

ORANGUTAN FOUNDATION INTERNATIONAL
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2011 & 2010

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BLACK & CONDIE, LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orangutan Foundation International
Los Angeles, California

We have audited the accompanying statements of financial position of Orangutan Foundation International (a non-profit organization), as of December 31, 2011 and 2010, the related statements of activities, and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Orangutan Foundation International's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 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. We believe that our audits provide 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 Orangutan Foundation International as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Black & Condie
San Pedro, California
November 7, 2012

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 336,746	\$ 182,529
Investments	63,807	113,457
Accounts Receivable	65,000	-
Inventory	20,923	19,096
Prepaid insurance	<u>2,619</u>	<u>2,577</u>
Total Current Assets	489,095	317,659
Investments, long term	5,232	3,959
Property and equipment - net	688,149	532,851
Deposits	<u>2,163</u>	<u>2,149</u>
TOTAL ASSETS	<u><u>\$ 1,184,639</u></u>	<u><u>\$ 856,618</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	<u>\$ 583</u>	<u>\$ 6,348</u>
Total Liabilities	<u>583</u>	<u>6,348</u>
NET ASSETS		
Unrestricted	1,027,215	850,270
Temporarily Restricted	<u>156,841</u>	<u>-</u>
Total net assets	<u>1,184,056</u>	<u>850,270</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,184,639</u></u>	<u><u>\$ 856,618</u></u>

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>
Support						
Individuals	\$ 579,613	\$ 283,604	\$ 863,217	\$ 452,759	\$ 10,590	\$ 463,349
Foundations	217,515	1,000	218,515	92,103		92,103
Government grants	-		-	118,882		118,882
Chapter donations	42,584		42,584	36,259		36,259
Corporations	141,761	70,100	211,861	187,524	50,000	237,524
Indirect support	27,917		27,917	23,602		23,602
Total Support	<u>1,009,390</u>	<u>354,704</u>	<u>1,364,094</u>	<u>911,129</u>	<u>60,590</u>	<u>971,719</u>
Revenue						
Investment income	864		864	1,519		1,519
Merchandise sales - net cost of good sold of \$1,726 for 2011 and \$444 for 2010	6,649		6,649	3,012		3,012
Total revenue	<u>7,513</u>	<u>-</u>	<u>7,513</u>	<u>4,531</u>	<u>-</u>	<u>4,531</u>
Net assets released from restrictions	<u>197,863</u>	<u>(197,863)</u>	<u>-</u>	<u>60,590</u>	<u>(60,590)</u>	<u>-</u>
Donated services, materials and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue and reclassifications	<u>1,214,766</u>	<u>156,841</u>	<u>1,371,607</u>	<u>976,250</u>	<u>-</u>	<u>976,250</u>
Expenses						
Program services						
Care and conservation	810,538		810,538	688,893		688,893
Research	59,086		59,086	78,636		78,636
Education	22,393		22,393	21,625		21,625
Total program services	<u>892,017</u>	<u>-</u>	<u>892,017</u>	<u>789,154</u>	<u>-</u>	<u>789,154</u>
Supporting services						
Management and general	86,610		86,610	67,712		67,712
Fundraising	59,194		59,194	27,031		27,031
Total supporting services	<u>145,804</u>	<u>-</u>	<u>145,804</u>	<u>94,743</u>	<u>-</u>	<u>94,743</u>
Total Expenses	<u>1,037,821</u>	<u>-</u>	<u>1,037,821</u>	<u>883,897</u>	<u>-</u>	<u>883,897</u>
CHANGES IN NET ASSETS	<u>\$ 176,945</u>	<u>\$ 156,841</u>	<u>\$ 333,786</u>	<u>\$ 92,353</u>	<u>\$ -</u>	<u>\$ 92,353</u>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

			Total	
	Unrestricted	Temporarily Restricted	2011	2010
Net assets, beginning of the year	\$ 850,270	\$ -	\$ 850,270	\$ 757,917
Changes in net assets	176,945	156,841	333,786	92,353
Net assets, end of the year	<u>\$ 1,027,215</u>	<u>\$ 156,841</u>	<u>\$ 1,184,056</u>	<u>\$ 850,270</u>

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Program Services			Supporting Services			Total	
	Care and Conservation	Research	Education	Management and General	Fund Raising	Total	2011	2010
Salaries, payroll taxes and employee benefits	\$ 36,347	\$ 6,540	\$ 17,023	\$ 63,730	\$ 36,246	\$ 99,976	\$ 159,886	\$ 123,755
Foods and medical care	243,700	-	-	-	-	-	243,700	173,786
Travel and lodging	67,603	8,525	1,840	-	-	-	77,968	69,065
Outside services	270,056	32,533	744	1,488	744	2,232	305,565	325,495
Supplies	10,604	1,716	98	196	98	294	12,712	23,953
Occupancy	29,176	5,404	813	1,626	813	2,439	37,832	48,773
Telephone	12,257	1,048	524	1,048	524	1,572	15,401	11,245
Postage and delivery	3,904	558	279	557	279	836	5,577	2,223
Meals	-	-	-	-	-	-	-	-
Miscellaneous	6,088	-	-	671	-	671	6,759	7,956
Printing	694	-	347	694	5,205	5,899	6,940	854
Depreciation	2,447	349	175	349	175	524	3,495	3,231
Insurance	7,701	1,100	550	1,100	550	1,650	11,001	20,289
Bank fees	-	-	-	14,068	-	14,068	14,068	8,081
Fundraising	-	-	-	-	14,560	14,560	14,560	9,464
Training	173	-	-	-	-	-	173	4,742
Equipment	7,420	-	-	905	-	905	8,325	11,670
Repairs and maintenance	107,621	1,313	-	178	-	178	109,112	33,030
Student research	4,747	-	-	-	-	-	4,747	6,285
Expenses before donated services and materials	810,538	59,086	22,393	86,610	59,194	145,804	1,037,821	883,897
Donated services	-	-	-	-	-	-	-	-
Total Expenses	\$ 810,538	\$ 59,086	\$ 22,393	\$ 86,610	\$ 59,194	\$ 145,804	\$ 1,037,821	\$ 883,897

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Changes in net assets	\$ 333,786	\$ 92,353
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	3,495	3,231
Unrealized/realized gain on securities	(109)	(590)
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(42)	(42)
Increase in accounts receivable	(65,000)	-
Decrease (increase) in inventory	(1,827)	4,215
Increase in deposits	(14)	(33)
Decrease in accounts payable	<u>(5,765)</u>	<u>(988)</u>
Net cash (used for) provided by operating activities	264,524	98,146
Cash flows from investing activities		
Decrease (increase) in investments	48,486	(601)
Capital expenditures	<u>(158,793)</u>	<u>(107,904)</u>
Net cash used for investing activities	(110,307)	(108,505)
Net (decrease) increase in cash and cash equivalents	154,217	(10,359)
Cash and cash equivalents, beginning of the year	<u>182,529</u>	<u>192,888</u>
Cash and cash equivalents, end of the year	<u><u>\$ 336,746</u></u>	<u><u>\$ 182,529</u></u>

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 – ORGANIZATION

Orangutan Foundation International (the Organization) is a non-profit corporation incorporated in 1986 under the California Non-profit Public Benefit Corporation Law. The Organization's purpose is to further people's knowledge, conservation and appreciation of orangutans and their tropical rain forest habitat. The Organization operates the following programs:

Care and Conservation

The Organization provides rescue, repatriation and rehabilitation of orangutans in the wild and in captivity, as well as conservation of orangutan habitat.

Research

The Organization conducts research, the results of which are intended to increase scientific information about orangutans, their behavior and habitat requirements.

Education

The Organization sponsors the development of educational materials about orangutans, both for the public at large and academic audiences.

Support for these activities comes primarily from donations from individuals, foundations, and corporations. Some support comes from governmental reimbursement grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared on the basis of Statement of Financial Accounting Standards (SFAS) No. 117, the Organization is required to report 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 organization currently has no permanently restricted net assets.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all liquid investment purchased with a maturity date of three months or less to be cash equivalents. The organization's cash balance at December 31, 2010 was

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

less than the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. However, at December 31, 2011 the cash balances at one the financial institution exceed the FDIC insured limit by \$68,963.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

The Organization accounts for grants and contributions in accordance with SFAS No 116, *Accounting for Contributions Received and Contributions Made*. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments

The Organization has adopted SFAS No 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No 124, investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the Statements of Changes in Net Assets.

