$ 21,000	-	469,194	\$ 17,382,357	\$ 11,449,280	29,300,831
Total liabilities and net assets	\$ 1,334,251	\$ 17,361,357	\$ 11,449,280	\$ 23,796	\$ 21,000	\$ (560)	\$ 1,357,487	\$ 17,382,357	\$ 11,449,280	\$ 30,189,124

Hispanic Scholarship Fund

Consolidating Statement of Activities (See Independent Auditors' Report)

Schedule 2

Year Ended March 31, 2010

	Hispanic Scholarship Fund			Hispanic Scholarship Institute			Consolidated Totals			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:										
Support:										
Grants and contributions	\$ 942,240	\$ 34,163,073	\$ 587,412	\$ 19,416	31,500		\$ 961,656	\$ 34,194,573	\$ 587,412	\$ 35,743,641
Special events (net of direct expenses of \$284,793 for 2010)	631,649						631,649	-	-	631,649
Investment income, net	1,309,011	1,834,525		57			1,309,068	1,834,525		3,143,593
In-kind contributions	144,626						144,626			144,626
Other Revenue	87,024						87,024	-	-	87,024
Net assets released from restrictions	35,918,197	(35,918,197)		19,235	(19,235)		35,937,432	(35,937,432)		
Total support and revenues	39,032,747	79,401	587,412	38,708	12,265	-	39,071,455	91,666	587,412	39,750,533
Expenses and Losses:										
Program services:										
Scholarships	30,874,441						30,874,441			30,874,441
Education and information	3,960,134			10,500			3,970,634			3,970,634
Total program services	34,834,575	-	-	10,500	-	-	34,845,075	-	-	34,845,075
Support services:										
Management and general	1,637,246			10,809			1,648,055			1,648,055
Fund raising	1,196,248						1,196,248			1,196,248
Total support services	2,833,494	-	-	10,809	-	-	2,844,303	-	-	2,844,303
Total expenses	37,668,069	-	-	21,309	-	-	37,689,378	-	-	37,689,378
Change in Net Assets	1,364,678	79,401	587,412	17,399	12,265	-	1,382,077	91,666	587,412	2,061,155
Net Assets, beginning of year	(918,720)	17,281,956	10,861,868	5,837	8,735	-	(912,883)	17,290,691	10,861,868	27,239,676
Net Assets, end of year	\$ 445,958	\$ 17,361,357	\$ 11,449,280	\$ 23,236	\$ 21,000	-	\$ 469,194	\$ 17,382,357	\$ 11,449,280	\$ 29,300,831