

THE MUSTIQUE CHARITABLE FOUNDATION
(a not-for-profit corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2016

THE MUSTIQUE CHARITABLE FOUNDATION
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FOR THE YEAR ENDED DECEMBER 31, 2016

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LEAR & PANNEPACKER, LLP

Certified Public Accountants & Advisors

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2277 State Highway #33, Suite 408, Hamilton, NJ 08690
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INDEPENDENT AUDITOR'S REPORT

Board of Directors,
The Mustique Charitable Foundation
New York, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of The Mustique Charitable Foundation (a not-for-profit 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 accounting policies used and the reasonableness of significant accounting 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 basis for our audit opinion.



Accounting, Tax and Management Advisory Services

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mustique Charitable 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.

A handwritten signature in cursive script that reads "Lear & Pannepacker, LLP".

LEAR & PANNEPACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
PRINCETON, NEW JERSEY

March 31, 2017

THE MUSTIQUE CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS:

Cash \$ 315,235

TOTAL ASSETS \$ 315,235

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable \$ 416

Net Assets:

Unrestricted net assets 314,819

TOTAL LIABILITIES AND NET ASSETS \$ 315,235

THE MUSTIQUE CHARITABLE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>REVENUE, GAINS AND OTHER SUPPORT:</u>	
Contributions	\$ 349,310
Donated services	<u>95,956</u>
Total Revenue, Gains and Other Support	<u>445,266</u>
 <u>EXPENSES:</u>	
Program expenses:	
Grants to supported organizations	66,000
Administrative expenses:	
Legal expenses	95,956
Miscellaneous expenses	929
Fundraising expenses:	
Special event	<u>33,862</u>
Total Expenses	<u>196,747</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 248,519
UNRESTRICTED NET ASSETS – BEGINNING OF YEAR	<u>66,300</u>
UNRESTRICTED NET ASSETS – END OF YEAR	<u>\$ 314,819</u>

THE MUSTIQUE CHARITABLE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	248,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Increase in accounts payable		<u>416</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>248,935</u>
 NET CHANGE IN CASH		 248,935
CASH AT BEGINNING OF YEAR		<u>66,300</u>
CASH AT END OF YEAR	\$	<u><u>315,235</u></u>

THE MUSTIQUE CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 – Summary of Significant Accounting Policies:

Significant accounting policies followed by The Mustique Charitable Foundation in the preparation of the accompanying financial statements are summarized below:

General

The Mustique Charitable Foundation ("Organization") is a not-for-profit Organization formed to help those in need in St. Vincent and the Grenadines.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following classifications to distinguish among restrictions:

Unrestricted Net Assets

Unrestricted net assets include all contributions received without donor restrictions, and all revenues and expenses. Unrestricted net assets may be used to the discretion of management to support the mission of the Organization and consists of net assets accumulated from the results of operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions that have donor-imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from the assets held is available for general operations or specific purposes, in accordance with donor stipulations.

The Organization has no temporarily restricted or permanently restricted net assets.

**THE MUSTIQUE CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Summary of Significant Accounting Policies (continued):

Cash

For the purpose of determining cash flows, the Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2016.

Revenue Recognition

Contribution income consists of donations from individuals and foundations. Support is recognized as unrestricted unless specifically restricted by the donor.

Donated Facilities, Materials and Services

Donated services are recognized as contributions in accordance with accounting standards generally accepted in the United States, if the services create or enhance new financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide a variety of services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is classified as a publicly supported organization which is not a private foundation as defined by Section 509(a) of the Code.

In accordance with ASC Topic 740 “Accounting for Uncertainty in Income Taxes”, the Organization has evaluated its tax positions. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a likelihood of being realized on examination of more than fifty percent. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Under the “more likely than not” threshold guidelines, the Organization believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In addition, the Organization had no material unrecognized tax benefits or accrued interest and penalties.

The Organization’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

THE MUSTIQUE CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 – Summary of Significant Accounting Policies (continued):

Use of 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.

Note 2 – Donated services:

The Organization received donated professional services from a law firm during 2016. An officer of the Organization is a Senior Counsel in this firm. The Organization recognized a total of \$95,956 in donated services for the year ended December 31, 2016.

Note 3 – Concentration of Credit Risk

The Organization maintains cash balances with a financial institution. At various times during the year, these balances may exceed the \$250,000 insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts. Management monitors the soundness of its financial institutions and has not experienced any losses.

Note 4– Subsequent Events:

The Organization evaluated subsequent events through March 31, 2017, which is the date the financial statements were issued, and none were noted.

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March 31, 2017

To the Board of Directors of
The Mustique Charitable Foundation
C/O Paul Hastings, LLP
200 Park Avenue
New York, NY 10166

We have audited the financial statements of The Mustique Charitable Foundation for the year ended December 31, 2016, and have issued our report thereon dated March 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Mustique Charitable Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimated value of donated legal services. We evaluated the key factors and assumptions used to develop the value of donated legal services in determining that it is reasonable in relation to the financial statements taken as a whole.



Accounting, Tax and Management Advisory Services

The Mustique Charitable Foundation
March 31, 2017
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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Other than the disclosure of donated legal services, no other sensitive disclosures affecting the financial statements were noted.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. One uncorrected difference was noted. A contribution for \$3,000 received in 2015 and deposited in 2016 was included in the Organization's revenues in 2016. Management has determined that the effect of this uncorrected misstatement is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2017.

This information is intended solely for the use of the Board of Directors and management of The Mustique Charitable Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Lear & Pannepacker, LLP

LEAR & PANNEPACKER, LLP

Certified Public Accountants & Advisors

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March 31, 2017

The Board of Directors
The Mustique Charitable Foundation
C/O Paul Hastings, LLP
200 Park Avenue
New York, NY 10166

Dear Board of Directors,

In planning and performing our audit of the financial statements of The Mustique Charitable Foundation as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in The Mustique Charitable Foundation's internal control to be significant deficiencies:



March 31, 2017
The Board of Directors
The Mustique Charitable Foundation
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ACCOUNTING SYSTEM EVALUATION

The Organization is not currently utilizing formal general ledger and accounting software. Due to the limited number of transactions, the Organization has tracked contributions using spreadsheet software and identifies its expenses from its bank statements with account classifications. As the Organization continues to expand its operating activities, we suggest that the Organization utilize accounting and general ledger software to track its income and expenses and reconcile its bank account. One option would be Intuit® QuickBooks for non-profits or the cloud based QuickBooks online. This platform offers both flexibility and increased utility at a lower cost than other options. We would be happy to assist the Organization with set-up and training for this product.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink, appearing to read "Eric R. Lear". The signature is fluid and cursive, written over a white background.

Eric. R. Lear
Certified Public Accountant
Partner