

**ORANGUTAN FOUNDATION INTERNATIONAL**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 & 2011**

## CONTENT

	<u>Page</u>
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Changes in Net Assets.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 – 12

**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, 2012 and 2011, 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**

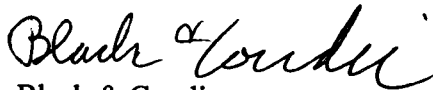
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2012 and 2011, 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 7, 2013

**ORANGUTAN FOUNDATION INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,017,770	\$ 336,746
Investments	63,989	63,807
Accounts Receivable	-	65,000
Inventory	21,056	20,923
Prepaid insurance	2,704	2,619
	1,105,519	489,095
Property and equipment - net of accum. depr.	980,865	688,149
Investments, long term	13,281	5,232
Deposits	2,163	2,163
	2,101,828	1,184,639
<b>TOTAL ASSETS</b>	<b>\$ 2,101,828</b>	<b>\$ 1,184,639</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 20,401	\$ 583
Deferred Income	5,100	-
	25,501	583
<b>Total Liabilities</b>	<b>25,501</b>	<b>583</b>
<b>NET ASSETS</b>		
Unrestricted net assets	1,313,605	1,027,215
Temporarily restricted net assets	762,722	156,841
	2,076,327	1,184,056
<b>Total net assets</b>	<b>2,076,327</b>	<b>1,184,056</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,101,828</b>	<b>\$ 1,184,639</b>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>
<b>Support</b>						
Individuals	\$ 668,731	\$ 575,260	\$ 1,243,991	\$ 579,613	\$ 283,604	\$ 863,217
Foundations	275,373	18,000	293,373	217,515	1,000	218,515
Government grants	-	-	-	-	-	-
Chapter donations	15,531	-	15,531	42,584	-	42,584
Corporations	198,804	306,155	504,959	141,761	70,100	211,861
Indirect support	32,555	-	32,555	27,917	-	27,917
<b>Total Support</b>	<u>1,190,994</u>	<u>899,415</u>	<u>2,090,409</u>	<u>1,009,390</u>	<u>354,704</u>	<u>1,364,094</u>
<b>Revenue</b>						
Investment income	777	-	777	864	-	864
Merchandise sales - net cost of good sold of \$1,935 for 2012 and \$1,726 for 2011	4,808	-	4,808	6,649	-	6,649
<b>Total revenue</b>	<u>5,585</u>	<u>-</u>	<u>5,585</u>	<u>7,513</u>	<u>-</u>	<u>7,513</u>
<b>Net assets released from restrictions</b>	<u>293,534</u>	<u>(293,534)</u>	<u>-</u>	<u>197,863</u>	<u>(197,863)</u>	<u>-</u>
<b>Donated services, materials and equipment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue and reclassifications</b>	<u>1,490,113</u>	<u>605,881</u>	<u>2,095,994</u>	<u>1,214,766</u>	<u>156,841</u>	<u>1,371,607</u>
<b>Expenses</b>						
<b>Program services</b>						
Care and conservation	946,779	-	946,779	810,538	-	810,538
Research	79,788	-	79,788	59,086	-	59,086
Education	23,585	-	23,585	22,393	-	22,393
<b>Total program services</b>	<u>1,050,152</u>	<u>-</u>	<u>1,050,152</u>	<u>892,017</u>	<u>-</u>	<u>892,017</u>
<b>Supporting services</b>						
Management and general	90,407	-	90,407	86,610	-	86,610
Fundraising	63,164	-	63,164	59,194	-	59,194
<b>Total supporting services</b>	<u>153,571</u>	<u>-</u>	<u>153,571</u>	<u>145,804</u>	<u>-</u>	<u>145,804</u>
<b>Total Expenses</b>	<u>1,203,723</u>	<u>-</u>	<u>1,203,723</u>	<u>1,037,821</u>	<u>-</u>	<u>1,037,821</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 286,390</u>	<u>\$ 605,881</u>	<u>\$ 892,271</u>	<u>\$ 176,945</u>	<u>\$ 156,841</u>	<u>\$ 333,786</u>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
<b>Net assets, beginning of the year</b>	\$ 1,027,215	\$ 156,841	\$ 1,184,056	\$ 850,270
<b>Changes in net assets</b>	<u>286,390</u>	<u>605,881</u>	<u>892,271</u>	<u>333,786</u>
<b>Net assets, end of the year</b>	<u>\$ 1,313,605</u>	<u>\$ 762,722</u>	<u>\$ 2,076,327</u>	<u>\$ 1,184,056</u>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Program Services			Supporting Services			Total
	Care and Conservation	Research	Education	Management and General	Fund Raising	Total	
Salaries, payroll taxes and employee benefits, US	\$ 36,370	\$ 6,419	\$ 16,659	\$ 59,448	\$ 40,546	\$ 104,243	\$ 159,886
Salaries and wages, Indonesia care center	328,919	38,568	-	367,487	-	-	267,017
Food and medical care	257,541	-	-	257,541	-	-	243,700
Travel and lodging	84,452	14,175	2,595	101,222	-	-	77,968
Outside services	25,331	1,710	855	27,896	855	2,564	38,548
Supplies	18,338	1,539	126	20,003	126	378	12,712
Occupancy	32,754	4,774	806	38,334	806	2,419	37,832
Telephone	9,858	1,014	507	11,379	507	1,521	15,401
Postage and delivery	4,701	672	335	5,708	335	1,007	5,577
Meals	3,545	-	-	3,545	-	-	3,545
Miscellaneous	2,948	-	-	2,948	-	609	3,557
Printing	605	-	302	907	4,536	5,141	6,940
Depreciation	2,998	428	214	3,640	215	643	3,495
Insurance	16,608	2,373	1,186	20,167	1,186	3,559	11,001
Bank fees	-	-	-	-	-	17,435	14,068
Fundraising	-	-	-	-	14,052	14,052	14,560
Training	-	-	-	-	-	-	173
Equipment	17,997	-	-	17,997	-	-	8,325
Repairs and maintenance	92,779	8,116	-	100,895	-	-	109,112
Student research	11,035	-	-	11,035	-	-	4,747
Expenses before donated services and materials	946,779	79,788	23,585	1,050,152	63,164	153,571	1,037,821
Donated services	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 946,779</b>	<b>\$ 79,788</b>	<b>\$ 23,585</b>	<b>\$ 1,050,152</b>	<b>\$ 63,164</b>	<b>\$ 153,571</b>	<b>\$ 1,037,821</b>

