

**SALVADORAN AMERICAN
HUMANITARIAN FOUNDATION, INC.**
Miami, Florida

Financial Statements and
Independent Auditors' Report

December 31, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Salvadoran American Humanitarian Foundation, Inc.
Miami, Florida

We have audited the accompanying statement of financial position of Salvadoran American Humanitarian Foundation, Inc. (the "Foundation") as of December 31, 2011 and the related statements of activities, cash flows and functional expenses for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated March 18, 2011, we expressed an unqualified opinion on those financial statements.

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 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 Salvadoran American Humanitarian Foundation, Inc. as of December 31, 2011, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 09, 2012

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
 STATEMENT OF FINANCIAL POSITION
 December 31, 2011 (with comparative totals as of December 31, 2010)

	2011	2010
ASSETS		
Current assets:		
Cash	\$ 94,268	\$ 67,044
Pledges receivables, net	48,905	39,124
Inventory - in-kind goods received but not shipped	1,665,695	1,096,124
Other current assets	17,794	3,444
	1,826,662	1,205,736
Pledges receivable, long-term	-	24,260
Property and equipment, net	-	282
Cash equivalent, board designated	25,929	75,821
Investments, board designated	358,777	325,621
Investments, restricted	447,475	447,475
	-	-
TOTAL ASSETS	\$ 2,658,843	\$ 2,079,195
LIABILITIES AND NET ASSETS		
Current liabilities:		
Pledged in-kind goods - not shipped at year end	\$ 1,665,695	\$ 1,096,124
Accounts payable and accrued expenses	17,096	27,055
TOTAL LIABILITIES	1,682,791	1,123,179
Net assets:		
Unrestricted, including \$384,706 in board designated assets	528,577	508,541
Permanently restricted	447,475	447,475
	976,052	956,016
TOTAL LIABILITIES AND NET ASSETS	\$ 2,658,843	\$ 2,079,195

The accompanying notes are an integral part of these financial statements.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
STATEMENT OF ACTIVITIES

For the year ended December 31, 2011 (with comparative totals for the year ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals
Support and revenue:					
Contributions	\$ 299,268	\$ 517,022	\$ -	\$ 816,290	737,368
Government grant	38,955	-	-	38,955	28,361
In-kind contributions (Note 7)	48,888,411	-	-	48,888,411	39,277,434
Fundraising events	322,586	-	-	322,586	278,010
Interest and dividends	29,767	-	-	29,767	56,581
Unrealized gains, net	3,656	-	-	3,656	4,697
Released from restrictions	517,022	(517,022)	-	-	-
Total support and revenue	50,099,665	-	-	50,099,665	40,382,451
Expenses:					
Program services	49,886,913	-	-	49,886,913	40,299,294
Fundraising	134,228	-	-	134,228	122,992
General and administrative	58,488	-	-	58,488	58,486
Total expenses	50,079,630	-	-	50,079,629	40,480,772
Change in net assets	20,036	-	-	20,036	(98,321)
Net assets-beginning of year	508,541	-	447,475	956,016	1,054,337
Net assets-end of year	<u>\$ 528,577</u>	<u>\$ -</u>	<u>\$ 447,475</u>	<u>\$ 976,052</u>	<u>\$ 956,016</u>

The accompanying notes are an integral part of these financial statements.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
STATEMENT OF CASH FLOWS

For the year ended December 31, 2011 (with comparative totals for the year ended December 31, 2010)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 20,036	\$ (98,321)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	282	1,000
Unrealized gain on investments, net	(3,656)	(4,697)
Change in assets and liabilities:		
Decrease in accounts receivable	14,479	165,733
Increase (decrease) in other current assets	(14,350)	7,600
Decrease in accounts payable and accrued expenses	(9,959)	(86,847)
	(13,204)	82,789
Net Cash Provided by (Used in) Operating Activities	6,832	(15,532)
 Cash Flows From Investing Activities		
Investment purchases	(29,500)	(55,560)
Net Cash Used in Investing Activities	(29,500)	(55,560)
 Net decrease in cash	(22,668)	(71,092)
Cash at beginning of year	142,865	213,957
Cash at end of year	\$ 120,197	\$ 142,865
 Cash	94,268	67,044
Cash, board designated	25,929	75,821
	\$ 120,197	\$ 142,865

