AMERICAN NICARAGUAN FOUNDATION, INC.

FINANCIAL STATEMENTS
December 31, 2011 and 2010

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CONTENTS

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Nicaraguan Foundation, Inc.
Miami, Florida

We have audited the accompanying statements of financial position of the American Nicaraguan Foundation, Inc. (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 American Nicaraguan Foundation, Inc., as of December 31, 2011 and 2010, and the results of its activities and changes in net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America

Crowe Horwath LLP

Crowe Horwath LLP

Fort Lauderdale, Florida
July 19, 2012

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 1,323,034	$ 2,846,142
Securities and other investments	1,440,673	939,753
Contributions and other receivables, net of allowance	586,849	570,727
Inventories	26,159,832	30,057,195
Property and equipment, net	425,164	323,656
Other assets	246,491	179,291
Total assets	$ 30,182,043	$ 34,916,764
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 750,544	$ 981,024
Net assets:		
Unrestricted:		
Quasi-endowment fund	820,406	820,406
Undesignated	28,541,892	32,974,892
	29,362,298	33,795,298
Temporarily restricted	69,201	140,442
Total net assets	29,431,499	33,935,740
Total liabilities and net assets	$ 30,182,043	$ 34,916,764

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2011 and 2010

	2011	2010
Changes in unrestricted net assets		
Revenue		
In-kind contributions	$ 110,572,010	$ 168,054,478
Cash contributions and other	1,563,884	1,730,822
Shipping and handling donated	1,384,789	1,485,395
Net assets released from restrictions	3,185,715	7,861,555
Total unrestricted revenue	116,706,398	179,132,250
Expenses		
Program expenses	118,836,407	166,697,503
Fundraising	720,353	408,987
Administrative expenses	1,582,638	1,838,420
Total expenses	121,139,398	168,944,910
Change in unrestricted net assets	(4,433,000)	10,187,340
Unrestricted net assets at beginning of year	33,795,298	23,607,958
Unrestricted net assets at end of year	29,362,298	33,795,298
Changes in temporarily restricted net assets		
Revenue		
Cash contributions	3,114,474	3,437,626
Net assets released from restrictions	(3,185,715)	(7,861,555)
Change in temporarily restricted net assets	(71,241)	(4,423,929)
Temporarily restricted net assets at the beginning of year	140,442	4,564,371
Temporarily restricted net assets at the end of year	69,201	140,442
Change in net assets	(4,504,241)	5,763,411
Net assets at the beginning of year	33,935,740	28,172,329
Net assets at the end of year	$ 29,431,499	$ 33,935,740

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ (4,504,241)	$ 5,763,411
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	147,899	96,796
Change in fair value	(36,873)	(36,990)
Increase (decrease) resulting from changes in:		
Change in inventories	3,897,363	(5,831,132)
Contributions and other receivables	(16,122)	421,363
Other assets	(67,200)	(153,977)
Accounts payable and accrued expenses	(230,480)	556,106
Net cash (used in) provided by operating activities	(809,654)	815,577
Cash flows from investing activities		
Capital expenditures	(249,407)	(30,479)
Proceeds from securities and other investments	444,386	809,211
Purchases of securities and other investments	(908,433)	-
Net cash (used in) provided by investing activities	(713,454)	778,732
Net (decrease) increase in cash and cash equivalents	(1,523,108)	1,594,309
Cash and cash equivalents at the beginning of year	2,846,142	1,251,833
Cash and cash equivalents at the end of year	$ 1,323,034	$ 2,846,142

See accompanying notes to financial statements.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: American Nicaraguan Foundation, Inc. (the "Foundation") is a not-for-profit organization established in the state of Florida in 1992 The Foundation was established principally to support the neediest sectors in Nicaragua by forging strategic alliances with domestic and foreign sponsors to procure funds, quality goods and products, and deliver this aid to the ultimate recipient in Nicaragua through social service organizations pre-qualified by the Foundation.

The Foundation operates a division in Nicaragua, "Asociación Nicaraguense Americana de Fomento Social" affiliated with United Way International, for the purpose of serving as the local organization of the Foundation to raise funds and support the Foundation's activities within the country

Basis of Reporting: The Foundation prepares its financial statements following principles generally accepted in the United States of America. In accordance with these principles for certain nonprofit organizations, expenses are allocated into functional categories based on the ultimate purpose of the expenditure

In preparing its financial statements, the Foundation applied ASC No. 958, *Not for Profit Entities*, for the recording of donations received, contributions made and for its financial statement presentation Accordingly, the accompanying financial statements present balances and transactions based on the existence or nonexistence of restrictions imposed by the donor. Consequently, the net assets of the Foundation and their changes are reported and classified as follows.

- *Unrestricted net assets* are free of donor-imposed restrictions and include the effects of revenues, expenses, gain and losses that are not changes in temporarily or permanently restricted net assets. As of December 31, 2011 and 2010, the Foundation has an outstanding quasi-endowment fund consisting of corporate bonds and mutual funds designated to benefit a community in South Florida. The period and purpose of this fund has not been designated by the Board of Directors.

- *Temporarily restricted net assets* are those assets which use has been temporarily restricted by donors When a donor-imposed restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions

- *Permanently restricted net assets* are those assets which use has been permanently restricted by donors As of December 31, 2011 and 2010, and during the years then ended, the Foundation had no permanently restricted net assets.

Cash and Cash Equivalents: Cash and cash equivalents include deposits in financial institutions of unrestricted cash For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains bank accounts at various financial institutions in the United States and Nicaragua.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and other receivables: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows Amortization of the corresponding discount, when applicable is included in contribution revenue Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is a valuation for probable incurred losses on donations. Receivables are charged against the allowance when management believes the uncollectibility of the receivable is confirmed

Inventories. Inventories are comprised mainly of undistributed medical, educational and nutritional supplies, as well as inventories in transit and fundraising goods (Virtus I watches) used in fundraising activities. Inventories are stated at the lower of their estimated fair value or the fair value determined by the donor as of the date of donation, except for the Virtus I watches which are recorded at the lower of cost or estimated fair value.

Inventories of medical supplies that are subject to expiration dates on their use, as dictated by the manufacturer, are periodically monitored. Medical supplies that expire within two months of year end are identified and considered obsolete, and a valuation reserve is established

Self-Insurance on Inventories: The Foundation self-insures for the risk of inventory loss Inventory risk begins at the donor's shipping point and remains until the Foundation transfers the inventory to the pre-qualified organizations generally at the Foundation's storage warehouse in Managua, Nicaragua. Inventory risks include, but are not limited to: fire, earthquake, theft and vandalism. The Foundation has determined that self-insuring its inventory is acceptable for these types of risk

Property and Equipment: Property and equipment are stated at cost if purchased or at their estimated fair value if received in donation. Property and equipment with a purchase price before taxes of one hundred dollars or more are depreciated using the straight line method over the estimated useful lives of the asset, which range from two to ten years. Leasehold improvements are amortized using the straight line method over the lesser of the lease term or the estimated useful lives of the asset

Long-lived assets are evaluated for impairment on a yearly basis. No impairment losses on long-lived assets have been recognized in 2011 or 2010.

In-kind Contributions and Donations: The Foundation receives in-kind contributions and donations of medicine and medical supplies, educational supplies, nutritional supplies, shipping and handling and other items from individual donors, governments, and other organizations These contributions are recognized by the Foundation as revenue based upon the fair value provided by the donor. The Foundation contributes these items to social service organizations, principally in Nicaragua, and records these contributions as program expenses, at the fair value originally provided by the donor.

Transactions in Foreign Currency: Transactions made in a currency other than the functional currency (US Dollar) are converted using the official rate in effect on the transaction date. As of the date of the financial statements, monetary assets and liabilities, which are expressed in a currency other than the functional currency, have been converted to US Dollars at the exchange rate in effect on the closing date. Non-monetary assets and liabilities are converted at their historical exchange rate. Differences arising from currency conversion are recorded as part of operating activities. Foreign currency losses for 2011 and 2010 were deemed to be immaterial

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. Actual results could differ from these estimates The inventory valuation and fair values of financial instruments are particularly subject to change

Severance Pay Accrued: The division in Nicaragua is subject to local labor legislation, which requires certain severance payments to its personnel upon termination regardless of cause The statutory severance pay accrued is computed as follows: one month of salary for each year of employment during the first three years of employment and twenty days of salary for each subsequent year, with a minimum of one month and a maximum of five months salary As of December 31, 2011 and 2010, the Foundation had severance pay accrued totaling approximately $121,471 and $263,512, respectively, and is included in the accompanying statements of financial position.

Income Taxes: The Foundation has received determination of tax exempt status from the Internal Revenue Service under Code Section 501(c)(3) and, consequently, the earnings of the Foundation are not taxed and no provision for income taxes is included in the accompanying financial statements The Foundation is also exempt from State taxes. There was no unrelated business income tax payable for the year ending December 31, 2011 and 2010.The Foundation has adopted ASC 740, which establishes a single model to address accounting for uncertainty in tax positions.

