

ORFUND FOUNDATION
Financial Statements
Year Ended December 31, 2008

AUDITORS' REPORT

To the Directors of Orfund Foundation

We have audited the statement of financial position of Orfund Foundation as at December 31, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In common with many charitable organizations, the foundation derives revenue from donations and other fund raising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the foundation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, British Columbia
June 8, 2009

CHARTERED ACCOUNTANTS

ORFUND FOUNDATION
Statement of Financial Position
As at December 31, 2008

	2008	2007
ASSETS		
Current		
Cash	\$ 103,853	\$ 41,355
Investments (Note 3)	190,622	281,914
Accounts receivable	226	63
	294,701	323,332
Website development costs	7,204	7,204
Registration costs	4,903	4,903
	\$ 306,808	\$ 335,439
Current		
Accounts payable	\$ 2,200	\$ 2,200
Net Assets	304,608	333,239
	\$ 306,808	\$ 335,439

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

ORFUND FOUNDATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2008

	2008	2007
Revenues		
General donations	\$ 94,987	\$ 75,648
Non-monetary donations	8,221	102,232
Gain (loss) on sale of investments	(10,923)	25,875
Interest income	12,461	9,053
	104,746	212,808
Expenditures		
Interest and bank charges	508	385
Charitable giving	128,509	131,785
Foreign exchange (gain) loss	(28,772)	15,963
Professional fees	3,250	2,163
	103,495	150,296
Excess of revenues over expenditures for the year	1,251	62,512
Net assets - beginning of year	333,239	260,831
	334,490	323,343
Reclassification adjustment for gains on available for sale financial assets recognized in the statement of operations during the year	(4,632)	(15,764)
Change in fair value of investments available for sale, as at January 1, 2007 (note 2)	-	45,400
Unrealized losses on available for sale financial assets during the year	(25,250)	(19,740)
Net assets - end of year	\$ 304,608	\$ 333,239

ORFUND FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,251	\$ 62,512
Items not affecting cash:		
Non-monetary donations	(8,221)	(102,232)
Loss (gain) on sale of investments	10,923	(25,875)
	3,953	(65,595)
Changes in non-cash working capital:		
Accounts receivable	(163)	87
Accounts payable	(1)	-
	(164)	87
Cash flow from (used by) operating activities	3,789	(65,508)
INVESTING ACTIVITIES		
Proceeds on sale of investments	115,286	57,093
Purchase of investments	(56,577)	(5,372)
Cash flow from investing activities	58,709	51,721
INCREASE (DECREASE) IN CASH FLOW	62,498	(13,787)
Cash - beginning of year	41,355	55,142
CASH - END OF YEAR	\$ 103,853	\$ 41,355
CASH CONSISTS OF:		
Cash	\$ 103,853	\$ 41,355

ORFUND FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2008

1. DESCRIPTION OF ORGANIZATION

The Orfund Foundation (the "Foundation") is a federally registered charity formed on January 1, 2004, to provide relief and support to African AIDS orphans and vulnerable children. To fulfil this purpose, the Foundation assists with the children's education by helping to establish and support community based daycare and pre-school centres; provide children with relief from poverty and illness by serving them daily meals and giving them access to medical services, clothing, blankets, books and toys; arrange for trauma counselling and other related counselling services for the children and their caregivers to help them cope with difficult circumstances of their lives; and help protect the welfare of the children by working with governments and other international aid organizations to strengthen child welfare, inheritance and property laws.

The Foundation's ultimate goal is to provide the children with the necessary tools to realize their potential. Education is the primary means of achieving this so most of the Foundation's efforts are focused on providing pre-school education and supplementing the primary and secondary education of the children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. As of December 31, 2008 there were no restricted contributions

Investment income includes dividend and interest income, and realized and unrealized investment gains. Unrealized gains and losses on available-for-sale financial assets are included directly in net assets or deferred contributions as appropriate, until the asset is removed from the statement of financial position. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

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ORFUND FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

On January 1, 2007 the foundation adopted CICA Handbook Sections 3855 and 3861 which establish recognition, measurement, and disclosure criteria for financial assets and financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", "loans and receivables", or "other financial liabilities" as defined by the standard. Financial assets and financial liabilities "held for trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available for sale" are measured at fair value, with unrealized changes in those fair values recognized in net assets. Financial assets "held to maturity", "loans and receivable" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Foundation in determine fair value of financial instruments are unchanged as a result of implementing the new standard.

The effect of the change for the year ended December 31, 2007 with respect to financial instruments reported at December 31, 2006 was to increase the carrying value of investments and record an unrealized gain in nets assets of \$45,400. Furthermore the carrying value of investments for the current year end were reduced and a corresponding unrealized loss of \$19,740 was reported in net assets.

Investments

Investments are classified as available-for-sale and are recorded at fair value.

It is the opinion of management that the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Website development costs

Website development costs incurred in the website application, infrastructure and graphic development stages are capitalized. Capitalized costs are tested for impairment annually. As of December 31, 2008, there was no impairment in the value of the website costs.

Registration costs

Registration costs are recorded at cost and tested for impairment annually. As of December 31, 2008, there was no impairment in the value of registration costs.

Donated services

The value of services donated to the Foundation are not recorded in the financial statements due to the difficulty of determining their fair value.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end date. Revenues and expenditures are translated into Canadian dollars at the rate prevailing at the date of the transaction. Other exchange gains and losses are credited or charged to operations.

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ORFUND FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from the estimates.

3. Investments

	2008		2007	
	Fair Value	Cost	Cost	Fair Value
Investments in listed companies	\$ 5,000	\$ 24,986	\$ 142,974	\$ 162,870
Investments in debt instruments	185,622	185,622	129,044	129,044
	<u>\$ 190,622</u>	<u>\$ 210,608</u>	<u>\$ 272,018</u>	<u>\$ 291,914</u>

The fair value of marketable securities is based on quoted market prices.
