

Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

MAESTRO CARES FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 5, 2018

To the Board of Directors of
Maestro Cares Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Maestro Cares Foundation (an Illinois nonprofit organization), which comprise the statements of financial position, as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maestro Cares Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cheryl Rohlf & Associates, Ltd.

CHERYL ROHLFS & ASSOCIATES, LTD.
Northbrook, Illinois

**MAESTRO CARES FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 3,527,527	\$ 2,672,587
Investments	490,002	-
Unconditional Promises to Give	327,962	352,207
Prepaid Expenses	90,688	103,569
Property and Equipment:		
Office Equipment	29,508	29,508
Less: Accumulated Depreciation	<u>(15,203)</u>	<u>(10,747)</u>
Total Property and Equipment	<u>14,305</u>	<u>18,761</u>
Total Assets	<u>\$ 4,450,484</u>	<u>\$ 3,147,124</u>
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 66,144	\$ 101,650
Deferred Revenue	<u>473,425</u>	<u>126,000</u>
Total Liabilities	<u>539,569</u>	<u>227,650</u>
Net Assets		
Unrestricted	3,212,414	2,919,474
Temporarily Restricted Net Assets	<u>698,501</u>	<u>-</u>
Total Net Assets	<u>3,910,915</u>	<u>2,919,474</u>
Total Liabilities and Net Assets	<u>\$ 4,450,484</u>	<u>\$ 3,147,124</u>

See accompanying notes and independent auditor's report.

**MAESTRO CARES FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
Unrestricted Revenues:		
Contributions and Grants	\$ 387,367	\$ 620,314
Fundraising and Special Events	3,486,233	2,596,477
In-kind Contributions	185,351	147,996
Investment Income	11,650	-
Miscellaneous Income	<u>2,009</u>	<u>368</u>
Total Unrestricted Revenues, Gains and Other Support	<u>4,072,610</u>	<u>3,365,155</u>
Expenses:		
Program Services	1,271,673	1,233,286
Supporting Services:		
Management and General	296,466	355,426
Fundraising	<u>2,210,708</u>	<u>661,704</u>
Total Expenses	<u>3,778,847</u>	<u>2,250,416</u>
Gains (Losses) on Exchange of Foreign Currencies	<u>(823)</u>	<u>(86)</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 292,940</u>	<u>\$ 1,114,653</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Donor Restricted Special Event Sponsorships	<u>\$ 698,501</u>	<u>\$ -</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 698,501</u>	<u>\$ -</u>
INCREASE IN NET ASSETS	\$ 991,441	\$ 1,114,653
NET ASSETS, BEGINNING OF YEAR	<u>2,919,474</u>	<u>1,804,821</u>
NET ASSETS, END OF YEAR	<u>\$ 3,910,915</u>	<u>\$ 2,919,474</u>

See accompanying notes and independent auditor's report.

MAESTRO CARES FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Program	Management and General	Fundraising	2017 Total
Compensation and Related Expenses:				
Salaries	\$ 104,860	\$ 63,238	\$ 69,170	\$ 237,268
Payroll Taxes	8,712	5,253	5,746	19,711
Employee Benefits	9,843	4,451	6,493	20,787
	<u>\$ 123,415</u>	<u>\$ 72,942</u>	<u>\$ 81,409</u>	<u>\$ 277,766</u>
Program and Service Grants	950,978	-	-	950,978
Contributions	97,058	9,917	87,766	194,741
Marketing	151	10,681	1,457	12,289
Contract Services and Consultants	5,577	42,821	264,613	313,011
Rentals and Production Services	2,600	-	1,377,490	1,380,090
Benefit Auction Expenses	-	-	24,037	24,037
Bank and Credit Card Fees	568	15,425	14,028	30,021
Postage and Shipping	1,214	3,686	3,136	8,036
Printing and Reproduction	771	5,468	6,251	12,490
Insurance	-	9,293	-	9,293
Professional Fees	5,036	6,888	26,017	37,941
Donated Event and Program Expenses	24,297	-	30,700	54,997
Donated Services	-	47,450	54,860	102,310
Donated Use of Facilities	-	28,044	-	28,044
Merchandise Expenses	102	925	26,305	27,332
Supplies, Subscriptions and Reference Materials	2,489	7,252	2,814	12,555
Technology and Website	345	10,607	4,195	15,147
Communications	94	2,385	2,151	4,630
Travel, Meals and Lodging	53,853	9,714	202,214	265,781
Miscellaneous	3,125	8,512	1,265	12,902
Total Expenses Before Depreciation	<u>\$ 1,271,673</u>	<u>\$ 292,010</u>	<u>\$ 2,210,708</u>	<u>\$ 3,774,391</u>
Depreciation	-	4,456	-	4,456
TOTAL EXPENSES	<u><u>\$ 1,271,673</u></u>	<u><u>\$ 296,466</u></u>	<u><u>\$ 2,210,708</u></u>	<u><u>\$ 3,778,847</u></u>

