MAISON FORTUNÉ ORPHANAGE FOUNDATION

FINANCIAL REPORT

June 30, 2011

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Cherie A. James, CPA, PLC
Competence • Passion • Accuracy

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Maison Fortuné Orphanage Foundation

I have audited the accompanying statement of financial position of **Maison Fortuné Orphanage Foundation** as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Maison Fortuné Orphanage Foundation** as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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October 21, 2011

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MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2011

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	233,270
Certificates of deposit		135,047
Accounts receivable		29,790
Investments		286,934
Other receivables - donor pledges		93,100
Total assets	$	778,141
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	50,601
NET ASSETS		
Unrestricted		618,496
Temporarily restricted		109,044
Total net assets		727,540
Total liabilities and net assets	$	778,141

PRIOR PERIOD ADJUSTMENTS (Note 5)
CONCENTRATIONS (Note 6)
SUBSEQUENT EVENTS (Note 8)

See Notes to Financial Statements.

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Public support:			
Grants	$ 7,200	$ 82,500	$ 89,700
Direct contributions	225,489	146,486	371,975
United Way and other campaigns	50,567	-	50,567
	283,256	228,986	512,242
Revenues:			
Investment income	6,621	-	6,621
Interest earned	1,516	-	1,516
Unrealized net gain on investments	28,425	-	28,425
	36,562	-	36,562
Total support and revenue	319,818	228,986	548,804
Expenses			
Grants and awards to orphanage	413,348	-	413,348
Fundraising	4,448	-	4,448
Management and general	19,425	-	19,425
Total expenses	437,221	-	437,221
Change in net assets from activities	(117,403)	228,986	111,583
Net assets released from restrictions	143,003	(143,003)	-
Change in net assets	25,600	85,983	111,583
Prior period adjustments	352,440	(675,940)	(323,500)
Net assets, beginning of year	240,456	699,001	939,457
Net assets, end of year	$ 618,496	$ 109,044	$ 727,540

See Notes to Financial Statements.

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011

	Total Program Expenses	Fundraising	Management and General	Total
Grants and awards sent to orphanage for operations	$ 297,845	$ -	$ -	$ 297,845
Grants and awards sent to orphanage for trade school	99,440	-	-	99,440
Orphanage expenses paid directly by Foundation:				
Container fees	4,183	-	-	4,183
Higher education	10,680	-	-	10,680
Internet connectivity	1,200	-	-	1,200
	413,348	-	-	413,348
General and administrative expenses				
Travel	-	2,660	4,230	6,890
Printing	-	-	5,105	5,105
Audit fee	-	-	4,800	4,800
Bad debt expense	-	-	3,075	3,075
Supplies	-	1,788	75	1,863
Postage	-	-	1,416	1,416
Wire fees	-	-	485	485
Paypal fees	-	-	239	239
	-	4,448	19,425	23,873
Total expenses	$ 413,348	$ 4,448	$ 19,425	$ 437,221

See Notes to Financial Statements.

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	111,583
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense		3,075
Unrealized gain on investments		(28,425)
(Increase) decrease in assets:		
Accounts receivable		(6,522)
Other receivables - donor pledges		16,050
Increase in liabilities:		
Accounts payable		50,500
Net cash provided by operating activities		146,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(91,016)
Net increase in certificates of deposit		(1,431)
Net cash used in investing activities		(92,447)
Net increase in cash and cash equivalents		53,814
Cash and cash equivalents, beginning		179,456
Cash and cash equivalents, ending	$	233,270

See Notes to Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

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 (orphanage). The Foundation is supported primarily through contributions and grants from various entities and individuals, including the United Way 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 Company's significant accounting policies follows:

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:

Accounts receivable include amounts due from United Way organizations and donations receivable from a local parish. Pledges receivable include amounts pledged from donors. 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.