Inventory

Inventory, consisting of books and other orangutan-related items, is stated at the lower of cost or market value.

Tax Status

The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is exempt from California Franchise Tax under Section 23701(d) of the State Revenue and Taxation Code. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2)

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.

Expenses Allocation

The costs of providing the programs and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Certain costs have been allocated among the programs and the supporting services bases on ratios determined by management.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Foreign Operations

The Organization helps operate and maintain an Orangutan preserve in Tanjung Puting Reserve in Central Borneo in Indonesia. To help fund this activity, the Organization maintains bank accounts in Indonesia which are used to fund operating expenses and is funded on as needed basis to cover expenses as incurred. Minimal cash balances are held which minimizes any foreign currency risk.

Donated Services, Materials and Equipment

Donated services are recognized as contributions in accordance with SFAS No 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and would otherwise be purchased by the Organization.

Donated materials are recorded as contributions and expenses at their estimated fair value at the date of donation.

Donations of equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

NOTE 3 – INVESTMENTS

Current assets include certificates of deposits with terms greater than three months but less than one year of \$63,807 and \$113,457 at December 31, 2011 and 2010, respectively.

Long – term investments are presented in the financial statements at fair market value and consist of the following:

Corporate Stock:	Fair Market Value	Cost	Unrealized Gain/(Loss)
December 31, 2011	\$5,232	\$5,123	\$109
December 31, 2010	\$3,959	\$3,369	\$590

Investment return is summarized as follows:

Investment Income:

	2011	2010
Interest and dividends	\$ 755	\$ 928
Unrealized gain/(loss) on investments	109	590
Total	<u>\$ 864</u>	<u>\$ 1,518</u>

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 – PROPERTY AND EQUIPMENT

All acquisition of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful life of the asset.

	Method	Estimated Useful lives (Years)	2011	2010
Office Equipment	Straight-line	5-7	\$ 81,472	\$ 73,761
Software	Straight-line	5	20,552	20,552
Building	Straight-line	20	20,718	20,718
Vehicle	Straight-line	5	22,639	22,639
			<u>145,381</u>	<u>137,670</u>
Less accumulated depreciation			<u>(113,874)</u>	<u>(110,379)</u>
			31,507	27,291
Land			643,142	492,060
Art Collection			<u>13,500</u>	<u>13,500</u>
			<u>\$ 688,149</u>	<u>\$ 532,851</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$3,495 and \$3,230, respectively.

The land, consisting of several parcels in close proximity to the care center and quarantine supported by the organization, is located on the island of Kalimantan, Indonesia. Because Indonesian law will allow only Indonesian citizens to own land there, Mr. Pak Bohap, a member of the board, holds title to five of the parcels. Dr. Birute Galdikas, President of the board, holds title to the other parcels. A memorandum of understanding exists between Mr. Bohap and the Organization and between Dr. Galdikas and the Organization that they and their heirs are holding land in trust for Orangutan Foundation International until such time as Indonesian law will allow foreign organizations to hold title. During 2008 through 2011, the Organization has been making purchases of land adjacent to the care center to protect the current land usage from being converted to palm oil plantations or rubber plantations.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets of the Organization are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Purpose restrictions		
Land purchase	<u>\$354,704</u>	<u>\$60,590</u>
Total	<u>\$354,704</u>	<u>\$60,590</u>

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

	<u>2011</u>	<u>2010</u>
Land purchase	<u>\$156,958</u>	<u>\$60,590</u>
Total	<u>\$156,958</u>	<u>\$60,590</u>

NOTE 7 – COMMITMENTS

On June 1, 2010, the organization entered into an open-ended lease for its administrative offices. Rental payments under this lease were \$1,200 per month rising to \$1,280 in 2011. This lease is subject to a two month notice of termination.

NOTE 8 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through November 7, 2012, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the years ended December 31, 2011 and 2010.