

**Restavek Freedom Foundation**

Financial Statements

Year Ended December 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Restavek Freedom Foundation

We have audited the accompanying financial statements of Restavek Freedom Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Restavek Freedom Foundation as of December 31, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Switzer, McGaughey & King, PSC  
Lexington, Kentucky  
July 10, 2017

RESTAVEK FREEDOM FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

ASSETS

Current Assets:

Unrestricted Cash and Cash Equivalents	\$ 757,495
Investments	994,037
Accounts Receivable, net	--
Other Receivables	13,890
	<hr/>
Total Current Assets	1,765,422

Fixed Assets:

Land and Buildings	1,705,625
Vehicles	266,275
Office Equipment	25,179
Other Equipment	4,000
	<hr/>
	2,001,079
Less Accumulated Depreciation	(272,836)
	<hr/>
Fixed Assets, Net	1,728,243
	<hr/>
<b>Total Assets</b>	<b>\$ 3,493,665</b>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 30,269
Accrued Payroll	11,623
	<hr/>
Total Current Liabilities	41,892

Net Assets:

Unrestricted	3,355,827
Temporarily Restricted	95,946
Permanently Restricted	-
	<hr/>
Total Net Assets	3,451,773
	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,493,665</b>
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See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenues, Gains &amp; Other Support:</u>				
Contributions	\$ 1,907,088	\$ 532,228	\$ -	\$ 2,439,316
Other Income	5,966	-	-	5,966
Dividend & Interest Income, net	22,080	-	-	22,080
Gain on Investments	60,501	-	-	60,501
Net Assets Released from Restrictions	558,179	(558,179)	-	-
Total Revenues, Gains & Other Support	2,553,814	(25,951)	-	2,527,863
<u>Expenses:</u>				
Program Services:				
Child Advocacy	363,925	-	-	363,925
Leadership Development	344,672	-	-	344,672
Awareness	329,239	-	-	329,239
Rural Community Programs	218,070	-	-	218,070
Hurricane Relief	172,792	-	-	172,792
Child Protection	115,326	-	-	115,326
Other Program Development	312,719	-	-	312,719
Supporting Services:				
Management & General	144,234	-	-	144,234
Fundraising	77,897	-	-	77,897
Total Expenses	2,078,874	-	-	2,078,874
Change in Net Assets	474,940	(25,951)	-	448,989
Net Assets, Beginning of Year	2,880,887	121,897	-	3,002,784
Net Assets, End of Year	\$ 3,355,827	\$ 95,946	\$ -	\$ 3,451,773

See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Cash Flow From Operating Activities:**

Increase in Net Assets	\$ 448,989
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	57,871
Realized & Unrealized Loss on Investments, net	(82,559)
Contributions of Securities	(627)
Decrease in Operating Assets:	
Accounts Receivable	720
Other Receivables	9,765
Increase in Operating Liabilities:	
Accounts Payable	(8,096)
Accrued Payroll	2,187
	428,250
Net Cash Provided by Operating Activities	428,250

**Cash Flow From Investing Activities:**

Purchase of Fixed Assets	--
Sale of Investments	70,000
	70,000
Net Cash Provided by Investing Activities	70,000

Increase in Cash	498,250
Cash at Beginning of Year	259,245
	757,495
Cash at End of Year	\$ 757,495

Supplemental Disclosures:

Cash Paid for Interest Expense	\$ -
Cash Paid for Income Taxes	\$ -

See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION  
NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Restavek Freedom Foundation (the Organization) exempt purpose is to help the population of former, current and potential restavecs, the majority of whom are located in Port au Prince, Haiti. By receiving and disbursing donations, money will be available to secure necessary educational supplies and medical supplies for Haitian children living in poverty, unable to attend school or to receive the most basic of hygienic and medial care.

In 2016, the Organization was supported through donor contributions. The officers of the Organization contributed approximately 10% of the Organization's support in 2016. The Organization is a 501(c)(3) non-profit corporation.

Promises to Give

Contributions are recognized when received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

During 2015, grantors that previously provided promises to give changed their grants to expense reimbursements. The Organization now receives reimbursements on these grants based on money expended and therefore, no grant receivable is recorded as of December 31, 2016.

Contributed Services

During the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization receives more than 3,000 volunteer hours per year.

Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Under the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, the Organization is required to report 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.

RESTAVEK FREEDOM FOUNDATION  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
DECEMBER 31, 2016

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Also under SFAS No. 116, receipts of unconditional promises to give with payments due in future periods have been reported as temporarily restricted net assets.

Income Taxes

The Organization is a not-for-profit organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization did not have 2016 income subject to unrelated business income tax on Form 990-T.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all bank balances and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value based on available market values at year end. Unrealized and realized gains and losses are recorded in the Statement of Activities.

Fixed Assets

Fixed assets are recorded at cost if purchased or fair value if contributed. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The fixed assets owned by the foundation are all in use in Haiti. The Organization normally capitalizes fixed assets that have lives over one year and a cost basis in excess of \$2,500.

NOTE B – RESTRICTIONS ON NET ASSETS

During 2016, the Organization was awarded various grants by several private foundations which were restricted for use in certain activities or specific programs that are essential to the Organization's operations in Haiti. The Organization received \$532,228 in such support during 2016. Also during 2016, the Organization expended \$558,179 in temporarily restricted assets, part of which was received in 2015. The remaining balance of \$95,946 is reported as temporarily restricted net assets as of December 31, 2016.



