MAISON FORTUNÉ ORPHANAGE FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2016

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CLIFFORD ACCOUNTING SERVICES, LLC 804-370-4275
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Maison Fortuné Orphanage Foundation

Report on the Financial Statements
I have audited the accompanying financial statements of Maison Fortuné Orphanage Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 of 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 Foundation'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 purposes of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the 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 in the first paragraph present fairly, in all material respects, the financial position of Maison Fortuné Orphanage Foundation as of June 30, 2016, 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.

Clifford Accounting Services, LLC

Clifford Accounting Services, LLC
Quinton, VA
August 19, 2016

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MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2016

Assets		
Cash and cash equivalents	$	92,495
Contributions receivable		1,920
Deferred event costs		6,241
Investments (See Note 1-Board designated endowment)		455,449
Total assets	$	556,105
Liabilities and net assets		
Accounts payable	$	13,396
Accrued liabilities		2,667
Advances		9,440
Deferred event revenue		20,924
Total liabilities		46,427
Net assets:		
Unrestricted		498,420
Temporarily restricted		11,258
Total net assets		509,678
Total liabilities and net assets	$	556,105

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

MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	*Temporarily Restricted*	*Total*
Public support and revenues			
Direct contributions	$ 250,771	$ 26,687	$ 277,458
Combined Federal Campaigns	4,307	-	4,307
Special events	42,369	-	42,369
Less cost of direct benefit to others	(5,382)	-	(5,382)
Investment income	528	-	528
Interest earned	106	-	106
Net realized/unrealized gain/(loss) on investments	588	-	588
Total support and revenues	293,287	26,687	319,974
Net assets released from restrictions	78,680	(78,680)	-
Total support and revenues	371,967	(51,993)	319,974
Expenses			
Program expenses	(393,457)	-	(393,457)
Management and general	(77,100)	-	(77,100)
Fundraising	(28,047)	-	(28,047)
Total expenses	(498,604)	-	(498,604)
Change in net assets	(126,637)	(51,993)	(178,630)
Net assets, beginning of year	625,057	63,251	688,308
Net assets, end of year	$ 498,420	$ 11,258	$ 509,678

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

MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Total Program Expense	Fundraising	Management and General	Total
Grants to Orphanage	$ 345,459	$ -	$ -	$ 345,459
Orphanage expenses paid directly by Foundation:				
Education	43,117	-	-	43,117
Other expenses	354	-	-	354
Medicine and medical supplies	4,527	-	-	4,527
	393,457	-	-	393,457
General and administrative expenses				
Professional fees	-	-	17,187	17,187
Bad debt expense	-	-	1,254	1,254
Newsletter printing	-	3,259	-	3,259
Postage	-	-	326	326
Promotional	-	23,558	-	23,558
Office supplies	-	64	772	836
Travel	-	-	3,247	3,247
Wire fees	-	-	1,140	1,140
Community sponsorships	-	-	400	400
PayPal fees	-	1,166	-	1,166
Salary and payroll taxes	-	-	50,929	50,929
Retirement benefits	-	-	1,500	1,500
Licenses	-	-	345	345
	-	28,047	77,100	105,147
Total expense	$ 393,457	$ 28,047	$ 77,100	$ 498,604

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

MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (178,630)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:	
Bad debt expense	1,254
Net realized/unrealized gain/(loss) on investments	(588)
(Increase)/decrease in operating assets:	
Contributions receivable	5,603
Prepaid and deferred costs	(622)
Other assets	503,504
Increase/(decrease) in operating liabilities:	
Accounts payable	5,233
Accrued liabilities	(3,142)
Advances	9,440
Deferred revenue	18,424
Net cash provided by/(used in) Operating Activities	360,476
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(454,333)
Proceeds from certificates of deposit	25,187
Net cash provided by/(used in) Investing Activities	(429,146)
Net change in cash and cash equivalents	(68,670)
Cash and cash equivalents at beginning of year	161,165
Cash and cash equivalents at end of year	$ 92,495
Supplemental information – interest paid	$ -

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

1. Nature of Activities and Significant Accounting Policies

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 (the 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 Foundation's significant accounting policies follows:

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, 2016.

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. Net assets and changes in net assets are reported based upon the existence or absence of restrictions on the use that is placed by its donors, as follows:

> *Unrestricted Net Assets*: Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation and its application of tax-exempt status.
>
> *Temporarily Restricted Net Assets*: Temporarily restricted net assets are resources that are restricted by a donor for the use of a particular purpose or in a future period. When a donor's restriction is satisfied, the expiration is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.
>
> *Permanently Restricted Net Assets*: Permanently restricted net assets are resources that the donor has stipulated be held in perpetuity. There were no permanently restricted assets as of June 30, 2016.

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.

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:

Contributions receivable are primarily unconditional promises to give by donors that are recognized as contributions when the promise is received. Contributions receivable also includes amounts due from Combined Federal Campaign 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 contributions receivable to be collectible and, accordingly, has not provided an allowance for doubtful accounts.

