# MAISON FORTUNÉ ORPHANAGE FOUNDATION

## FINANCIAL REPORT

**June 30, 2013**

# CONTENTS

Cherie A. James, CPA, PLC
Competence • Passion • Accuracy

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
**Maison Fortuné Orphanage Foundation**

I have audited the accompanying financial statements of **Maison Fortuné Orphanage Foundation**, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Maison Fortuné Orphanage Foundation** as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cherie A. James CPA, PLC

Virginia Beach, Virginia
October 24, 2013



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# MAISON FORTUNÉ ORPHANAGE FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2013

| | | |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ | 260,960 |
| Certificate of deposit (Matures January 6, 2014) | | 10,260 |
| Accounts receivable | | 15,343 |
| Investments - Board designated endowment | | 520,212 |
| Prepaid expense | | 500 |
| **Total assets** | $ | 807,275 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 7,300 |
| Due to orphanage | | 1,650 |
| Accrued payroll and taxes | | 178 |
| | | 9,128 |
| **NET ASSETS** | | |
| Unrestricted | | 716,771 |
| Temporarily restricted | | 81,376 |
| **Total net assets** | | 798,147 |
| **Total liabilities and net assets** | $ | 807,275 |

**CONCENTRATIONS (Note 6)**
**SUBSEQUENT EVENTS (Note 8)**

See Notes to Financial Statements.

## MAISON FORTUNÉ ORPHANAGE FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended June 30, 2013**

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **Public support and revenues** | | | |
| Public support: | | | |
| Direct contributions | 291,298 | 89,348 | 380,646 |
| Combined Federal Campaigns | 30,107 | - | 30,107 |
| | 321,405 | 89,348 | 410,753 |
| Revenues: | | | |
| Investment income | 10,574 | - | 10,574 |
| Interest earned | 217 | - | 217 |
| Unrealized net gain on investments | 41,642 | - | 41,642 |
| | 52,433 | - | 52,433 |
| **Total support and revenue** | 373,838 | 89,348 | 463,186 |
| **Expenses** | | | |
| Grants and awards to orphanage | 367,837 | - | 367,837 |
| Management and general | 25,953 | - | 25,953 |
| Fundraising | 1,877 | - | 1,877 |
| **Total expenses** | 395,667 | - | 395,667 |
| **Change in net assets from activities** | (21,829) | 89,348 | 67,519 |
| **Net assets released from restrictions** | 127,022 | (127,022) | - |
| **Change in net assets** | 105,193 | (37,674) | 67,519 |
| Net assets, beginning of year | 611,578 | 119,050 | 730,628 |
| **Net assets, end of year** | $ 716,771 | $ 81,376 | $ 798,147 |

**See Notes to Financial Statements.**

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

| | Total Program Expenses | Fundraising | Management and General | Total |
|---|---|---|---|---|
| **Grants and awards sent to orphanage for operations** | $ 347,941 | $ - | $ - | $ 347,941 |
| **Return unused grant funds** | 5,000 | - | - | 5,000 |
| **Orphanage expenses paid directly by Foundation:** | | | | |
| Higher education | 11,722 | - | - | 11,722 |
| Container fees | 2,706 | - | - | 2,706 |
| Internet connectivity | 332 | - | - | 332 |
| Medicine and medical supplies | 118 | - | - | 118 |
| Travel | 18 | | | 18 |
| | 367,837 | - | - | 367,837 |
| **General and administrative expenses** | | | | |
| Audit fee | - | - | 5,800 | 5,800 |
| Bad debt expense | - | - | 5,700 | 5,700 |
| Printing | - | - | 4,573 | 4,573 |
| Travel | - | - | 3,228 | 3,228 |
| Postage | - | - | 2,679 | 2,679 |
| Documentary expenses | - | 1,877 | - | 1,877 |
| Supplies | - | - | 1,634 | 1,634 |
| Payroll and taxes | - | - | 1,433 | 1,433 |
| Wire fees | - | - | 430 | 430 |
| PayPal fees | - | - | 251 | 251 |
| Licenses | - | - | 225 | 225 |
| | - | 1,877 | 25,953 | 27,830 |
| **Total expenses** | $ 367,837 | $ 1,877 | $ 25,953 | $ 395,667 |

**See Notes to Financial Statements.**

## STATEMENT OF CASH FLOWS

**Year Ended June 30, 2013**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ | 67,519 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Bad debt expense | | 5,700 |
| Unrealized gain on investments | | (41,642) |
| Decrease (increase) in assets: | | |
| Accounts receivable | | 3,190 |
| Other receivables - donor pledges | | 4,450 |
| Prepaid expense | | (500) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | | 1,499 |
| Due to orphanage | | 1,650 |
| Accrued payroll and taxes | | (1,147) |
| **Net cash provided by operating activities** | | **40,719** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | | (85,745) |
| Redemption of certificates of deposit | | 15,022 |
| **Net cash used in investing activities** | | **(70,723)** |
| **Net decrease in cash and cash equivalents** | | **(30,004)** |
| Cash and cash equivalents, beginning | | 290,964 |
| **Cash and cash equivalents, ending** | $ | **260,960** |