In Nicaragua, the Foundation and Asociacion Nicaraguense Americana de Fomento Social are not–for-profit organizations exempt from income taxes in accordance with article (11), subparagraph (4) of the Equitable Tax Law

Due to its tax-exempt status, the Foundation is not subject to U.S. federal income tax or state income tax The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation is not subject to examination by U S taxing authorities for years prior to 2007. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2004

If the Foundation were to recognize interest and penalties related to unrecognized tax benefits, these would be recorded as interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of December 31, 2011 and 2010.

Subsequent Events. The Foundation has evaluated subsequent events for recognition and disclosure through July 19, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS AND CREDIT RISK

For the years ended December 31, 2011 and 2010, approximately 33% and 41%, respectively of cash donations came from a single donor (a not-for-profit organization in the United States of America) and approximately 88% and 82% of total contributions received during 2011 and 2010, respectively were contributed by or through the same donor.

The Foundation has several bank accounts and time deposits which exceed the insurance provided by the Federal Deposit Insurance Corporation (FDIC). It also has uninsured deposits in foreign financial institution.

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NOTE 3 – SECURITIES AND OTHER INVESTMENTS

Securities and other investments consisted of the following as of December 31,:

	2011	2010
Corporate bonds:		
Household Fin Corp.	$ 189,467	$ -
Goldman Sachs Group Inc.	193,346	-
Deutsche BK AG Global	194,507	-
Citigroup Inc. Global	194,105	-
Merrill Lynch & Co Inc.	195,411	-
Mutual funds:		
Abbott-open end funds	473,837	494,347
Other investments	-	445,406
	$ 1,440,673	$ 939,753

As of December 31, 2010, other investments consisted of a third party Foundation Pool.

Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately. Contractual maturities as of December 31, 2011 are detailed below.

Corporate bonds.	
Within one year	$ 771,425
One to five years	195,411
Mutual funds	473,837
Total	$1,440,673

NOTE 4 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 4 - FAIR VALUE (continued)

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

As of December 31, 2011, corporate bonds amounting to $966,836 were included in securities and other investments in the accompanying statements of financial position. The fair values of corporate bonds are considered Level 1. Securities are recorded at fair value with changes in fair value included in cash contributions and other, in the statements of activities and changes in net assets.

As of December 31, 2011 and 2010, mutual funds amounting to $473,837 and $494,347, respectively were included in securities and other investments in the accompanying statements of financial position. The fair values of mutual funds are considered Level 1. Mutual funds are recorded at fair value with changes in fair value included in cash contributions and other, in the statements of activities and changes in net assets.

There were no transfers between Levels 1 and 2 during 2011. There are no level 2 or level 3 securities as of December 31, 2011.

As of December 31, 2010, funds invested in a third party Foundation Pool fund were included in securities and other investments in the statement of financial position in the amount of $445,406. The fair value of the third party Foundation Pool fund owned by the Foundation is determined by obtaining unobservable inputs that are reflected in the quasi-endowment fund statement (Level 2). The Foundation Pool fund that holds the funds has the right to manage, invest and reinvest the funds exclusively for general charitable uses and purposes, and the gains and losses are allocated pro rata among the fund participants. The fair value is estimated based on the proportional fair value of each commingled fund determined by quoted market prices.

To satisfy its long-term rate of return objectives, the Foundation Pool fund relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yields. The Foundation Pool fund targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. This diversified asset allocation includes investments in various fund portfolios which are substantially domestic.

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2010:

		2010
Balance, beginning of year	$	408,416
Purchases		-
Realized gains included in changes in net assets		36,990
Transfer out of Level 3		445,406
Balance, end of year	$	-

(Continued)

NOTE 4 - FAIR VALUE (continued)

As of December 31, 2010 the Foundation Pool fund was transferred out of Level 3 and into Level 2 since the Foundation may request a distribution of all or part of the fund at any time. The Foundation's policy is to recognize transfer as of the end of the reporting period. As a result, the fair value for this fund was transferred on December 31, 2010. The realized gains are attributed to changes in financial market conditions and were included in cash contributions and other, in the statement of activities and changes in net assets at December 31, 2010. During 2011, the Foundation requested distribution of the fund and invested the assets in corporate bonds.

NOTE 5 – RECEIVABLES

Included in contributions and other receivables are the following unconditional promises to receive:

	2011	2010
Housing contributions	$ -	$ 171,520
Fund raising gala	170,300	92,000
Use of facilities	-	77,620
Programs contributions	121,949	138,381
Nicaragua tax reimbursement	237,260	92,021
Other accounts receivable	57,340	16,185
	586,849	587,727
Less: allowance for doubtful accounts	-	(17,000)
	$ 586,849	$ 570,727

NOTE 6 – INVENTORIES

As of December 31, inventories consisted of the following:

