AMERICAN NICARAGUAN FOUNDATION, INC.
Miami, Florida

FINANCIAL STATEMENTS
December 31, 2016 and 2015

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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, 2016 and 2015, 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.

(Continued)

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, 2016 and 2015, 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

Miami, Florida
May 15, 2017

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 2,403,114	$ 1,974,899
Interest-bearing deposits in financial institution	1,000,000	1,000,000
Securities and other investments	786,218	454,574
Contributions and other receivables, net of allowance of $22,600 and $0	1,289,768	1,849,091
Inventories	17,054,029	13,075,676
Property and equipment, net	909,705	519,541
Other assets	44,612	174,357
Total assets	$ 23,487,446	$ 19,048,138
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,791,011	$ 1,495,365
Net assets:		
Unrestricted:		
Quasi-endowment fund	1,000,000	820,406
Undesignated	18,304,165	15,178,745
	19,304,165	15,999,151
Temporarily restricted	2,392,270	1,553,622
Total net assets	21,696,435	17,552,773
Total liabilities and net assets	$ 23,487,446	$ 19,048,138

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2016 and 2015

	2016	2015
Changes in unrestricted net assets		
Revenue		
In-kind contributions	$ 90,498,414	$ 115,578,006
Cash contributions and other	2,424,668	2,503,163
Shipping and handling donated	1,461,910	1,144,649
Net assets released from restrictions	4,117,118	4,266,494
Total unrestricted revenue	98,502,110	123,492,312
Expenses		
Program expenses	93,750,390	117,089,370
Fundraising	404,074	577,109
Administrative expenses	1,042,632	892,309
Total expenses	95,197,096	118,558,788
Changes in unrestricted net assets	3,305,014	4,933,524
Unrestricted net assets at beginning of year	15,999,151	11,065,627
Unrestricted net assets at end of year	19,304,165	15,999,151
Changes in temporarily restricted net assets		
Cash contributions	4,955,766	5,355,550
Net assets released from restrictions	(4,117,118)	(4,266,494)
Changes in temporarily restricted net assets	838,648	1,089,056
Temporarily restricted net assets at the beginning of year	1,553,622	464,566
Temporarily restricted net assets at the end of year	2,392,270	1,553,622
Change in net assets	4,143,662	6,022,580
Net assets at the beginning of year	17,552,773	11,530,193
Net assets at the end of year	$ 21,696,435	$ 17,552,773

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 4,143,662	$ 6,022,580
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	106,338	109,962
Increase (decrease) in cash flows resulting from changes in:		
Inventories	(3,978,353)	(5,513,612)
Securities and other investments	(331,644)	27,083
Contributions and other receivables	559,323	(1,043,599)
Other assets	129,745	69,873
Accounts payable and accrued expenses	295,646	351,514
Net cash from operating activities	924,717	23,801
Cash flows from investing activities		
Increase in interest bearing deposit in financial institution	-	(1,000,000)
Capital expenditures	(496,502)	(230,527)
Net cash from investing activities	(496,502)	(1,230,527)
Net change in cash and cash equivalents	428,215	(1,206,726)
Cash and cash equivalents at the beginning of year	1,974,899	3,181,625
Cash and cash equivalents at the end of year	$ 2,403,114	$ 1,974,899

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. The Foundation has a quasi-endowment fund which funds are functioning as an endowment that are typically established by the institution from institutional funds, and will be retained and invested rather than expended. As of December 31, 2016 and 2015, the Foundation has an outstanding quasi-endowment fund consisting of interest bearing deposits in a financial institution. 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, 2016 and 2015, 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 of America and Nicaragua.

Interest-Bearing Deposits in Financial Institution: Interest-bearing deposits in financial institution mature within a year and are carried at cost.

(Continued)

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

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.

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 clothing, 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.

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.

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 2016 or 2015.

In-kind Contributions and Donations: The Foundation receives in-kind contributions and donations of medicine and medical supplies, clothing, 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.

(Continued)

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

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 2016 and 2015 were deemed to be immaterial.

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, 2016 and 2015, the Foundation had severance pay accrued totaling approximately $203,722 and $150,542, respectively, and is included in the accompanying statements of financial position.

Income Taxes: The Foundation has received determination of tax exempt status from the U.S. Internal Revenue Service under Code Section 501(c)(3) and, consequently, the income generated from activities related to the Foundation's exempt purpose are not taxed and no provision for income taxes is included in the accompanying financial statements. The Foundation is also exempt from state income tax. There was no unrelated business income tax payable for the years ending December 31, 2016 and 2015.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.

The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Generally, the foundation is not subject to examination by U.S. taxing authorities for years prior to 2013. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2010.

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, 2016 and 2015.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 15, 2017, 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.

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NOTE 2 – CONCENTRATIONS AND CREDIT RISK

For the years ended December 31, 2016 and 2015, approximately 78% and 54%, respectively of cash donations came from a single donor (a not-for-profit organization in the United States of America) and approximately 72% and 76% of total contributions received during 2016 and 2015, respectively were contributed by or through the same donor.

Approximately $915,000 of accounts receivable balance is due from a governmental body in Nicaragua as of December 31, 2016.

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:

	2016	2015
Common stock	$ 3,235	$ 2,381
Fixed income securities	425,746	-
Mutual funds	357,237	452,193
	$ 786,218	$ 454,574

The proceeds from sales for the twelve month period ending December 31, 2016 of mutual funds and the associated gain 2016 is listed below:

Proceeds	$ 120,000
Gross gain	4, 202

During 2015 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.

(Continued)

NOTE 4 – FAIR VALUE (Continued)

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).

Common stocks and 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 and are considered Level 1.

Fixed income 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 and are considered Level 2.