See independent auditors' report and accompanying notes.

**ORANGUTAN FOUNDATION INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 892,271	\$ 333,786
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,283	3,495
Unrealized/realized (gain) loss on securities	96	(109)
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(85)	(42)
Decrease (increase) in accounts receivable	65,000	(65,000)
Increase in inventory	(133)	(1,827)
Increase in deposits	-	(14)
Increase in deferred income	5,100	
Increase (decrease) in accounts payable	19,818	(5,765)
Net cash provided by operating activities	986,350	264,524
<b>Cash flows from investing activities</b>		
Decrease (increase) in investments	(8,327)	48,486
Capital expenditures	(296,999)	(158,793)
Net cash used for investing activities	(305,326)	(110,307)
<b>Net increase in cash and cash equivalents</b>	681,024	154,217
<b>Cash and cash equivalents, beginning of the year</b>	336,746	182,529
<b>Cash and cash equivalents, end of the year</b>	\$ 1,017,770	\$ 336,746

See independent auditors' report and accompanying notes.



**ORANGUTAN FOUNDATION INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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, 2012 was \$624,536 greater than the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2011 the cash balances at this financial institution exceeded the FDIC insured limit by \$68,963.

See Independent auditor's report.

**ORANGUTAN FOUNDATION INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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.

See Independent auditor's report.

**ORANGUTAN FOUNDATION INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012	\$13,281	\$13,377	(\$96)
December 31, 2011	\$ 5,232	\$ 5,123	\$109

Investment return is summarized as follows:

Investment Income:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 873	\$ 755
Unrealized gain/(loss) on investments	(96)	109
Total	<u>\$ 777</u>	<u>\$ 864</u>

See Independent auditor's report.

**ORANGUTAN FOUNDATION INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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.

	<b>Method</b>	<b>Estimated Useful lives (Years)</b>	<b>2011</b>	<b>2010</b>
Office Equipment	Straight-line	5-7	\$ 83,828	\$ 81,472
Software	Straight-line	5	20,551	20,552
Building	Straight-line	20	20,718	20,718
Vehicle	Straight-line	5	23,749	22,639
			<u>148,846</u>	<u>145,381</u>
Less accumulated depreciation			<u>(118,158)</u>	<u>(113,875)</u>
			30,688	31,506
Land			936,677	643,143
Art Collection			<u>13,500</u>	<u>13,500</u>
			<u>\$ 980,865</u>	<u>\$ 688,149</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$4,283 and \$3,495, 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 2012, 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 2012 and 2011, the organization expended \$293,534 and \$151,082, respectively, for such purchases.

See Independent auditor's report.

**ORANGUTAN FOUNDATION INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2012</u>	<u>2011</u>
Purpose restrictions		
Land purchases	<u>\$899,415</u>	<u>\$354,704</u>
 Total	 <u>\$899,415</u>	 <u>\$354,704</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>2012</u>	<u>2011</u>
Land purchase	<u>\$293,534</u>	<u>\$197,863</u>
 Total	 <u>\$293,534</u>	 <u>\$197,863</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 7, 2013, 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, 2012 and 2011.

**ORANGUTAN FOUNDATION INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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>
<b>2012</b>				
Certificates of Deposit	\$ 63,989	-	63,989	-
Corporate Stock	13,281	13,281	-	-
<b>Total</b>	<b>\$ 77,270</b>			
<b>2011</b>				
Certificates of Deposit	\$ 63,807	-	63,807	-
Corporate Stock	5,232	5,232	-	-
<b>Total</b>	<b>\$ 69,039</b>			

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