Investments:

The Foundation records investments at fair market value based on quoted prices in active markets. 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.

Board designated endowment:

The endowment consists of investments purchased with the following resources:

- Unrestricted funds which the Board of Directors has designated as part of the general endowment fund.
- Gifts and contributions received over the years that the Foundation has designated as unrestricted funds functioning as endowment and invested with the endowment funds.

The endowment also includes unspent investment income and net gains. The Board’s spending and investment policies are discussed in Note 5.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently 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.

Recognition of 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. Special event revenue from tickets and sponsorships is reported in the fiscal year the event is held. As such, proceeds from special event revenues received in the year prior to the event will be recorded as deferred revenue.

Expense recognition and allocation:

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. If costs are common to multiple functions, the costs are allocated among the various functions benefited. Fundraising costs are generally expensed as incurred, even though they may result in contributions received in future years. However, direct special event costs are reported in the fiscal year the event is held. Cash advances from joint arrangements related to special event cost sharing activities prior to the year the event is held are shown in the Statement of Financial Position as a current liability.

The Foundation's policy is to expense advertising as incurred. Advertising expenses during the year ended June 30, 2016 were $3,585.

Gifts in-kind:

The Foundation may periodically receive a contribution in a form other than cash. If the Foundation receives a contribution of equipment or materials, the contributed asset is recognized at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Foundation's capitalization policy. If the donor stipulates how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Donated supplies are recorded as contributions at the date of the gift and expensed when the donated items are placed into service.

Donated services:

The Foundation benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services to the Foundation's program operations and in its fundraising campaigns. However, the contributed services do not meet the criteria for recognition in the financial statements. Generally accepted accounting principles allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

2. Contributions Receivable

Contributions receivable at June 30, 2016 due in less than one year totaled $1,920 and are recorded as unrestricted revenues. Due to the short term nature of the receivables, they have not been discounted and are recorded at net realizable value. Bad debt expense for the year ending June 30, 2016 was $1,254.

3. Investments

Investments consist of the following as of June 30, 2016:

	Fair Value
Money Market Funds	$ 302,157
Time Deposits	54,606
Exchange Traded Funds	98,686
	$ 455,449

A summary of return on investment for the year ending June 30, 2016 consists of the following:

Interest and dividend income	$ 528
Net realized/unrealized gains/(losses)	588
	$ 1,116

4. 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 determination of fair value requires significant management judgment of estimation. There were no Level 3 transactions during the year.

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 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. There were no transfers between levels during the year.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Cash and cash alternatives	$ 302,157	$ -	$ -	$ 302,157
Time deposits	54,606			54,606
Exchange traded funds	98,686			98,686
Total	$ 455,449	$ -	$ -	$ 455,449

5. Accounting for Endowments

The Endowment fund consists of unrestricted funds designated by the board and gifts and contributions received over the years that the Foundation has designated as unrestricted funds functioning as endowment. The earnings of the endowment funds support the mission of the Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions or the law.

The Foundation's Board of Directors has determined that the net assets of the Endowment fund do not meet the definition of endowment under the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation is governed subject to its Endowment Fund Management Policies and contributions are subject to the terms of the Policy. Under the terms of the Policy, the Foundation has the ability to set and change the corpus at its discretion and to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the Endowment fund is established, subject to the intent of the donor as expressed in any gift instrument. As such, those net assets that are not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies for endowment assets that attempt to maximize total return consistent with an acceptable level of risk and provide a predictable stream of funding for programs supported by the endowment. The Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The change in the net assets of the endowment is as follows:

Unrestricted Endowment net assets, July 1, 2015	$	504,033
Return on investments		1,116
Contributions		-
Appropriations for expenditures		(49,700)
Unrestricted Endowment net assets, June 30, 2016	$	455,449

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and grants for specific uses by the Orphanage as of June 30, 2016 are as follows:

Education	$2,168
Capital	7,270
Solarization	1,820
Total restricted by purpose	$11,258

The Foundation has not classified the cash from these donations as cash restricted for long term use due to the anticipated level of program activities and spending.

7. 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, 2016.

8. Concentrations of Credit Risk

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. The Foundation places its cash and cash equivalents with high quality financial institutions. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents as of June 30, 2016.

9. Retirement Plan

The Foundation established a 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting the eligibility requirements. The Plan, operated under section 403(b) of the Internal Revenue Code, is funded by an elective employee deferral and a non-elective employer match. The Organization's cost of the matching contribution for the year ending June 30, 2016 was $1,500.

10. 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 2012 are no longer subject to federal or state income tax examinations. Management continually evaluates tax positions reflected in the Foundation's tax filings and does not believe any material uncertain tax positions exist.

11. Subsequent Events

The Foundation has evaluated subsequent events through August 19, 2016 which is the date these financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.