There were no transfers between Levels 1 and 2 during 2016 or 2015. There were no level 2 or level 3 securities as of December 31, 2015. There were no level 3 securities as of December 31, 2016.

NOTE 5 – RECEIVABLES

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

	2016	2015
Housing contributions	$ 77,981	$ 762,019
Fund raising gala	109,445	120,000
Programs contributions	65,041	138,230
Nicaragua import tax reimbursement	937,511	779,803
Other accounts receivable	122,390	49,039
	1,312,368	1,849,091
Less: allowance for doubtful accounts	(22,600)	-
	$ 1,289,768	$ 1,849,091

As of December 31, 2016 the Company had approximately $22,600 reserved in the allowance for doubtful accounts. There was no balance at year-end and no activity in the allowance for doubtful accounts during the year ended December 31, 2015.

(Continued)

NOTE 6 – INVENTORIES

As of December 31, inventories consisted of the following:

	2016	2015
Medicine and medical supplies	$ 2,981,264	$ 3,422,394
Dried and processed foods	1,109,713	1,184,716
Household goods	1,678,289	2,803,250
Educational supplies	143,336	173,999
Clothing	309,900	1,504,760
Silent auction inventory	31,900	44,506
Virtus I watches	559,200	587,160
Inventory in transit	10,240,427	3,354,891
	$ 17,054,029	$ 13,075,676

The table below summarizes the inventory in transit as of December 31, 2016 and 2015:

	2016	2015
Medicine and medical supplies	$ 5,773,997	$ 1,939,280
Dried and processed foods	620,815	486,409
Clothing	813,928	447,000
Household goods	3,031,687	482,202
	$ 10,240,427	$ 3,354,891

There was no balance at year-end and no activity during the years ended December 31, 2016 and 2015 in the allowance for obsolescence.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2016 and 2015:

	Estimated Useful Lives (years)	2016	2015
Land for future development		$ 239,509	$ 239,509
Leasehold improvements	5	402,530	365,995
Equipment	2-5	295,090	297,901
Vehicles and other	2-5	290,519	259,025
		1,592,086	1,162,430
Less: accumulated depreciation and amortization		(682,381)	(642,889)
Construction in progress		364,438	-
		$ 909,705	$ 519,541

Constructions in progress includes approximately $364,430 of costs incurred to construct new office in Nicaragua. The office is expected to be completed in 2017.

(Continued)

NOTE 8 – PROGRAM EXPENSES

Program expenses for the years ended December 31, 2016 and 2015 include the following:

	2016	2015
Goods distributed and services donated	$ 89,596,022	$ 112,765,987
Projects implementation	3,221,569	3,441,264
Programs implementation	932,799	882,119
	$ 93,750,391	$ 117,089,370

NOTE 9 – ADMINISTRATIVE EXPENSES

The following table set forth the components of administrative expenses for the years ended December 31, 2016 and 2015:

	2016	2015
Salaries	$ 468,981	$ 353,285
Facilities rental	28,831	38,886
Depreciation and amortization	27,892	45,489
Travel	11,071	10,612
Communications and utilities	24,483	18,938
Maintenance and repairs	22,481	23,007
Professional services	93,222	93,293
Supplies	5,487	17,416
Other	360,184	291,383
	$ 1,042,632	$ 892,309

NOTE 10 – COMMITMENTS

The Foundation has an operating land lease in Nicaragua. The Foundation built its warehouse and administrative offices on the leased land. On January 27, 2016 the Foundation renewed the land lease which expired on October 2015. The land lease calls for retroactive monthly lease payments of $3,000 and expires in 2020. Furthermore, the lessor has recognized the investments made by the Foundation for a total of $191,447 in the form of leasehold improvements. Under the amendment, $95,724 in leasehold improvements is being deducted from total rental payments through maturity. Monthly rent payment after amortizing leasehold improvements is approximately $1,750. Contributed rent expense under this agreement totaled approximately $119,000 and $144,000 for the years ended 2016 and 2015, respectively and is included as in-kind contributions in the statement of activities and changes in net assets.

(Continued)

NOTE 10 – COMMITMENTS (Continued)

The Nicaragua office lease calls for monthly lease payments of $1,518 which expires on May 2017. The Miami office lease calls for monthly lease payments of approximately $3,300 which expire on September 2017.

Rent expense under these operating lease agreements are recognized as fund raising expenses and amounted to approximately $77,944 and $70,434 for the years ended 2016 and 2015, respectively.

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

	Minimum Commitment
2017	$ 50,758
2018	20,922
2019	20,992
2020	15,748
	$ 108,490

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES

Various members of the Board of Directors of the Foundation are also members of the board of a United States bank where the Foundation maintains a bank account. As of December 31, 2016 and 2015, cash and other investments deposited in such bank amounted to approximately $308,410 and $208,635, respectively.

(Continued)

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

The components and changes in temporarily restricted net assets for the years ended December 31, 2016 and 2015 follow:

	Housing	Other(*)	Total
Balance as of December 31, 2014	$ 331,382	$ 133,184	$ 464,566
Temporarily restricted funds received during the year 2015	1,808,838	3,546,712	5,355,550
Temporarily restricted net assets released during the year 2015	(1,031,226)	(3,235,268)	(4,266,494)
Balance as of December 31, 2015	1,108,994	444,628	1,553,622
Temporarily restricted funds received during the year 2016	1,612,122	3,343,644	4,955,766
Temporarily restricted net assets released during the year 2016	(1,004,524)	(3,112,594)	(4,117,118)
Balance as of December 31, 2016	$ 1,716,592	$ 675,678	$ 2,392,270

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 2016 and 2015 include a variety of diverse programs and projects with costs of less than $200,000.