

**SALÓN LITERARIO LIBROAMÉRICA EN PUERTO RICO, INC.**  
**FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED DECEMBER 31, 2009,**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

# SALÓN LITERARIO LIBROAMÉRICA EN PUERTO RICO, INC.

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*José M. Castro*  
*Certified Public Accountant*

**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying statement of financial position of Salón Literario Libroamérica en Puerto Rico, Inc. (the Organization) as of December 31, 2009, and the related statement of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salón Literario Libroamérica en Puerto Rico, Inc. as of December 31, 2009, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*José M. Castro, CPA*

CERTIFIED PUBLIC ACCOUNTANT  
October 29, 2010

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**SALON LITERARIO LIBROAMERICA EN PUERTO RICO, INC.**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009

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*(See accompanying Independent Accountant's Audit Report)*

**ASSETS**

CURRENT ASSETS:

CASH

|                               |    |               |
|-------------------------------|----|---------------|
| Cash - Checking Account       | \$ | 15,055        |
| Cash - Certificate of Deposit |    | <u>5,000</u>  |
| Total                         |    | <u>20,055</u> |

|                           |  |                |
|---------------------------|--|----------------|
| GRANT RECEIVABLE (Note 2) |  | <u>150,000</u> |
|---------------------------|--|----------------|

|              |    |                |
|--------------|----|----------------|
| TOTAL ASSETS | \$ | <u>170,055</u> |
|--------------|----|----------------|

**LIABILITIES AND NET ASSETS**

|                  |    |              |
|------------------|----|--------------|
| ACCRUED EXPENSES | \$ | <u>2,750</u> |
|------------------|----|--------------|

**NET ASSETS**

|                           |  |                |
|---------------------------|--|----------------|
| NET ASSETS - UNRESTRICTED |  | 17,305         |
| NET ASSETS - RESTRICTED   |  | <u>150,000</u> |
| Total                     |  | <u>167,305</u> |

|                                  |    |                |
|----------------------------------|----|----------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | <u>170,055</u> |
|----------------------------------|----|----------------|

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, 2009

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*(See accompanying Independent Accountant's Audit Report)*

**UNRESTRICTED REVENUES AND SUPPORT:**

|                                                |               |
|------------------------------------------------|---------------|
| Unrestricted cash contributions and activities | \$ 17,809     |
| Total revenues                                 | <u>17,809</u> |

**PROGRAM AND SUPPORTING EXPENSES:**

|                                       |               |
|---------------------------------------|---------------|
| Professional fees                     | 12,125        |
| Office                                | 2,115         |
| Travel                                | 4,078         |
| Total program and supporting expenses | <u>18,318</u> |

DECREASE IN UNRESTRICTED NET ASSETS (509)

NET ASSETS-UNRESTRICTED, beginning of period 17,814

TOTAL NET ASSETS-UNRESTRICTED, end of period \$ 17,305

**RESTRICTED REVENUES AND SUPPORT:**

Restricted Grant receivable \$ 150,000

INCREASE IN RESTRICTED NET ASSETS 150,000

NET ASSETS-RESTRICTED, beginning of period -

TOTAL NET ASSETS-RESTRICTED, end of period \$ 150,000

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, 2009

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*(See accompanying Independent Accountant's Audit Report)*

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                                                              |    |                      |
|----------------------------------------------------------------------------------------------|----|----------------------|
| Decrease in unrestricted net assets                                                          | \$ | (509)                |
| Increase in restricted net assets                                                            |    | 150,000              |
| Adjustment to reconcile increase in net assets to net cash provided by operating activities: |    |                      |
| Net change in operating assets and liabilities:                                              |    |                      |
| Restricted grant receivable                                                                  |    | (150,000)            |
| Accrued expenses                                                                             |    | 2,750                |
| Net cash provided by operating activities                                                    |    | <u>2,241</u>         |
| NET INCREASE IN CASH                                                                         |    | 2,241                |
| CASH, beginning of the period                                                                |    | <u>17,814</u>        |
| CASH, end of period                                                                          | \$ | <u><u>20,055</u></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, 2009

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*(See accompanying Independent Accountant's Audit Report)*

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

***Organization and Nature of Activities*** – Salón Literario Libroamérica en Puerto Rico, 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, 2009, the Organization did not have 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. 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 Equivalents*** - 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 donor's 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, 2009, 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, 2009, 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 is presented as a grant receivable in these financial statements. This Grant is restricted and must be 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".

The Organization is still in the process of requesting additional contributions from government agencies and private foundations to secure the necessary funding to pay for accrued expenses incurred as a result of the Festival, and for the continuation of its activities.