The accompanying notes are an integral part of these financial statements.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011 (with comparative totals for the year ended December 31, 2010)

	Program Services	Fund Raising	General & Administrative	Total	Comparative Total
Bank charges	\$ 2,943	\$ 981	\$ 981	\$ 4,905	\$ 4,459
Bad debt expense	-	-	0	-	5,000
Depreciation	-	-	282	282	1,000
In-kind contributions	48,888,411	-	-	48,888,411	39,277,434
Contributions	657,804	-	-	657,804	585,406
Contracted labor	4,525	4,525	-	9,050	10,900
Licenses and taxes	-	-	990	990	470
Media and public relations	-	-	3,425	3,425	422
Office rent	14,890	4,963	4,963	24,816	24,816
Office expense	3,720	1,240	1,240	6,200	6,010
Postage and printing	1,606	535	535	2,676	7,457
Professional fees	8,069	2,690	2,690	13,449	13,497
Salaries and taxes	106,441	35,480	35,480	177,401	170,006
Insurance	17,164	5,721	5,722	28,607	22,767
Travel	2,612	871	871	4,354	2,836
Telephone	3,927	1,309	1,310	6,546	5,277
Events	-	75,914	-	75,914	66,161
Wharfage and handling	174,802	-	-	174,802	276,854
	<u>\$ 49,886,913</u>	<u>\$ 134,228</u>	<u>\$ 58,488</u>	<u>\$ 50,079,629</u>	<u>\$ 40,480,772</u>

The accompanying notes are an integral part of these financial statements.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 – Significant Accounting Policies and Operations

Nature of Activities

Salvadoran American Humanitarian Foundation, Inc. (f/k/a Salvadoran American Health Foundation, Inc.) (the "Foundation") is a not-for-profit corporation incorporated in the State of Florida in September 1983. The Foundation's mission is to enhance the well-being of the underserved people in El Salvador through human development programs implemented in partnership with its in-country sister foundation, FUSAL, and other local organizations.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

The Foundation has adopted the provisions of FASB Accounting Standards Codification (ASC) 958 *Accounting for Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classification of resources into three separate classes of net assets: unrestricted, temporarily restricted and permanently restricted. The net assets categories as reflected in the accompanying financial statements are as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted

Accounts for all resources from contributions with donor imposed restrictions as to the manner in which they are to be used.

Permanently Restricted

Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation has defined cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less. Financial instruments which potentially subject the Foundation to concentrations of credit risk consists principally of cash in excess of federally insured limits. The Foundation generally limits the amount of credit exposure by maintaining its cash balances under these limits.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 – Significant Accounting Policies and Operations (Continued)

Pledges and Grants Receivable

Pledges and grants are recorded as receivables in the year made, net of estimated uncollectible amounts and discounts.

Property and Equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are expensed when incurred. Renewals and betterments are capitalized.

Support and Revenues

Contributions are recognized when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increased 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. In-kind contributions to be shipped to FUSAL are recognized as support at the time of shipment, in order to properly match support and expenses.

In-Kind Contributions and Services

In-kind contributions consist mainly of medical equipment, supplies, drugs, food, clothing, communication equipment, tools, and other shipped to the Foundation's sister organization in El Salvador, "FUSAL", for their distribution among other needy individuals.

In kind contributions received are stated at the estimated fair market value reported by donors. When the donor does not provide the fair market value, it is estimated by the management of the Foundation. No amounts have been reflected in the accompanying financial statements for donated services since no objective basis is available to measure the value of such services. However, a number of volunteers have donated a significant amount of their time to the Foundation's program services and special events.

Income Taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation.

