

ORANGUTAN FOUNDATION INTERNATIONAL
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018 & 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 21, 2019

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,071,468	\$ 854,621
Investments	64,995	64,188
Inventory	27,161	25,895
Prepaid expenses	<u>3,353</u>	<u>3,598</u>
Total Current Assets	1,166,977	948,302
Property and equipment - net of accum. depr.	2,889,262	2,737,381
Investments, long term	129,947	124,861
Deposits	<u>2,163</u>	<u>2,163</u>
TOTAL ASSETS	<u><u>\$ 4,188,349</u></u>	<u><u>\$ 3,812,707</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	<u>\$ 11,106</u>	<u>\$ 3,521</u>
Total Liabilities	<u>11,106</u>	<u>3,521</u>
NET ASSETS		
Without donor restrictions	3,686,700	3,450,703
With donor restrictions	<u>490,543</u>	<u>358,483</u>
Total net assets	<u>4,177,243</u>	<u>3,809,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,188,349</u></u>	<u><u>\$ 3,812,707</u></u>

See independent accountants' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Without Donor Restrictions	With Donor Restrictions	Total 2017
Support						
Individuals	\$ 1,325,639	\$ 169,000	\$ 1,494,639	\$ 1,378,646	\$ 152,197	\$ 1,530,843
Foundations	141,959	143,000	284,959	128,175	100,000	228,175
Government grants			-			-
Chapter donations	156,416	-	156,416	227,285	-	227,285
Corporations	190,027	-	190,027	116,865	-	116,865
Indirect support	29,847		29,847	35,880		35,880
Total Support	<u>1,843,888</u>	<u>312,000</u>	<u>2,155,888</u>	<u>1,886,851</u>	<u>252,197</u>	<u>2,139,048</u>
Revenue						
Investment income	1,217		1,217	34,188		34,188
Merchandise sales	5,027		5,027	4,728		4,728
Total revenue	<u>6,244</u>	<u>-</u>	<u>6,244</u>	<u>38,916</u>	<u>-</u>	<u>38,916</u>
Net assets released from restrictions	<u>179,940</u>	<u>(179,940)</u>	<u>-</u>	<u>323,002</u>	<u>(323,002)</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>2,030,072</u>	<u>132,060</u>	<u>2,162,132</u>	<u>2,248,769</u>	<u>(70,805)</u>	<u>2,177,964</u>
Expenses						
Program services						
Care and conservation	1,489,997		1,489,997	1,248,418		1,248,418
Research	39,255		39,255	54,547		54,547
Education	45,408		45,408	45,632		45,632
Total program services	<u>1,574,660</u>	<u>-</u>	<u>1,574,660</u>	<u>1,348,597</u>	<u>-</u>	<u>1,348,597</u>
Supporting services						
Management and general	169,885		169,885	171,443		171,443
Fundraising	49,530		49,530	48,431		48,431
Total supporting services	<u>219,415</u>	<u>-</u>	<u>219,415</u>	<u>219,874</u>	<u>-</u>	<u>219,874</u>
Total Expenses	<u>1,794,075</u>	<u>-</u>	<u>1,794,075</u>	<u>1,568,471</u>	<u>-</u>	<u>1,568,471</u>
CHANGES IN NET ASSETS	<u>\$ 235,997</u>	<u>\$ 132,060</u>	<u>\$ 368,057</u>	<u>\$ 680,298</u>	<u>\$ (70,805)</u>	<u>\$ 609,493</u>

See independent accountants' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

			Total	
	Without	With		
	Donor Restrictions	Donor Restrictions	2018	2017
Net assets, beginning of the year	\$ 3,450,703	\$ 358,483	\$ 3,809,186	\$ 3,199,693
Changes in net assets	<u>235,997</u>	<u>132,060</u>	<u>368,057</u>	<u>609,493</u>
Net assets, end of the year	<u>\$ 3,686,700</u>	<u>\$ 490,543</u>	<u>\$ 4,177,243</u>	<u>\$ 3,809,186</u>

See independent accountants' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Program Services				Supporting Services			Total	
	Care and Conservation	Research	Education	Total	Management and General	Fund Raising	Total	2018	2017
Salaries, payroll taxes and employee benefits, US	\$ 60,916	\$ 12,533	\$ 34,266	\$ 107,715	\$ 126,265	\$ 30,933	\$ 157,198	\$ 264,913	\$ 280,411
Salaries and wages, Indonesia care center	557,610			557,610			-	557,610	536,858
Foods and medical care	459,429	-	-	459,429	-	-	-	459,429	292,648
Travel and lodging	128,331	7,004	3,502	138,837	-	-	-	138,837	113,153
Outside services	9,378	-	-	9,378	8,473	-	8,473	17,851	15,698
Supplies	13,224	1,855	124	15,203	248	124	372	15,575	27,059
Occupancy	43,012	1,570	785	45,367	1,570	785	2,355	47,722	55,251
Telephone	16,526	2,245	1,122	19,893	2,245	1,122	3,367	23,260	15,146
Postage and delivery	3,158	451	226	3,835	451	226	677	4,512	4,159
Meals & entertainment	1,227	-	-	1,227	-	-	-	1,227	614
Miscellaneous	25,113	-	-	25,113	4,057	-	4,057	29,170	25,020
Printing	1,221	-	610	1,831	1,221	9,155	10,376	12,207	10,427
Depreciation	26,393	3,770	1,885	32,048	3,770	1,886	5,656	37,704	24,438
Insurance	40,018	5,717	2,858	48,593	5,717	2,858	8,575	57,168	55,860
Bank fees	-	-	-	-	15,807	-	15,807	15,807	16,108
Advertising & fundraising	425	61	30	516	61	2,441	2,502	3,018	3,097
Website	4,789	-	-	4,789	-	-	-	4,789	3,605
Equipment	18,575	-	-	18,575	-	-	-	18,575	14,814
Repairs and maintenance	80,652	4,049	-	84,701	-	-	-	84,701	74,105
Student research	-	-	-	-	-	-	-	-	-
Expenses before donated services and materials	1,489,997	39,255	45,408	1,574,660	169,885	49,530	219,415	1,794,075	1,568,471
Donated services	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 1,489,997	\$ 39,255	\$ 45,408	\$ 1,574,660	\$ 169,885	\$ 49,530	\$ 219,415	\$ 1,794,075	\$ 1,568,471

