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certified public accountants & business advisors

**SALÓN LITERARIO LIBROAMÉRICA EN PUERTO RICO, INC.**  
**FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED DECEMBER 31, 2010,**  
**TOGETHER WITH INDEPENDENT ACCOUNTANTS'**  
**COMPILATION REPORT**

# SALÓN LITERARIO LIBROAMÉRICA EN PUERTO RICO, INC.

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## INDEPENDENT ACCOUNTANTS, COMPILATION REPORT

To the Board of Directors of  
Salón Literario Libroamérica en Puerto Rico, Inc.

We have compiled the accompanying statement of financial position of Salón Literario Libroamérica en Puerto Rico, Inc. (a corporation) as of December 31, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Guzmán Torres & Co., P.S.C.*

CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2011

Stamp 2583890  
Of the Puerto Rico Society  
of Certified Public Accountants  
was affixed to original.

**SALON LITERARIO LIBROAMERICA EN PUERTO RICO, INC.**  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

*(See accompanying Independent Accountants' Compilation Report)*

**ASSETS**

CURRENT ASSETS:

CASH

Cash - Checking Account

\$ 66,146

Total

66,146

TOTAL ASSETS

\$ 66,146

**LIABILITIES AND NET ASSETS**

LIABILITIES:

ACCOUNTS PAYABLE

\$ 32,000

LINE OF CREDIT

15,000

Total

\$ 47,000

NET ASSETS:

NET ASSETS - UNRESTRICTED

19,146

TOTAL LIABILITIES AND NET ASSETS

\$ 66,146

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

**SALON LITERARIO LIBROAMERICA EN PUERTO RICO, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2010**

*(See accompanying Independent Accountants' Compilation Report)*

**UNRESTRICTED REVENUES AND SUPPORT:**

Unrestricted cash contributions, grants and activities, including \$150,000 from previous year restricted funds	\$ 439,372
Total revenues	<u>439,372</u>

**PROGRAM AND SUPPORTING EXPENSES:**

Professional fees and labor	225,215
Advertising and promotion	32,044
Rental	24,415
Other	12,536
Office	7,218
Travel	136,103
Total program and supporting expenses	<u>437,531</u>

INCREASE IN UNRESTRICTED NET ASSETS	1,841
NET ASSETS-UNRESTRICTED, beginning of period	<u>17,305</u>
TOTAL NET ASSETS-UNRESTRICTED, end of period	<u>\$ 19,146</u>

**RESTRICTED REVENUES AND SUPPORT:**

Transfer to unrestricted funds	<u>\$ (150,000)</u>
DECREASE IN RESTRICTED NET ASSETS	(150,000)
NET ASSETS-RESTRICTED, beginning of period	<u>150,000</u>
TOTAL NET ASSETS-RESTRICTED, end of period	<u>\$ -</u>

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

**SALON LITERARIO LIBROAMERICA EN PUERTO RICO, INC.**  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2010

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*(See accompanying Independent Accountants' Compilation Report)*

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in unrestricted net assets	\$ 1,841
Decrease in unrestricted net assetss	(150,000)
Net changes in operating assets and liabilities:	
Restricted grant receivable	150,000
Accounts payable	32,000
Accrued expenses	<u>(2,750)</u>
Net cash provided by operating activities	31,091
Increase in line of credit payable	<u>15,000</u>
NET INCREASE IN CASH	46,091
CASH, beginning of period	<u>20,055</u>
CASH, end of period	<u>\$ 66,146</u>

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

# SALÓN LITERARIO LIBROAMÉRICA EN PUERTO RICO, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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*(See accompanying Independent Accountants' Compilation Report)*

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization and Nature of Activities*** – Salón Literario Libroamérica en Puerto Rico, Inc. Inc. (“the Organization”) was incorporated as a Not-for-Profit Corporation on April 7, 2008, under the laws of the Commonwealth of Puerto Rico. The Organization is a non-political, non-religious entity, created to promote the Puerto Rican culture overseas, specially at the Latin-American level, and to promote in Puerto Rico the analysis and discussion of Puerto Rican and foreign literature. The Organization is a non-stock corporation. Its Board of Directors will develop and promote activities and request contributions that will provide the necessary funds to support the Organization’s operations.

***Basis of Accounting*** - The financial statements of the Organization have been prepared under the accrual basis of accounting. For the period ended December 31, 2010, the Organization did not own a permanent place of business or leased premises, and incurred in no rental expenses. However, the Organization was allowed to use on a temporary basis, certain office facilities leased by a member of its Board of Directors, at no cost. Also, the Instituto de Cultura Puertorriqueña, a government agency, allowed the use of certain facilities owned by the Instituto, at a nominal cost. No revenue or expense for in-kind rent contributions has been recorded on the Organization’s books.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), 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 reported period. Actual results could differ from those estimates.

***Cash and Equivalent***s - For purposes of reporting cash flows, the Organization considers all cash not subject to withdrawal restriction or penalties, certificates of deposit and other investments with original maturities of 90 days or less, to be cash or cash equivalents.

***Financial Statement Presentation*** – The Organization presents its financial statements as provided for Not-For-Profit Organizations. Under this approach, the Organization is required to report the information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

***Contributions*** – The Organization also follows the provisions regarding accounting for contributions received and contributions made. Under this approach, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

***Accounting for Income Taxes*** – The Puerto Rico Treasury Department granted the

Organization exemption under Section 1101(4) of the Puerto Rico Internal Revenue Code, as amended. As such, the Organization is exempt from the payment of income tax on the income and donors' contributions it receives. The exemption also applies to the payment of other state and municipal taxes. Subject to compliance with the requirements of the Code, this exemption is for an indefinite time, and the donors can claim an income tax deduction, based on certain limitations imposed also by the Code.

For period ended December 31, 2010, all contributions and revenue received were exempt from income tax. Also, as provided by GAAP, the Organization follows an approach that requires that it will recognize the financial statement effects, if any, of a tax position when it is more likely than not, based on the technical merits, that the position will not be sustained upon examination by a competent authority. As of December 31, 2010, management has concluded that no provision for this reason is necessary.

## **2. CONCENTRATION OF CREDIT RISK**

The Organization's cash and cash equivalents balances in financial institutions may, at times, exceed federally insured limits. The Organization places such accounts with high-quality financial institutions and has not experienced any losses on such balances in the past.

## **3. SUBSEQUENT EVENTS**

During May 2010, the Organization organized and presented an international literary event, the 2010 Festival of the Word ("Festival de la Palabra de 2010"). The Festival included literary contests, workshops, and art events, talks in schools and to the general public. The Festival was intended to contribute to the internationalization of literary culture in Puerto Rico and to promote reading and literary production on the Island. This event took place in San Juan, and included presentations by international authors producing work in Spanish.

Subsequent to December 31, 2009, the Organization collected the sum of \$150,000, from the "Instituto de Cultura Puertorriqueña". This amount was presented as a grant receivable in the financial statements as of December 31, 2009. This Grant was restricted and was used to pay expenses incurred in the Festival, subject to budget limitations imposed by the "Instituto". The Organization filed a report with the "Instituto" to show it complied with its contract with the "Instituto".

As of the date of this Report, the Organization is in the process of organizing the 2011 Festival of the Word ("Festival de la Palabra de 2011"). The Organization is also in the process of requesting contributions from government agencies and private foundations to secure the necessary funding to pay for this Festival, and for the continuation of its activities.