

ORANGUTAN FOUNDATION INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013 & 2012

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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, 2013 and 2012, the related statements of activities, and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

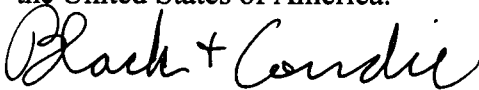
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, 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
Torrance, California
November 11, 2014

**ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 823,499	\$ 1,017,770
Investments	64,115	63,989
Accounts Receivable	-	-
Inventory	21,672	21,056
Prepaid insurance	3,452	2,704
	<u>912,738</u>	<u>1,105,519</u>
Total Current Assets	912,738	1,105,519
Property and equipment - net of accum. depr.	1,627,593	980,865
Investments, long term	19,210	13,281
Deposits	2,163	2,163
	<u>1,658,966</u>	<u>1,013,599</u>
TOTAL ASSETS	<u><u>\$ 2,561,704</u></u>	<u><u>\$ 2,101,828</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,122	\$ 20,401
Deferred Income	-	5,100
	<u>1,122</u>	<u>25,501</u>
Total Liabilities	1,122	25,501
NET ASSETS		
Unrestricted net assets	1,725,563	1,184,056
Temporarily restricted net assets	835,019	892,271
	<u>2,560,582</u>	<u>2,076,327</u>
Total net assets	2,560,582	2,076,327
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,561,704</u></u>	<u><u>\$ 2,101,828</u></u>

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>
Support						
Individuals	\$ 755,667	\$ 202,590	\$ 958,257	\$ 668,731	\$ 575,260	\$ 1,243,991
Foundations	240,331	10,350	250,681	275,373	18,000	293,373
Government grants	-	-	-	-	-	-
Chapter donations	33,115	269,200	302,315	15,531	-	15,531
Corporations	219,934	100,000	319,934	198,804	306,155	504,959
Indirect support	79,981	-	79,981	32,555	-	32,555
Total Support	<u>1,329,028</u>	<u>582,140</u>	<u>1,911,168</u>	<u>1,190,994</u>	<u>899,415</u>	<u>2,090,409</u>
Revenue						
Investment income	4,266	-	4,266	777	-	777
Merchandise sales - net cost of good sold of \$320 for 2013 and \$1,935 for 2012	1,631	-	1,631	4,808	-	4,808
Total revenue	<u>5,897</u>	<u>-</u>	<u>5,897</u>	<u>5,585</u>	<u>-</u>	<u>5,585</u>
Net assets released from restrictions	<u>639,392</u>	<u>(639,392)</u>	<u>-</u>	<u>293,534</u>	<u>(293,534)</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>1,974,317</u>	<u>(57,252)</u>	<u>1,917,065</u>	<u>1,490,113</u>	<u>605,881</u>	<u>2,095,994</u>
Expenses						
Program services						
Care and conservation	1,157,680	-	1,157,680	946,779	-	946,779
Research	79,695	-	79,695	79,788	-	79,788
Education	28,214	-	28,214	23,585	-	23,585
Total program services	<u>1,265,589</u>	<u>-</u>	<u>1,265,589</u>	<u>1,050,152</u>	<u>-</u>	<u>1,050,152</u>
Supporting services						
Management and general	109,752	-	109,752	90,407	-	90,407
Fundraising	57,469	-	57,469	63,164	-	63,164
Total supporting services	<u>167,221</u>	<u>-</u>	<u>167,221</u>	<u>153,571</u>	<u>-</u>	<u>153,571</u>
Total Expenses	<u>1,432,810</u>	<u>-</u>	<u>1,432,810</u>	<u>1,203,723</u>	<u>-</u>	<u>1,203,723</u>
CHANGES IN NET ASSETS	<u>\$ 541,507</u>	<u>\$ (57,252)</u>	<u>\$ 484,255</u>	<u>\$ 286,390</u>	<u>\$ 605,881</u>	<u>\$ 892,271</u>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2013</u>	<u>2012</u>
Net assets, beginning of the year	\$ 1,184,056	\$ 892,271	\$ 2,076,327	\$ 1,184,056
Changes in net assets	541,507	(57,252)	484,255	892,271
Net assets, end of the year	<u>\$ 1,725,563</u>	<u>\$ 835,019</u>	<u>\$ 2,560,582</u>	<u>\$ 2,076,327</u>