	2011	2010
Medicine and medical supplies	$ 3,031,160	$ 3,093,684
Dried and processed foods	642,234	244,112
Household goods	1,261,548	997,626
Educational supplies	1,723,431	2,591,002
Clothing	485,725	-
Personal care	54,868	115,858
Silent auction inventory	62,770	42,845
Virtus I watches	782,880	810,840
Inventory in transit	18,115,216	22,161,228
	$ 26,159,832	$ 30,057,195

(Continued)

NOTE 6 – INVENTORIES (Continued)

The below table summarizes the inventory in transit as of December 31, 2011 and 2010:

	2011	2010
Medicine and medical supplies	$ 14,586,425	$ 18,329,265
Dried and processed foods	638,643	303,654
Educational supplies	146,292	831,823
Personal care	-	323,732
Household goods	2,743,856	2,372,754
	$ 18,115,216	$ 22,161,228

There was no balance at year end and no activity during the year ended December 31, 2011 and 2010 in the allowance for obsolescence.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2011 and 2010:

	Estimated Useful Lives (years)	2011	2010
Leasehold improvements	5-10	$ 328,558	$ 340,505
Equipment	2-5	282,159	206,186
Other	2-5	180,938	125,147
		791,655	671,838
Less: accumulated depreciation and amortization		(366,491)	(348,182)
		$ 425,164	$ 323,656

NOTE 8 - PROGRAM EXPENSES

Program expenses for the years ended December 31, 2011 and 2010 include the following:

	2011	2010
Goods distributed and services donated	$ 116,311,806	$ 164,295,689
Projects implementation	1,750,087	451,012
Programs implementation	774,514	1,950,802
	$ 118,836,407	$ 166,697,503

(Continued)

NOTE 9 - ADMINISTRATIVE EXPENSES

The following table set forth the components of administrative expenses for the years ended December 31, 2011 and 2010:

	2011	2010
Salaries and severance payments	$ 630,013	$ 819,681
Facilities rental	284,615	334,886
Depreciation and amortization	147,899	96,796
Travel	39,111	46,760
Communications and utilities	45,312	67,813
Maintenance and repairs	41,563	41,477
Professional services	81,138	67,470
Supplies	12,330	28,477
Other	300,657	335,060
	$ 1,582,638	$ 1,838,420

NOTE 10 – COMMITMENTS

The Foundation has an operating land lease in Nicaragua. The Foundation built its warehouse and administrative offices on the leased land. The land lease calls for monthly lease payments of $2,084 and expires in 2015. Furthermore, the lessor has recognized the investments made by the Foundation in the form of leasehold improvements. Under the amendment, $124,555 in leasehold improvements is being deducted from rental payments through maturity at a monthly rate of approximately $1,339. Rent expense under this agreement totaled $261,000 and $311,000 for the years ended 2011 and 2010, respectively.

During 2011, the Foundation, relocated its offices in Miami and entered into a new operating lease agreement. Rent expense under the new and previous operating lease agreements are recognized as fundraising expenses and amounted to approximately $38,000 and $35,000 for the years ended 2011 and 2010, respectively.

Future estimated minimum rental payments under these operating leases are as follows:

	Minimum Commitment	Rent Contribution	Net Commitment
2012	$ 61,982	$ (16,072)	$ 45,910
2013	63,195	(16,072)	47,123
2014	64,335	(16,072)	48,263
2015	59,260	(7,149)	52,111
2016	38,150	-	38,150
	$ 286,922	$ (55,365)	$ 231,557

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

The Foundation's president is a member of the Board of Directors at one of the United States banks where the Foundation maintains a bank account and the same Bank's president is also a member of the Board of Directors of the Foundation. As of December 31, 2011 and 2010, cash and other investments deposited in such bank amounted to approximately $23,000 and $24,000, respectively.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

The components and changes in temporarily restricted net assets for the years ended December 31, 2011 and 2010 follow:

	Housing	Other(*)	Total
Balance as of January 1, 2010	$ 3,426,940	$ 1,137,431	$ 4,564,371
Temporarily restricted funds received during the year 2010	1,631,257	1,806,369	3,437,626
Temporarily restricted net assets released during the year 2010	(4,917,755)	(2,943,800)	(7,861,555)
Balance as of December 31, 2010	140,442	-	140,442
Temporarily restricted funds received during the year 2011	1,245,695	1,868,779	3,114,474
Temporarily restricted net assets released during the year 2011	(1,386,137)	(1,799,578)	(3,185,715)
Balance as of December 31, 2011	$ -	$ 69,201	$ 69,201

Temporarily restricted net assets are released from donor restrictions when the restricted assets are expended in satisfaction of the restricted purpose or by the occurrence of other events, as specified by the donors.

(*)Other temporarily restricted funds in 2011 and 2010 include a variety of diverse programs and projects with costs of less than $200,000.