MAISON FORTUNÉ ORPHANAGE FOUNDATION

FINANCIAL REPORT

June 30, 2012

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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, 2012, 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, 2012, 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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August 24, 2012

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MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	290,964
Certificate of deposit (Matures March 15, 2013)		25,282
Accounts receivable		18,533
Investments - Board designated endowment		392,825
Other receivables - donor pledges		10,150
Total assets	$	737,754

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	5,801
Accrued payroll and taxes		1,325
		7,126
NET ASSETS		
Unrestricted		611,578
Temporarily restricted		119,050
Total net assets		730,628
Total liabilities and net assets	$	737,754

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, 2012

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Public support:			
Direct contributions	302,110	83,797	385,907
Combined Federal Campaigns	33,796	-	33,796
	335,906	83,797	419,703
Revenues:			
Investment income	6,742	-	6,742
Interest earned	764	-	764
	7,506	-	7,506
Total support and revenue	343,412	83,797	427,209
Expenses			
Grants and awards to orphanage	316,763	-	316,763
Management and general	95,561	-	95,561
Fundraising	10,946	-	10,946
Unrealized net loss on investments	851	-	851
Total expenses	424,121	-	424,121
Change in net assets from activities	(80,709)	83,797	3,088
Net assets released from restrictions	73,791	(73,791)	-
Change in net assets	(6,918)	10,006	3,088
Net assets, beginning of year	618,496	109,044	727,540
Net assets, end of year	$ 611,578	$ 119,050	$ 730,628

See Notes to Financial Statements.

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

	Total Program Expenses	Fundraising	Management and General	Total
Grants and awards sent to orphanage for operations	$ 290,492	$ -	$ -	$ 290,492
Orphanage expenses paid directly by Foundation:				
Higher education	17,783	-	-	17,783
Medicine and medical supplies	3,994	-	-	3,994
Sports equipment	2,128	-	-	2,128
Internet connectivity	1,200	-	-	1,200
Container fees	178	-	-	178
	315,775	-	-	315,775
General and administrative expenses				
Bad debt expense	-	-	75,000	75,000
Documentary expenses	-	10,946	-	10,946
Printing	-	-	7,502	7,502
Audit fee	-	-	6,550	6,550
Travel	588	-	1,913	2,501
Postage	-	-	2,059	2,059
Payroll and taxes	400	-	925	1,325
Supplies	-	-	680	680
Wire fees	-	-	405	405
PayPal fees	-	-	391	391
Telephone	-	-	111	111
Licenses	-	-	25	25
	988	10,946	95,561	107,495
Total expenses	$ 316,763	$ 10,946	$ 95,561	$ 423,270

See Notes to Financial Statements.

MAISON FORTUNÉ ORPHANAGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 3,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debt expense	75,000
Unrealized loss on investments	851
Decrease in assets:	
Accounts receivable	11,257
Other receivables - donor pledges	7,950
Increase (decrease) in liabilities:	
Accounts payable	(44,800)
Accrued payroll and taxes	1,325
Net cash provided by operating activities	54,671
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(106,742)
Net decrease in certificates of deposit	109,765
Net cash provided by investing activities	3,023
Net increase in cash and cash equivalents	57,694
Cash and cash equivalents, beginning	233,270
Cash and cash equivalents, ending	$ 290,964

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 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 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 Combinded Federal Campaigns organizations. 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 - Board designated endowment:

The Board of Directors has designated $392,825 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. 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, 2012.

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.

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, 2012.

Notes continued on next page.

Note 2. Investments

Investments consist of the following:

		Cost		Market		Unrealized Gain
Equities	$	240,182	$	248,356	$	8,174
Fixed income and cash		139,714		144,469		4,755
	$	379,896	$	392,825	$	12,929

A summary of return on investments consists of the following:

Interest and dividend income	$	6,742
Net realized and unrealized loss		(851)
	$	5,891

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	$ -	$ 248,356	$ -	$ 248,356
Fixed income and cash	-	144,469	-	144,469
Total assets	$ -	$ 392,825	$ -	$ 392,825

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	$	61,087
Higher education		24,877
Wellness		9,610
Farming project		9,530
Dental equipment		5,000
Library		3,724
Other		2,627
Travel		2,595
	$	119,050

Note 5. Intentions to Give

The Foundation has received indications of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give approximated $200,000 at June 30, 2012.

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, 2012, the Foundation had uninsured cash and investments of $58,883.

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, 2012 through August 24, 2012, which is the date these financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure.