

Financial Statements and Report of
Independent Certified Public Accountants

Make It Right Foundation

As of December 31, 2007

Make It Right Foundation

Table of Contents

| | |
|--|-----|
| Report of Independent Certified Public Accountants | 1 |
| Financial Statements: | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5-9 |



Audit • Tax • Advisory

Grant Thornton LLP
4140 ParkLake Avenue, Suite 130
Raleigh, NC 27612-3723

T 919.881.2700
F 919.881.2795
www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Make It Right Foundation:

We have audited the accompanying statement of financial position of Make It Right Foundation, a Delaware not-for-profit corporation, as of December 31, 2007, and the related statements of activities and cash flows for the period from Inception (August 15, 2007) through December 31, 2007. These financial statements are the responsibility of management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make It Right Foundation as of December 31, 2007, and the changes in its net assets and its cash flows for the period from Inception (August 15, 2007) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Raleigh, North Carolina
August 15, 2008

Make It Right Foundation

Statement of Financial Position

December 31, 2007

| <u>Assets</u> | | |
|--|--|---------------------|
| Cash and cash equivalents | | \$ 3,220,614 |
| Pledged contributions and grants receivable, net | | 9,742,741 |
| Accounts receivable | | 58,501 |
| Prepaid expenses | | 31,130 |
| Property, furniture and equipment, net | | 3,249 |
| Total assets | | <u>\$13,056,235</u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable and accrued expenses | | <u>\$ 620,556</u> |
| Commitments and contingencies | | |
| Net assets: | | |
| Unrestricted | | 12,435,679 |
| Temporarily restricted | | 0 |
| Permanently restricted | | 0 |
| Total net assets | | <u>12,435,679</u> |
| | | <u>\$13,056,235</u> |

The accompanying notes are an integral part of this financial statement.

Make It Right Foundation

Statement of Activities

For the Period From Inception (August 15, 2007)

Through December 31, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues, gains and other support: | | | | |
| Contributions and gifts | \$15,439,328 | \$0 | \$0 | \$15,439,328 |
| Investment income | 2,223 | 0 | 0 | 2,223 |
| Merchandise income | 222,429 | 0 | 0 | 222,429 |
| Total revenues, gains and other support | <u>15,663,980</u> | <u>0</u> | <u>0</u> | <u>15,663,980</u> |
| Expenses: | | | | |
| Fundraising expense | 179,325 | 0 | 0 | 179,325 |
| Management and general | 67,185 | 0 | 0 | 67,185 |
| Program expense | <u>2,981,791</u> | <u>0</u> | <u>0</u> | <u>2,981,791</u> |
| Total expenses | <u>3,228,301</u> | <u>0</u> | <u>0</u> | <u>3,228,301</u> |
| Change in net assets | 12,435,679 | 0 | 0 | 12,435,679 |
| Net assets, beginning of period | 0 | 0 | 0 | 0 |
| Net assets, end of period | <u>\$12,435,679</u> | <u>\$0</u> | <u>\$0</u> | <u>\$12,435,679</u> |

The accompanying notes are an integral part of this financial statement.

Make It Right Foundation

Statement of Cash Flows

For the Period From Inception (August 15, 2007)

Through December 31, 2007

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$12,435,679 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 498 |
| Increase (decrease) in cash due to changes in: | |
| Pledged contributions and grants receivable | (9,742,741) |
| Accounts receivable | (58,501) |
| Prepaid expenses | (31,130) |
| Accounts payable and accrued expenses | 620,556 |
| Net cash provided by operating activities | 3,224,361 |
| Cash flows from investing activities – Capital expenditures | <u>(3,747)</u> |
| Net increase in cash and cash equivalents | 3,220,614 |
| Cash and cash equivalents, beginning of period | 0 |
| Cash and cash equivalents, end of period | <u>\$ 3,220,614</u> |

The accompanying notes are an integral part of this financial statement.

Make It Right Foundation

Notes to Financial Statements

December 31, 2007

Note A - Organization and Basis of Accounting and Presentation

Organization and Purpose

Make It Right Foundation (the Foundation) was incorporated on August 15, 2007, as a Delaware not-for-profit corporation. The Foundation was formed for the purposes of providing relief in the form of high-quality housing to, and increasing the awareness of, the poor and distressed or underprivileged, and improving the development of the communities in which they live. The organization's first project is to assist in the redevelopment of the city of New Orleans, in particular, the section located in the Lower Ninth Ward, which is an area with traditional African American roots wherein residents have been disadvantaged and left without a strong advocate for their redevelopment needs. In addition to the foregoing charitable activities, the Foundation's activities will, therefore, also help lessen the burdens of government by assisting in the rebuilding of a community that was devastated by Hurricane Katrina.