RESTAVEK FREEDOM FOUNDATION  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
DECEMBER 31, 2016

NOTE C – INVESTMENTS

At December 31, 2016, the fair value of investments consisted of the following:

Common Stock	
Consulting	\$ 20,306
Consumer Products	103,339
Energy	31,589
Health Care	25,191
Financials	71,083
Information Technology	50,038
Manufacturing	6,416
Precious Metals	22,771
 Mutual Funds	
Non-Directional	312,018
Energy	38,968
Fixed Income Equities	252,043
Industrial	14,908
 Uninvested Cash	<u>45,367</u>
 Total	<u>\$ 994,037</u>

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes here levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that is observable or can be observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

RESTAVEK FREEDOM FOUNDATION  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
DECEMBER 31, 2016

NOTE C – INVESTMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

All of the Organization's investments, which include cash, equities and mutual funds and total \$994,037 as of December 31, 2016, are classified Level 1. The fair values of these investments are based upon quoted prices for identical assets in active markets that the entity has the ability to access as of the measurement date.

Investment expenses totaling \$199 for the year ended December 31, 2016 were netted with dividend and interest income in the Statement of Activities.

NOTE D – PROMISES TO GIVE

The only promises to give relates to individual donors who are making monthly payments to the Sponsor a Child program. There are no pledges to the Foundation that are for longer than one year.

NOTE E – CONCENTRATIONS

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Organization's cash deposits are in financial institutions in Ohio and Haiti and may at times exceed federally insured amounts. The Organization performs ongoing evaluations of their donors. Although the Organization is directly affected by the wellbeing of the economy in general, management does not believe significant credit risk exists at December 31, 2016.

NOTE F – LEASES

The Organization is subject to a year-to-year lease agreement for residential space in Haiti. A two-year lease agreement for office space was signed in August 2015 at \$39,600 per year, however this lease was cancelled in May 2016. A new lease was signed in May 2016 and expires September 15, 2016. This lease requires 6 payments of \$1,200. Therefore, future minimum lease payments are \$7,200.

The Organization has also signed an agreement with a vendor for use of hosted website applications including general ledger and online giving portals. The Organization has agreed to an annual renewal fee of \$27,548 per year for three additional years beginning in March 2016.

RESTAVEK FREEDOM FOUNDATION  
NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)  
DECEMBER 31, 2016

NOTE G – COMPENSATION POLICY

The Organization's management decided that all officers, directors and direct family members of the officers and directors would serve the organization without compensation during 2016.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2017, which is the date that the financial statements were available to be issued.

Supplemental Schedule

RESTAVEK FREEDOM FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Child Advocacy	Leadership Development	Awareness	Rural Community Program	Hurricane Relief	Child Protection	Other Program Development	Total Program	Management & General	Fundraising	Total
Tuition & Education	\$ 174,112	\$ --	\$ --	\$ 1,901	\$ --	\$ --	\$ 6,539	\$ 182,552	\$ --	\$ --	\$ 182,552
Travel:											
Transportation to/from and in Haiti	18,222	70,692	6,756	14,579	17,475	2,804	8,242	138,770	2,242	6,806	147,818
Lodging/Housing	--	369	380	16,461	--	--	1,003	18,213	--	1,053	19,266
Miscellaneous	1,893	599	124	62	124	--	5,155	7,957	3,900	827	12,684
Construction & Labor	4,301	2,722	--	34,893	52,915	--	19,661	114,492	1,188	--	115,680
Food & Beverage Distribution	5,593	1,420	1,236	5,803	10,161	1,796	31,526	57,535	84	1,909	59,528
Staffing Costs	124,002	86,120	97,217	109,567	3,284	46,657	88,248	555,095	50,607	39,674	645,376
Supplies	20,775	19,465	5,145	16,529	86,681	244	10,682	159,521	6,991	9,028	175,540
Occupancy Costs	--	--	9,900	--	--	--	25,500	35,400	--	--	35,400
Utilities	6,103	2,225	1,937	7,897	2,107	180	9,709	30,158	3,585	1,872	35,615
Contract Services	1,050	140,136	202,386	30	--	63,642	10,185	417,429	173	650	418,252
Funding Other Organizations	--	--	--	--	--	--	49,277	49,277	--	--	49,277
Depreciation	7,766	6,115	--	--	--	--	37,536	51,417	6,454	--	57,871
Organizational Expenses	--	--	--	--	45	--	--	45	14,144	--	14,189
Website	--	--	215	--	--	3	--	218	38,058	--	38,276
Special Events	108	--	--	250	--	--	--	358	--	--	358
Processing Fees	--	3	143	1	--	--	1	148	2,795	7,015	9,958
Professional Fees	--	14,806	3,800	10,097	--	--	9,455	38,158	14,013	9,063	61,234
Total Expense	<u>\$ 363,925</u>	<u>\$ 344,672</u>	<u>\$ 329,239</u>	<u>218,070</u>	<u>172,792</u>	<u>\$ 115,326</u>	<u>\$ 312,719</u>	<u>\$ 1,856,743</u>	<u>\$ 144,234</u>	<u>\$ 77,897</u>	<u>\$ 2,078,874</u>

See Independent Auditor's Report