See accompanying notes and independent auditor's report.

MAESTRO CARES FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (CONTINUED)

	Program	Management and General	Fundraising	2016 Total
Compensation and Related Expenses:				
Salaries	\$ 158,087	\$ 37,419	\$ 98,830	\$ 294,336
Payroll Taxes	12,090	2,861	7,558	22,509
Employee Benefits	11,681	2,765	7,303	21,749
	<u>\$ 181,858</u>	<u>\$ 43,045</u>	<u>\$ 113,691</u>	<u>\$ 338,594</u>
Program and Service Grants	761,778	-	-	761,778
Contributions	137,041	-	-	137,041
Marketing	-	59,360	11,871	71,231
Contract Services	44,129	58,972	65,981	169,082
Rentals and Production Services	-	-	278,450	278,450
Benefit Auction Expenses	-	-	86,251	86,251
Bank and Credit Card Fees	1,287	14,430	3,414	19,131
Postage and Shipping	1,511	3,727	3,184	8,422
Printing and Reproduction	570	5,533	2,987	9,090
Insurance	-	7,869	-	7,869
Professional Fees	4,500	12,531	-	17,031
Donated Services	44,654	80,887	-	125,541
Donated Use of Facilities	-	18,696	-	18,696
Merchandise Expenses	3,993	7,385	8,287	19,665
Supplies, Subscriptions and Reference Materials	645	8,171	1,600	10,416
Technology and Website	-	17,250	3,497	20,747
Travel, Meals and Lodging	32,864	6,211	76,608	115,683
Miscellaneous	18,456	7,271	5,883	31,610
Total Expenses Before Depreciation	<u>\$ 1,233,286</u>	<u>\$ 351,338</u>	<u>\$ 661,704</u>	<u>\$ 2,246,328</u>
Depreciation	-	4,088	-	4,088
TOTAL EXPENSES	<u><u>\$ 1,233,286</u></u>	<u><u>\$ 355,426</u></u>	<u><u>\$ 661,704</u></u>	<u><u>\$ 2,250,416</u></u>

See accompanying notes and independent auditor's report.

**MAESTRO CARES FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 991,441	\$ 1,114,653
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,456	4,088
(Increase) Decrease in Operating Assets:		
Unconditional Promises to Give	24,245	(161,713)
Prepaid Expenses	12,881	(26,388)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(35,506)	(56,659)
Deferred Revenue	<u>347,425</u>	<u>(238,000)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,344,942</u>	 <u>\$ 635,981</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	\$ (490,002)	\$ -
Purchases of Office Equipment	<u>-</u>	<u>(14,019)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>\$ (490,002)</u>	 <u>\$ (14,019)</u>
 NET INCREASE IN CASH	 \$ 854,940	 \$ 621,962
 CASH, BEGINNING OF YEAR	 <u>2,672,587</u>	 <u>2,050,625</u>
 CASH, END OF YEAR	 <u>\$ 3,527,527</u>	 <u>\$ 2,672,587</u>

See accompanying notes and independent auditor's report.

**MAESTRO CARES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Maestro Cares Foundation (the Organization) is a non-profit organization incorporated in 2011 in the State of Illinois, with its headquarters in Chicago, Illinois. The Organization's mission is to improve the quality of life of orphaned children in Latin America by creating healthy and safe environments for them to live, learn and play. The Organization obtains funding from the general public for their projects from special event ticket sales and sponsorships, fundraising events, and individual and corporate donations.

In keeping with its mission, the Organization initiated its first project in 2012, by funding the construction of dormitories, classrooms, kitchen, dining hall, common area, clinic and recreational facilities in a campus style environment, owned and operated by Fundacion Ninos y Ninas de Cristo (Funicris) located in the Dominican Republic. The Organization has continued to provide assistance to this organization since the completion of this facility.

The Organization has extended its projects to underwrite and partner on construction of similar facilities, including an orphanage and school in Columbia, a home for boys in Puerto Rico, a sponsored school in Peru and a home for abused, neglected, and abandoned girls in Mexico. Future projects are underway in Bolivia, Mexico, Chicago, Columbia, and Guatemala. The Foundation records grant awards as expenses and liabilities, when all contractual terms and agreements have been met.

Basis of Presentation

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. The Organization did not report any permanently restricted net assets as of December 31, 2017 and 2016.

Basis of Accounting

The financial statements of Maestro Cares Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

It is the Organization's policy to capitalize property and equipment purchases of more than \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations for property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Office equipment is depreciated using the straight-line method over the useful lives of the assets of five to ten years.

Deferred Revenue

Deferred revenue represents sponsorships and related revenues received for a special event scheduled for the following year.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Expense Allocations

The costs of providing program and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, costs have been allocated between the Organization's program and the supporting services in a direct functional method, when applicable, and on the basis of proportional use of the service provided.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided additional services throughout the years that are not recognized as contributions in the financial statements, since the recognition criteria were not met.

2. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at two financial institutions. Those accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2017 and 2016, the Organization exceeded the insured amount.

3. INVESTMENTS

The Organization invested in the following as of December 31, 2017:

	<u>2017</u>
Government Securities	\$ 47,428
Equity Securities	159,161
Mutual Funds and Exchange Traded Products	257,036
Corporate Bonds	<u>26,377</u>
	<u>\$ 490,002</u>

Investment income is comprised of the following for the year 2017:

	<u>2017</u>
Dividend and Interest Income	\$ 7,025
Unrealized Gains	3,921
Realized Gains	<u>704</u>
Total Investment Income	<u>\$ 11,650</u>

4. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

Fair Value Measurements at Reporting Date Using:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Unobservable Inputs
<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:			
Government Securities	\$ 47,428	\$ -	\$ 47,428
Equity Securities	159,161	159,161	-
Mutual Funds and ETP's	257,036	139,424	117,612
Corporate Bonds	<u>26,377</u>	<u>-</u>	<u>26,377</u>
	<u>\$ 490,002</u>	<u>\$ 298,585</u>	<u>\$ 191,417</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Equity securities and equity mutual funds that trade in active markets are valued using quoted market prices and are classified as Level 1. Mutual Funds and Emerging Traded Products invested in corporate or municipal bonds and Government Securities are valued at closing price on national exchanges if available, or by using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

5. CONDITIONAL PROMISES TO GIVE

Maestro Cares Foundation had future conditional promises to give of \$437,091 and \$732,500 as of December 31, 2017 and 2016, respectively, which are not recorded in the financial statements. The conditional promises to give relate to various memorandum of understanding commitments that have not yet been paid due to the construction progress on the particular facility.

6. DONATED SERVICES AND USE OF FACILITIES

The estimated fair value of the donated facilities and services was quantified by Cardenas Marketing Network, providing office space and services to the Organization. These donated facilities and services were recorded in the Statement of Activities and were valued at \$130,353 and \$144,237 for the years December 31, 2017 and 2016, respectively.

7. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 5, 2018, the date which the financial statements were available to be issued.