Investments:

The Foundation records investments at fair market value based on quoted prices in active markets and investments are classified by management as "available for sale." Accordingly, 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. The Foundation's investments have been combined into an investment pool in order to maximize investment return and minimize management costs. Revenues arising from ownership or disposition of pooled investments are allocated to the various participants in the pool based on their percentage of assets in the pool. (See Notes 2 and 3)

Contributions:

Contributions received are recorded as unrestricted or temporarily 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. There were no permanently restricted assets as of June 30, 2011.

Notes continued on next page.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Recognition of revenue:

Contributions designated for individual programs with donor specifications for use during future periods are included in deferred 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.

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.

Donated services:

The value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Donated assets

Donated assets, if any, are recognized in the financial statements at their estimated fair market values at the date they are received.

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.

Notes continued on next page.

Note 2. Investments

Investments consist of the following:

	Cost	Market	Unrealized Gain
Equities	$ 174,764	$ 183,580	$ 8,816
Fixed income and cash	98,390	103,354	4,964
	$ 273,154	$ 286,934	$ 13,780

A summary of return on investments consists of the following:

Interest and dividend income	$ 6,621
Net realized and unrealized gain	28,425
	$ 35,046

Note 3. Fair Value Measurement

Fair Value Measurements and Disclosures provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Value Measurements and Disclosures are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access for income recognition.

Level 2: Inputs to the valuation methodology include:

* Quoted prices for similar assets or liabilities in active markets;
* Quoted prices for identical or similar assets or liabilities in inactive markets;
* Inputs other than quoted prices that are observable for the asset or liability;
* Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Notes continued on next page.

Note 3. Fair Value Measurement (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to fair value measurement.

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 Foundation's investments are valued at the net asset value (NAV) of shares held by the Catholic Diocese of Richmond at year end and are allocated to the Foundation based on its ownership percentage. There has been no change in the methodology used at June 30, 2011.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets:

	Level 1	Level 2	Level 3	Total
Equities	$ -	$ 183,580	$ -	$ 183,580
Fixed income and cash	-	103,354	-	103,354
Total assets	$ -	$ 286,934	$ -	$ 286,934

Notes continued on next page.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and grants for specific uses by the orphanage as follows:

Trade school	$ 52,704
Farming project	19,060
Higher education	17,677
Wellness	7,864
Tuitions	4,000
Travel	3,440
Library	3,154
Other	1,145
	$ 109,044

Note 5. Prior Period Adjustments

During the year ended June 30, 2007, the Foundation recorded certain intentions to give totaling $323,500 as revenue with an offsetting entry to other receivables - donor pledges. These intentions to give should not be recorded as income until they meet the requirements for income recognition. Had the error not occurred, net income and other receivables - donor pledges for the year ended June 30, 2007 would each have been decreased by $323,500.

Beginning in June 2007, the Foundation reported certain operating fund balances as temporarily restricted. The Foundation continued to report these funds as temporarily restricted in subsequent years even though the policy document which governs the operating fund does not impose any restrictions. Had the error not occurred, temporarily restricted assets would have been decreased by $675,940 and unrestricted assets would have increased by $675,941 for the year ended June 30, 2010.

The corrections have no effect on the results of the current year's operations, however, the cumulative effect decreases net assets for the year ended June 30, 2010, by $323,500. In addition, the cumulative effect decreases temporarily restricted net assets by $999,441 and increases unrestricted net assets by $675,940 for the year ended June 30, 2010.

Note 6. Concentrations of Credit Risk

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to risk consist principally of cash and investments. The Foundation places its cash and investments with high quality financial institutions. As of June 30, 2011, the Foundation had uninsured cash and investments of $402,836.

Notes continued on next page.

Note 7. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income 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. Currently, the Foundation has no obligation for any unrelated business income tax.

The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. If there are uncertain and potentially material tax positions identified, the resulting liability, including any related interest and penalties, will be recorded.

The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) is not subject to examination by the Internal Revenue Service for returns filed prior to 2008.

Note 8. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of June 30, 2011 through October 21, 2011, which is the date these financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure.