MAISON FORTUNÉ ORPHANAGE FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 14, 2019

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MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019

Assets		
Cash and cash equivalents	$	7,243
Contributions receivable		12,209
Investments, net of expenses (See Note 1-Board designated endowment)		363,098
Total assets	$	382,550
Liabilities and net assets		
Accounts payable	$	7,620
Accrued liabilities		1,371
Total liabilities		8,991
Net assets:		
Without donor restrictions (See Note 6)		360,899
With donor restrictions (See Note 8)		12,660
Total net assets		373,559
Total liabilities and net assets	$	382,550

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

MAISON FORTUNÉ ORPHANAGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Public support and revenues			
Direct contributions	$ 279,375	$ 85,145	$ 364,520
Combined Federal Campaigns	6,121	-	6,121
Interest earned	4	-	4
Investment income	6,670	-	6,670
Net realized/unrealized gain/(loss) on investments	12,719	-	12,719
Total support and revenues	304,889	85,145	390,034
Net assets released – Satisfaction from program restrictions	115,043	(115,043)	-
Total support and revenues	419,932	(29,898)	390,034
Expenses			
Program expenses	(387,191)	-	(387,191)
Management and general	(54,642)	-	(54,642)
Fundraising	(37,569)	-	(37,569)
Total expenses	(479,402)	-	(479,402)
Change in net assets	(59,470)	(29,898)	(89,368)
Net assets, beginning of year (See Note 7)	420,369	42,558	462,927
Net assets, end of year	$ 360,899	$ 12,660	$ 373,559

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, 2019

	Program	Fundraising	Management and General	Total
Grants to Orphanage	$ 368,659	$ -	$ -	$ 368,659
Orphanage expenses paid directly by Foundation:				
Other expenses	6,833	-	-	6,833
General and administrative expenses				
Professional fees	-	14,396	16,878	31,274
Newsletter printing	-	4,173	-	4,173
Postage	-	-	195	195
Community sponsorship	-	1,452	-	1,452
Office supplies	-	-	157	157
Travel	-	-	2,590	2,590
Bank fees	4	6	4,950	4,960
Salary and payroll taxes	11,421	17,131	28,552	57,104
Retirement benefits	274	411	685	1,370
Licenses	-	-	635	635
Total expense	$ 387,191	$ 37,569	$ 54,642	$ 479,402

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(89,368)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Net realized/unrealized (gain)/loss on investments		(12,719)
(Increase)/decrease in operating assets:		
Contributions receivable		(5,169)
Prepaid and deferred costs		10,893
Investment, net of expenses		(6,670)
Increase/(decrease) in operating liabilities:		
Accounts payable and accruals		(425)
Net cash provided by/(used in) Operating Activities		(103,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from appropriated expenditures		25,000
Net cash provided by/(used in) Investing Activities		25,000
Net change in cash and cash equivalents		(78,457)
Cash and cash equivalents at beginning of year		85,700
Cash and cash equivalents at end of year	$	7,243
Supplemental information – interest paid	$	-
Supplemental information – Donated assets	$	-

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

MAISON FORTUNÉ ORPHANAGE FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019.

Financial statement presentation:

The Foundation reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions. 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:

> Net assets without donor restrictions: These are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and its application of tax-exempt status.
>
> Net assets with donor restrictions: These 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. This also includes resources that the donor has stipulated be held in perpetuity. There were no assets restricted for perpetuity as of June 30, 2019.

New accounting pronouncements:

The Foundation adopted FASB ASU 2016-14, *Not for Profit Entities (Topic 958) – Presentation of Financial Statements of Not for Profit Entities.* The update addresses the complexity and understandability of net asset classification deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided on investment return. Reclassifications resulting from the adoption are not material to the financial statements taken as a whole.

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. 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, as well as investment expenses. The Board's spending and investment policies are discussed in Note 5.

Contributions:

Contributions received are recorded as support without donor restrictions and support with donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, the net assets are reclassified 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 on a reasonable basis that is consistently applied. Salary and benefits are allocated on the basis of time and effort studies. 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, 2019 were $4,173.

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, 2019 due in less than one year totaled $12,209 and represent unconditional promises. Due to the short term nature of the receivables, they have not been discounted and are recorded at net realizable value.