**See Notes to Financial Statements.**

## Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

**Maison Fortuné Orphanage Foundation** (the Foundation) is a nonstock, nonprofit, Virginia corporation, formed in December 2001, that provides financial support to Maison Fortuné Orphanage in Hinche, Haiti (orphanage). The Foundation is supported primarily through contributions and grants from various entities and individuals, including the Combined Federal Campaigns of communities throughout the United States. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

A summary of the Company's significant accounting policies follows:

Cash and cash equivalents:

The Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables:

Accounts receivable include amounts due from Combined Federal Campaigns organizations. Management reviews pledges receivable to evaluate collectability annually. When a pledge is considered uncollectible, it is written off as a bad debt and included in management and general expenses. Management considers all accounts receivable to be collectible and, accordingly, has not provided an allowance for doubtful accounts.

Investments - Board designated endowment:

The Board of Directors has designated $520,212 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. The Foundation records investments at fair market value based on quoted prices in active markets and investments are classified by management as "available for sale." Accordingly, realized gains and losses, if any, are determined on the basis of the actual cost of the securities sold. Unrealized gains and losses are presented as a single amount in the statement of activities and changes in net assets. The Foundation's investments have been combined into an investment pool in order to maximize investment return and minimize management costs. Revenues arising from ownership or disposition of pooled investments are allocated to the various participants in the pool based on their percentage of assets in the pool. (See Notes 2 and 3)

Contributions:

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no permanently restricted assets as of June 30, 2013.

**Notes continued on next page.**

## Note 1. Nature of Activities and Significant Accounting Policies (continued)

Recognition of revenue:

Contributions designated for individual programs with donor specifications for use during future periods are included in deferred revenue. Contributions designated for specific programs without a future time limitation are recorded as revenue when received. Contributions are recognized as income in the period in which they are received even though the related liabilities and expenses may be incurred over one or more future periods. Proper application of this principle may cause the recognition of substantial income in one accounting period with little or no offsetting liability or expense while the opposite effect may occur in subsequent periods. Grants and other revenues that are considered to be exchange transactions are recognized as revenues in the periods in which they are considered to be earned.

Financial statement presentation

The Foundation reports 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. The Foundation does not use fund accounting.

Donated services:

The value of donated services is not reported in these financial statements since it is not susceptible to objective measurement or valuation..

Donated assets

Donated assets, if any, are recognized in the financial statements at their estimated fair market values at the date they are received.

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of accounting

The Foundation prepares its financial statements using the accrual method of accounting. Accordingly, the financial statements include all of the Foundation's significant receivables and payables as of June 30, 2013.

**Notes continued on next page.**

## Note 2. Investments

Investments consist of the following:

| | Cost | Market | Unrealized Gain |
|---|---|---|---|
| Equities | $ 299,859 | $ 335,001 | $ 35,142 |
| Fixed income and cash | 165,782 | 185,211 | 19,429 |
| | $ 465,641 | $ 520,212 | $ 54,571 |

A summary of return on investments consists of the following:

| | |
|---|---|
| Interest and dividend income | $ 10,574 |
| Net realized and unrealized loss | 41,642 |
| | $ 52,216 |

## Note 3. Fair Value Measurement

The Foundation has certain assets and liabilities that are valued using a fair value hierarchy. The three levels of fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determiniation of fair value requires significant managment judgement of estimation.

Notes continued on next page.

## Note 3. Fair Value Measurement (continued)

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation's investments are valued at the net asset value (NAV) of shares held by the Catholic Diocese of Richmond at year end and are allocated to the Foundation based on its ownership percentage. There has been no change in the methodology used at June 30, 2012.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or be reflective of future fair values. Furthermore, although the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities | $ - | $ 335,001 | $ - | $ 335,001 |
| Fixed income and cash | - | 185,211 | - | 185,211 |
| **Total assets** | $ - | $ 520,212 | $ - | $ 520,212 |

## Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and grants for specific uses by the orphanage as follows:

| | |
|---|---|
| Higher education | $ 35,662 |
| Wellness | 12,459 |
| Nutritious food | 7,000 |
| Administrative payroll expenses | 6,046 |
| Trade school | 5,831 |
| Dental equipment | 5,000 |
| Library | 4,221 |
| Solarization | 2,610 |
| Travel | 2,177 |
| Other | 370 |
| | $ 81,376 |

**Notes continued on next page.**

## Note 5. Intentions to Give

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give approximated $200,000 at June 30, 2013.

## Note 6. Concentrations of Credit Risk

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to risk consist principally of cash and investments. The Foundation places its cash and investments with high quality financial institutions. As of June 30, 2013, the Foundation had uninsured cash and investments of $44,311.

## Note 7. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income, if any, derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Foundation is required to file income tax returns. Tax years before 2009 are no longer subject to federal or state income tax examinations. Management continually evaluates tax positions reflected in the Foundation's tax filing and does not believe any material uncertain tax positions exist.

## Note 8. Subsequent Events

The Foundation has evaluated subsequent events through October 24, 2013, which is the date these financial statements were available to be issued.