The Foundation intends to achieve its purposes by (i) making available to the members of the community, at no cost to them, designs prepared by architects from around the world for homes to be built in the community utilizing sustainable architecture; (ii) assisting the members of the community in rebuilding their homes using these designs by subsidizing the cost of construction by means of outright grants (in the form of payment of all or a portion of construction costs) or granting interest-free loans, the principal of which will be forgiven over a specified time period if the homeowner continues to own and use the house as his or her residence; (iii) retaining community counseling that will be made available to residents at no cost to assist them in connection with their responsibilities as members of the community, including the financial responsibilities attributable to home ownership; and (iv) working closely with representatives of the appropriate local, state and federal government and government agencies in order to fit the Foundation's work, as nearly as possible, within the overall redevelopment plans for New Orleans. The Foundation will work with local residents to be responsive to their needs. The Foundation will use its best efforts to employ local workers during the construction process and will develop an integrated community that, as hoped, will serve as a catalyst to future growth and development. The organization does not intend to provide housing to any of the residents of the community except, perhaps, for rental accommodations in coordination with city redevelopment efforts. Any principal payments made to the Foundation on the loans to community residents (which would happen if, for example, a resident sold his or her property at a profit before the time period for forgiveness of the loan had lapsed) will be used by the Foundation to further its charitable purposes. The Foundation will not assist in the sale or purchase of homes for a profit.

Activities in 2007 consisted, principally, of raising the awareness of the plight of former residents of New Orleans' Lower Ninth Ward, fundraising and activities related to site development, architectural plans and other related construction activities.

Make It Right Foundation

Notes to Financial Statements

December 31, 2007

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations. Under the provisions of SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to specific donor-imposed stipulations are reported as unrestricted net assets. Donations made for the Foundation's stated purposes are considered unrestricted.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that have been, or will be, satisfied either by actions of the Foundation and/or the passage of time is reported as temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets subject to permanent donor-imposed stipulations that must be maintained by the Foundation are reported as permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same period as the contributions are received are recorded as unrestricted support.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Foundation will adopt SFAS No. 157 during its 2008 fiscal year. The Foundation does not believe this statement will have a material impact on its financial statements.

Make It Right Foundation

Notes to Financial Statements

December 31, 2007

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115.” SFAS No. 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. SFAS No. 159 is effective for fiscal years that begin after November 15, 2007. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. The Foundation will adopt SFAS No. 159 during its 2008 fiscal year. At this time, the Foundation does not believe the adoption of SFAS No. 159 will have a significant impact on its financial statements.

In June 2006, FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48), an interpretation of SFAS No. 109, “Accounting for Income Taxes,” which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that entities recognize in the financial statements the impact of a tax position if that position is more likely than not to be sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on recognition and classification of income tax related liabilities, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 for non-public entities are effective beginning January 1, 2008, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening net assets. The Foundation does not expect the adoption of FIN 48 will have a material impact on its financial statements.

Note B - Significant Accounting Policies

The following significant accounting policies have been used in the preparation of the financial statements:

Cash and Cash Equivalents

The Foundation maintains its cash balances in one financial institution. As of December 31, 2007, cash balances exceeded the federally insured limit of \$100,000 by \$3,120,614. The Foundation considers all highly liquid investments with a maturity of less than 90 days at time of purchase to be cash equivalents.

Property, Furniture and Equipment

Property, furniture and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the respective assets.

Make It Right Foundation

Notes to Financial Statements

December 31, 2007

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Grant Revenues

Funds are received, periodically, from private and public sources as unrestricted contributions.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Foundation have been summarized on a functional basis in the statements of activities, and have been allocated among the programs and activities benefited.

Operating expenses are allocated to specific functions based on management estimates of time and resources devoted to those functions. The following functional expense classifications are included in these financial statements:

Fundraising Activities: Includes costs associated with the activities related to the publicizing and conducting fund-raising campaigns, events, and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others.

Program Expenses: Includes costs associated with programs and outreach for the Foundation. The activities included in this area are those that result in goods and services being distributed to beneficiaries or consumed in activities that fulfill the purposes or mission for which the Foundation exists.

Management and general: Includes costs associated with the overall direction of the Foundation. These expenses are not directly identifiable to a particular program or event or with fundraising, but are crucial to the continuance of those areas and are essential to the Foundation as a whole. The business functions included in this area are Foundation oversight, business management, financing, administrative activities and all management and administration, except for direct conduct of program services or fund-raising activities.

Tax-exempt Status

The Foundation received a determination letter from the Internal Revenue Service on November 5, 2007, that it qualified as an organization under Section 501(c)(3) and is exempt from payment of income taxes under the provisions of Internal Revenue Code Section 501(a), except for any unrelated business income. The Foundation had no unrelated business income for the period from Inception (August 15, 2007) through December 31, 2007. Accordingly, no provision for income taxes has been made.

Make It Right Foundation

Notes to Financial Statements

December 31, 2007

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Services

The Foundation from time to time receives donated services from unpaid volunteers. Only donated services that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if, not provided by donation, are recorded at their fair values in the period received. Volunteer services not meeting these criteria are not recorded in the financial statements.

Note C - Pledged Contributions Receivable

The Foundation has received contributions from various private sources to provide funding for its programs or to aid in its general operations.

All contributions receivable at December 31, 2007, are expected to be received in 2008.

During the period from Inception (August 15, 2007) through December 31, 2007, approximately 49% of the Foundation's contributions and gifts recognized in the statement of activities were from two donors. These two donors also comprise approximately 58% of pledged contributions and grants receivable as of December 31, 2007.

Note D - Donated Services

During 2007, the Foundation received in-kind donations of \$35,896 for legal services and \$265,000 for website design services.

Note E - Related Party Transactions

The Foundation presently shares certain administrative functions with Cherokee Investment Partners, LLC. As of December 31, 2007, the Foundation had \$9,210 due from Cherokee Investment Partners, LLC and a \$12,000 liability to Cherokee Investment Partners, LLC.