The Foundation has adopted "*Accounting for Uncertainties in Income Taxes*" as prescribed by the *Accounting Standards Codification*, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 – Significant Accounting Policies and Operations (Continued)

Allocation of Functional Expenses

Expenses are allocated to functional categories based on allocation percentages approved by management. The allocations reflect costs associated with program and supporting service functions.

Valuation of Investments in Securities at Fair Value - Definition and Hierarchy

The Foundation reports its investments in marketable securities at fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of activities. The Foundation has adopted ASC 820, Fair Value Measurements and Disclosures. In accordance with ASC 820, fair value is defined as the price that the Foundation would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs); and establishes a classification of fair value measurements for disclosure purposes. The hierarchy is summarized in the three broad levels listed below.

- Level 1- quoted prices in active markets for identical investments
- Level 2- other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3- significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

As of December 31, 2011, all investment securities owned by the Foundation are Level 1 securities (See Note 2).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with ASC 855, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through March 09, 2012, which is the date the financial statements were available to be issued.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

Note 2 – Investments and Endowment Fund

The Foundation has adopted ASC 958-320, *Accounting for Debt and Equity Investments Held by Not-for-Profit Organizations*, which requires that investments in most debt and equity securities of not-for-profit organizations be reported at fair value with gains and losses included in the statement of activities. Fair market value is defined and determined in accordance with ASC 820, *Fair Value Measurements*. The following is a summary of investments (endowment fund) held at December 31, 2011:

	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Stock	\$ 4,223	\$ 1,114	\$ 5,337
Mutual Funds	784,795	16,120	800,915
Cash equivalents	25,929	-	25,929
Total Endowment Fund	\$ 814,947	\$ 17,234	\$ 832,181

The net unrealized gain recorded for the year ended December 31, 2011 was \$3,656.

As a result of permanent restrictions imposed by the donor, the investments (endowment fund) have been classified in the Statement of Financial Position as follows:

	2011
Non-Current (Permanently Restricted)	\$ 447,475
Board Designated	384,706
Total Endowment Fund	\$ 832,181

Interest, dividends, realized and unrealized gains earned from the permanently restricted endowment fund are considered temporarily restricted when earned, but released from restrictions during the same year and therefore reported as unrestricted (board designated).

Note 3 – Property and Equipment

Major classifications of property and equipment are summarized as follows:

	2011
Property and equipment	\$ 52,592
Less – accumulated depreciation	(52,592)
	\$ -

Depreciation expense totaled \$282 for the year 2011.

SALVADORAN AMERICAN HUMANITARIAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 4 – Pledges Receivable

Unconditional promises to give consist of the following:

	2011
Unrestricted promises	\$ 50,495
Less allowance for uncollectible	(1,590)
Net pledges receivable	<u>\$ 48,905</u>

Note 5 – Temporarily Restricted Net Assets and Related Party Transactions

The temporarily restricted net assets balance represents amounts donated to the Foundation where the donor has imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to the stipulation. For the year ended December 31, 2011, the Foundation recorded \$517,022 in temporarily restricted contributions.

These temporarily restricted contributions include approximately \$230,000 received from a corporation affiliated to a board member. The contributions were restricted to and delivered by the Foundation to the board members' charitable family foundation in El Salvador.

Note 6 – Permanently Restricted Net Assets

The Foundation established an endowment fund to be held indefinitely, which is held in investment accounts. Income from the endowment is to be used for the support of the Foundation (See Note 2).

Note 7 – In-Kind Contributions and Inventory

The Foundation has recorded the fair value of in-kind contributions received. However, for the year ended, December 31, 2011, several donations received from a donor were accepted in an agency transaction and shipped to El Salvador. As a result, the Foundation agreed not to record the value of those donations in its financial statements. The value of those contributions received which are not included as in-kind contributions totaled \$10,725,612.

In addition, at year end, the Foundation held in a warehouse \$1,665,695 of in-kind goods received, but not shipped. These goods were pledged to FUSAL at year end and shipped subsequently. A corresponding liability for the same amount of inventory held has been recorded in the financial statements.