AMERICAN NICARAGUAN FOUNDATION, INC.

FINANCIAL STATEMENTS
December 31, 2014 and 2013

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CONTENTS

Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Nicaraguan Foundation, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Nicaraguan Foundation, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Fort Lauderdale, Florida
May 13, 2015

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 3,181,625	$ 2,716,942
Securities and other investments	481,657	501,268
Contributions and other receivables, net of allowance	805,492	1,370,345
Inventories	7,562,064	6,550,391
Property and equipment, net	398,976	484,246
Other assets	244,230	210,500
Total assets	$ 12,674,044	$ 11,833,692
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,143,851	$ 1,141,350
Net assets:		
Unrestricted:		
Quasi-endowment fund	820,406	820,406
Undesignated	10,245,221	9,832,968
	11,065,627	10,653,374
Temporarily restricted	464,566	38,968
Total net assets	11,530,193	10,692,342
Total liabilities and net assets	$ 12,674,044	$ 11,833,692

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2014 and 2013

	2014	2013
Changes in unrestricted net assets		
Revenue		
In–kind contributions	$ 82,125,394	$ 74,464,110
Cash contributions and other	1,978,933	2,064,561
Shipping and handling donated	1,458,139	1,937,804
Net assets released from restrictions	3,031,263	5,293,118
Total unrestricted revenue	88,593,729	83,759,593
Expenses		
Program expenses	86,420,207	114,289,623
Fundraising	733,230	1,064,808
Administrative expenses	1,028,039	1,136,499
Total expenses	88,181,476	116,490,930
Changes in unrestricted net assets	412,253	(32,731,337)
Unrestricted net assets at beginning of year	10,653,374	43,384,711
Unrestricted net assets at end of year	11,065,627	10,653,374
Changes in temporarily restricted net assets		
Cash contributions	3,456,861	5,263,728
Net assets released from restrictions	(3,031,263)	(5,293,118)
Changes in temporarily restricted net assets	425,598	(29,390)
Temporarily restricted net assets at the beginning of year	38,968	68,358
Temporarily restricted net assets at the end of year	464,566	38,968
Change in net assets	837,851	(32,760,727)
Net assets at the beginning of year	10,692,342	43,453,069
Net assets at the end of year	$ 11,530,193	$ 10,692,342

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 837,851	$ (32,760,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	93,357	114,650
Increase (decrease) in cash flows resulting from changes in:		
Inventories	(1,011,673)	33,251,437
Securities and other investments	19,121	193,020
Contributions and other receivables	564,853	(282,220)
Other assets	(33,730)	(14,904)
Accounts payable and accrued expenses	2,501	100,672
Net cash provided by operating activities	466,280	601,928
Cash flows from investing activities		
Capital expenditures	(1,597)	(340,308)
Proceeds from sale of equipment	-	8,000
Net cash used in investing activities	(1,597)	(332,308)
Net increase in cash and cash equivalents	464,683	269,620
Cash and cash equivalents at the beginning of year	2,716,942	2,447,322
Cash and cash equivalents at the end of year	$ 3,181,625	$ 2,716,942

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 and educational programs to the ultimate recipient in Nicaragua through social service organizations pre-qualified by the Foundation.

The Foundation operates a division in Nicaragua, "Asociación Nicaraguense de Fomento Social", 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, 2014 and 2013, 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, 2014 and 2013, 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.

Securities: Securities are classified as trading and are recorded at fair value with changes in fair value included in the statements of activities and changes in net assets. Interest and dividends are included in cash contributions and other.

(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 initially recorded at the present value of their future cash flows as of the date of gift receipt and subsequently net of unamortized discounts and an allowance for uncollectible amounts. 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 $100 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 2014 or 2013.

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 2014 and 2013 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, 2014 and 2013, the Foundation had severance pay accrued totaling approximately $139,187 and $114,115, 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 years ending December 31, 2014 and 2013.The Foundation has adopted ASC 958, *Not for Profit Entities*, which establishes a single model to address accounting for uncertainty in tax positions.

In Nicaragua, the Foundation and Asociación Nicaragüense 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 2008. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2009.

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, 2014 and 2013.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 13, 2015, which is the date the financial statements were available to be issued.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net assets and changes in net assets.

NOTE 2 – CONCENTRATIONS AND CREDIT RISK

For the years ended December 31, 2014 and 2013, approximately 51% and 52%, respectively of cash donations came from a single donor (a not-for-profit organization in the United States of America) and approximately 69% and 79% of total contributions received during 2014 and 2013, respectively were contributed by or through the same donor.

(Continued)

NOTE 2 – CONCENTRATIONS AND CREDIT RISK (Continued)

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 a financial institution in Nicaragua.

NOTE 3 – SECURITIES AND OTHER INVESTMENTS

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

	2014	2013
Common stock	$ 1,915	$ 1,424
Corporate bonds	-	-
Mutual funds	479,742	499,844
	$ 481,657	$ 501,268

During 2014, there were no maturities. Additionally, 5 common stocks were donated to the Foundation with a cost basis to the donor of approximately $491.

During 2014 and 2013, there were no purchases or sales of trading securities.

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 the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Cash and Cash Equivalents: The fair value of cash and cash equivalents re-price frequently and fully. Carrying amount approximates the estimated fair value and the Foundation has the ability to value these financial instruments based on active markets (Level 1).