See independent auditors' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Program Services				Supporting Services			Total	
	Care and Conservation	Research	Education	Total	Management and General	Fund Raising	Total	2013	2012
								\$	\$
Salaries, payroll taxes and employee benefits, US	\$ 42,763	\$ 7,210	\$ 19,176	\$ 69,149	\$ 66,737	\$ 16,722	\$ 83,459	\$ 152,608	\$ 163,691
Salaries and wages, Indonesia care center	338,000	37,516	-	375,516	-	-	-	375,516	367,487
Foods and medical care	312,209	-	-	312,209	-	-	-	312,209	257,541
Travel and lodging	94,333	14,102	2,633	111,068	-	-	-	111,068	101,222
Outside services	31,088	4,330	2,165	37,583	4,330	2,165	6,495	44,078	30,460
Supplies	37,354	4,276	238	41,868	477	238	715	42,583	20,381
Occupancy	47,561	3,956	808	52,325	1,618	809	2,427	54,752	40,753
Telephone	12,428	1,516	757	14,701	1,516	757	2,273	16,974	12,900
Postage and delivery	2,621	374	187	3,182	374	187	561	3,743	6,715
Meals	-	-	-	-	-	-	-	-	3,545
Miscellaneous	7,104	-	-	7,104	2,023	-	2,023	9,127	3,557
Printing	1,551	-	776	2,327	1,551	11,636	13,187	15,514	6,048
Depreciation	3,837	549	274	4,660	548	274	822	5,482	4,283
Insurance	16,806	2,401	1,200	20,407	2,401	1,200	3,601	24,008	23,726
Bank fees	-	-	-	-	18,992	-	18,992	18,992	17,435
Fundraising	-	-	-	-	-	23,481	23,481	23,481	14,052
Training	-	-	-	-	9,185	-	9,185	9,185	-
Equipment	28,456	-	-	28,456	-	-	-	28,456	17,997
Repairs and maintenance	170,340	3,465	-	173,805	-	-	-	173,805	100,895
Student research	11,229	-	-	11,229	-	-	-	11,229	11,035
Expenses before donated services and materials	1,157,680	79,695	28,214	1,265,589	109,752	57,469	167,221	1,432,810	1,203,723
Donated services	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 1,157,680	\$ 79,695	\$ 28,214	\$ 1,265,589	\$ 109,752	\$ 57,469	\$ 167,221	\$ 1,432,810	\$ 1,203,723

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash flows from operating activities		
Changes in net assets	\$ 484,255	\$ 892,271
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,482	4,283
Unrealized/realized (gain) loss on securities	(2,916)	96
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(748)	(85)
Decrease (increase) in accounts receivable	-	65,000
Increase in inventory	(616)	(133)
Increase in deposits	-	-
Increase (decrease) in deferred income	(5,100)	5,100
Increase (decrease) in accounts payable	(19,280)	19,818
Net cash provided by operating activities	461,077	986,350
Cash flows from investing activities		
Decrease (increase) in investments	(3,139)	(8,327)
Capital expenditures	(652,209)	(296,999)
Net cash used for investing activities	(655,348)	(305,326)
Net increase in cash and cash equivalents	(194,271)	681,024
Cash and cash equivalents, beginning of the year	1,017,770	336,746
Cash and cash equivalents, end of the year	\$ 823,499	\$ 1,017,770

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

The following summarizes 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 in a single United States financial institution at December 31, 2013 was \$416,249 greater than the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2012 the cash balances at this financial institution exceeded the FDIC insured limit by \$624,536.

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – NATURE OF ACTIVITIES AND 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 United States generally accepted accounting principles 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.

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, 2013**

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 2 – INVESTMENT INCOME

Current assets include certificates of deposits with terms greater than three months but less than one year of \$63,989 and \$63,807 at December 31, 2012 and 2011, 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, 2013	\$19,210	\$16,294	\$2,916
December 31, 2012	\$13,281	\$13,377	(\$96)

Investment return is summarized as follows:

Investment Income:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 1,350	\$ 873
Unrealized gain/(loss) on investments	2,916	(96)
Total	<u>\$ 4,266</u>	<u>\$ 777</u>

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 – 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.

	<u>Method</u>	<u>Estimated Useful lives (Years)</u>	<u>2013</u>	<u>2012</u>
Office Equipment	Straight-line	5-7	\$ 90,008	\$ 83,828
Software	Straight-line	5	20,551	20,551
Building	Straight-line	20	20,718	20,718
Vehicle	Straight-line	5	30,386	23,749
			<u>161,663</u>	<u>148,846</u>
Less accumulated depreciation			<u>(123,640)</u>	<u>(118,158)</u>
			38,023	30,688
Land			1,576,069	936,677
Art Collection			<u>13,500</u>	<u>13,500</u>
			<u>\$ 1,627,592</u>	<u>\$ 980,865</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$5,482 and \$4,283, respectively.

The organization has funded land purchases, 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 2013, the Organization has been funding purchases of land adjacent to the care center to protect the current land usage from being converted to palm oil plantations or rubber plantations. In 2013 and 2012, the organization expended \$639,392 and \$293,534, respectively, for such purchases.

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Purpose restrictions		
Land purchases	<u>\$835,019</u>	<u>\$892,271</u>
 Total	 <u>\$835,019</u>	 <u>\$892,271</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>2013</u>	<u>2012</u>
Land purchase	<u>\$639,392</u>	<u>\$293,534</u>
 Total	 <u>\$639,392</u>	 <u>\$293,534</u>

NOTE 6 – COMMITMENTS

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

NOTE 7 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through November 11, 2014, 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, 2013 and 2012.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 8 – FAIR VALUE MEASUREMENTS

The Accounting Standard Codification requirement of Fair Value Measurements and Disclosures, applies to all financial instruments and all nonfinancial assets and liabilities that are being measured and reported on a fair value basis. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 inputs consist of observable inputs other than quoted prices for identical assets, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of December 31, 2012 and 2011 by level within the fair value measurement hierarchy.

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
2013				
Certificates of Deposit	\$ 64,115	-	64,115	-
Corporate Stock	19,210	19,210	-	-
Total	<u>\$ 83,325</u>			
2012				
Certificates of Deposit	\$ 63,989	-	63,807	-
Corporate Stock	13,281	13,281	-	-
Total	<u>\$ 77,270</u>			

For the remaining current assets and current liabilities, the carrying amounts approximate fair value because of the short maturity of these instruments.