3. Investments

Investments, net of expenses, consist of the following as of June 30, 2019:

	Fair Value
Cash and cash alternatives	$ 9,595
Exchange traded funds	353,503
	$ 363,098

A summary of return on investment for the year ending June 30, 2019 consists of the following:

Interest and dividend income, net of expenses of $2,909	$ 6,670
Net realized/unrealized gains/(losses)	12,719
	$ 19,389

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, 2019:

	Level 1	Level 2	Level 3	Total
Cash and cash alternatives	$ 9,595	$ -	$ -	$ 9,595
Exchange traded funds	353,503			353,503
Total	$ 363,098	$ -	$ -	$ 363,098

5. Accounting for Endowments

The Endowment fund consists of board designated funds, gifts and contributions received over the years that the Foundation has designated as endowment without donor restrictions. 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 have been classified as net assets without donor restrictions 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, 2018	$	368,709
Return on investments		19,389
Contributions		-
Appropriations for expenditures		(25,000)
Unrestricted Endowment net assets, June 30, 2019	$	363,098

6. Net Assets without Donor Restrictions

The Foundation's Board of Directors has standing board policies that impact the presentation of board-designated net assets. Bequests without donor restrictions are designated for long-term investment (quasi-endowment). However, the funds can be utilized for short-term cash flow needs. The quasi-endowment balance at June 30, 2019 was $363,098 and is included in Net Assets without Donor Restrictions within the Statement of Financial Position. The governing Board designated $250,000 of the quasi-endowment fund primary for long-term investment.

7. Restatements

For the year ended June 30, 2018, the Foundation inadvertently recorded a new project accounting code as a restricted account instead of an unrestricted account. As a result, approximately $22,719 of contributions were misclassified for the year ended June 30, 2018. During the year ended June 30, 2019, the current year contributions of $20,808 into that account were reclassified as contributions without donor restrictions.

The prior year net assets were also restated to allow for the reclassification. The effect is shown below:

Before restatement:		
Net Assets without donor restrictions	$	397,650
Net Assets with donor restrictions		65,277
Net Assets, June 30, 2018	$	462,927
After restatement:		
Net Assets without donor restrictions	$	420,369
Net Assets with donor restrictions		42,558
Net Assets, June 30, 2018	$	462,927

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributions and grants for specific purposes by the Orphanage as of June 30, 2019 are as follows:

Primary School	$	2,348
Girls Scholarship Fund		3,840
Girls Campus		650
Capital		5,002
Solarization		820
Total restricted by purpose	$	12,660

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.

9. Liquidity and Availability

The Foundation has approx. $119,890 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of $7,243, contributions receivable of $12,209, investments of $363,098 less the assets with donor restrictions of $12,660 and $250,000 of the quasi-endowment which the governing Board has designated primarily for long term investments.

The financial assets are available to utilize within one year for general expenditure purposes. The Foundation has a goal of having financial assets on hand to meet at least 60 days of normal operating expenses. As part of its liquidity management, the Foundation structures its financial assets to be available as the general expenditures, liabilities and other obligations become due. The Foundation believes it has adequate liquidity should an unforeseen need arise.

10. 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, 2019.

11. Commitments and Contingencies

During the fiscal year ended June 30, 2019, the Foundation did not transfer adequate operating capital from the endowment account. As shown in Note 9 above, the Foundation had adequate financial assets available to meet the cash needs for general expenditures. Consequently, the cash on hand, including the cash with donor restrictions, was used to fund operations until the oversight was corrected. During July 2019, the Foundation processed a $50,000 transfer from the endowment investment account to replenish the operating account, which included funding approximately $5,417 into the restricted cash account.

12. 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, 2019 was $1,370.

13. Related Party

In order to minimize risk to the Foundation, the Foundation entered into a cost-sharing agreement with another entity relating to the TAP! TAP! Craft Beer special event. A member of the Foundation's board of directors also serves on the board of directors of the other entity. The Foundation received $12,000 of profit for the calendar year 2018 TAP! TAP! event.

14. 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 2014 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.

15. Subsequent Events

The Foundation has evaluated subsequent events through August 14, 2019 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.