Securities and Other Investments: The fair values of securities and other investments 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).

(Continued)

NOTE 4 – FAIR VALUE (Continued)

As of December 31, 2014 and 2013, common stocks amounting to $1,915 and $1,424, respectively were included in securities and other investments in the accompanying statements of financial position. The fair values of common stocks are considered Level 1. Common stocks 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, 2014 and 2013, mutual funds amounting to $479,741 and $499,844, 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 2014 or 2013. There were no level 2 or level 3 securities as of December 31, 2014 or 2013.

NOTE 5 – RECEIVABLES

Included in contributions and other receivables are the following unconditional promises to receive, all due within one year:

	2014	2013
Housing contributions	$ 40,579	$ 609,027
Fund raising gala	35,800	268,309
Programs contributions	95,399	17,459
Nicaragua import tax reimbursement	588,155	440,816
Other accounts receivable	45,559	34,734
	$ 805,492	$ 1,370,345

There was no balance at year-end and no activity during the year ended December 31, 2014 and 2013 in the allowance for doubtful accounts.

(Continued)

NOTE 6 – INVENTORIES

As of December 31, inventories consisted of the following:

	2014	2013
Medicine and medical supplies	$ 1,365,448	$ 1,323,123
Dried and processed foods	491,434	1,546,255
Household goods	395,712	304,223
Educational supplies	172,003	148,326
Clothing	1,165,327	86,854
Silent auction inventory	44,666	42,607
Virtus I watches	615,120	643,080
Inventory in transit	3,312,354	2,455,923
	$ 7,562,064	$ 6,550,391

The table below summarizes the inventory in transit as of December 31, 2014 and 2013:

	2014	2013
Medicine and medical supplies	$ 2,177,851	$ 1,460,106
Dried and processed foods	24,320	232,428
Educational supplies	-	99,000
Clothing	36,629	664,389
Household goods	1,073,554	-
	$ 3,312,354	$ 2,455,923

There was no balance at year-end and no activity during the year ended December 31, 2014 and 2013 in the allowance for obsolescence.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2014 and 2013:

	Estimated Useful Lives (years)	2014	2013
Land for future development		$ 239,509	$ 235,493
Leasehold improvements	5-10	206,398	216,718
Equipment	2-5	301,383	302,354
Other	2-5	258,332	247,245
		1,005,622	1,001,810
Less: accumulated depreciation and amortization		(606,646)	(517,564)
		$ 398,976	$ 484,246

(Continued)

NOTE 8 – PROGRAM EXPENSES

Program expenses for the years ended December 31, 2014 and 2013 include the following:

	2014	2013
Goods distributed and services donated	$ 83,418,496	$ 110,475,601
Projects implementation	1,978,540	2,655,772
Programs implementation	1,023,171	1,158,250
	$ 86,420,207	$ 114,289,623

NOTE 9 – ADMINISTRATIVE EXPENSES

The following table set forth the components of administrative expenses for the years ended December 31, 2014 and 2013:

	2014	2013
Salaries and severance payments	$ 214,581	$ 208,053
Facilities rental	172,293	189,900
Depreciation and amortization	93,357	114,650
Travel	12,679	16,517
Communications and utilities	70,557	90,100
Maintenance and repairs	17,695	20,237
Professional services	129,657	145,127
Supplies	22,357	5,240
Other	294,863	346,675
	$ 1,028,039	$ 1,136,499

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. Contributed rent expense under this agreement totaled approximately $143,000 and $161,000 for the years ended 2014 and 2013, respectively and is included as in-kind contributions in the statement of activities and changes in net assets.

On December 1, 2014, the Foundation renewed its office lease in Nicaragua. The office lease calls for monthly lease payments of $414 beginning on December 1, 2014 through November 30, 2015. Rent expense under operating lease agreements are recognized as fund raising expenses and amounted to approximately $60,000 and $63,000 for the years ended 2014 and 2013, respectively.

(Continued)

NOTE 10 – COMMITMENTS (Continued)

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

	Minimum Commitment	Rent Contribution	Net Commitment
2015	$ 59,260	$ (7,149)	$ 52,111
2016	38,150	-	38,150
2017	-	-	-
	$ 97,410	$ (7,149)	$ 90,261

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, 2014 and 2013, cash and other investments deposited in such bank amounted to approximately $153,000 and $51,000, respectively.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

The components and changes in temporarily restricted net assets for the years ended December 31, 2014 and 2013 follow:

	Housing	Other(*)	Total
Balance as of January 1, 2013	$ 59,300	$ 9,058	$ 68,358
Temporarily restricted funds received during the year 2013	1,305,903	3,957,825	5,263,728
Temporarily restricted net assets released during the year 2013	(1,365,203)	(3,927,915)	(5,293,118)
Balance as of December 31, 2013	-	38,968	38,968
Temporarily restricted funds received during the year 2014	1,030,134	2,426,727	3,456,861
Temporarily restricted net assets released during the year 2014	(698,752)	(2,332,511)	(3,031,263)
Balance as of December 31, 2014	$ 331,383	$ 133,184	$ 464,566

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 2014 and 2013 include a variety of diverse programs and projects with costs of less than $200,000.