See independent accountants' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Changes in net assets	\$ 368,057	\$ 609,493
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donation of stocks	8,112	-
Depreciation	37,704	24,438
Unrealized/realized gain (loss) on securities	(2,947)	(4,927)
Changes in operating assets and liabilities:		
Increase in prepaid expenses	245	-
Decrease (increase) in inventory	(1,266)	492
Increase (decrease) in accounts payable	<u>7,585</u>	<u>676</u>
Net cash provided by operating activities	417,490	630,172
Cash flows from investing activities		
Increase in investments & CD's	(11,058)	(37,098)
Capital expenditures	<u>(189,585)</u>	<u>(314,463)</u>
Net cash used for investing activities	(200,643)	(351,561)
Net increase (decrease) in cash and cash equivalents	216,847	278,611
Cash and cash equivalents, beginning of the year	<u>854,621</u>	<u>576,010</u>
Cash and cash equivalents, end of the year	<u><u>\$ 1,071,468</u></u>	<u><u>\$ 854,621</u></u>

See independent accountants' report and accompanying notes.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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.

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, 2018 was \$581,990 greater than the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2017 the cash balances at this financial institution exceeded the FDIC insured limit by \$307,527.

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, or 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),

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted net assets are reclassified to net assets without donor restrictions 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.

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.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities. Provisions include: the reduction in the number of new asset classes presented from three to two classes (with donor restrictions and without donor restrictions); the requirement to present expenses by their functional and their natural classifications in one location in the financial statements; the requirement to present quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and the retention of the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The pronouncement is effective for annual periods in fiscal years beginning after December 15, 2017. The Organization adopted this guidance for the fiscal year ended December 31, 2018.

NOTE 2 – INVESTMENT INCOME

Current assets include certificates of deposits with terms greater than three months but less than one year of \$64,995 and \$64,188 at December 31, 2018 and 2017, respectively.

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

Corporate Stock:	Fair Market Value	Prior Year Value	Unrealized Gain (Loss)
December 31, 2018	\$129,947	\$124,892	\$ (2,947)
December 31, 2017	\$124,862	\$ 82,836	\$ 31,176

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – INVESTMENT INCOME (continued)

Investment return is summarized as follows:

Investment Income:

	2018	2017
Interest and dividends	\$ 4,306	\$ 3,012
Realized loss on investments	(142)	-
Unrealized gain/(loss) on investments	(2,947)	31,176
Total	<u>\$ 1,217</u>	<u>\$ 34,188</u>

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.

	Method	Estimated Useful lives (Years)	2018	2017
Equipment	Straight-line	5-7	\$ 201,447	\$ 191,802
Software	Straight-line	5	20,551	20,551
Building	Straight-line	10-20	35,877	35,877
Vehicle	Straight-line	5	124,016	124,016
			<u>381,191</u>	<u>372,246</u>
Less accumulated depreciation			(234,636)	(196,932)
			147,255	175,314
Land			2,728,507	2,548,567
Art Collection			13,500	13,500
			<u>\$ 2,889,262</u>	<u>\$ 2,737,381</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$37,704 and \$24,438, 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,

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – PROPERTY AND EQUIPMENT (continued)

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 2018, 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 2018 and 2017, the organization expended \$179,940 and \$223,001, respectively, for such purchases.

NOTE 4 –NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions of the Organization are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Construction		
Land purchases	<u>\$490,543</u>	<u>\$358,483</u>
 Total	 <u>\$490,543</u>	 <u>\$358,483</u>

NOTE 5 – 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>2018</u>	<u>2017</u>
Construction		\$100,000
Land purchase	<u>\$179,940</u>	<u>\$223,001</u>
 Total	 <u>\$179,940</u>	 <u>\$323,001</u>

NOTE 6 – LIQUIDITY

As of December 31, 2018 the organization held \$1,136,463 in liquid cash and investments available to cover ongoing expenses. This represents approximately 8.6 months of operating expenses. There are long term debt obligations; therefore given prior year donation history and operating reserves, the organization does not anticipate any liquidity short falls within at least the current year.

See Independent auditor's report.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$1,280 per month and were increased to \$1,318 per month effective May 2019. 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 21, 2019, 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, 2018 and 2017.

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 consists 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.

ORANGUTAN FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – FAIR VALUE MEASUREMENTS (continued)

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of December 31, 2018 and 2017 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</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
2018				
Certificates of Deposit	\$ 64,995	-	64,995	-
Corporate Stock	129,947	129,947	-	-
Total	<u>\$ 194,942</u>			
2017				
Certificates of Deposit	\$ 64,188	-	64,188	-
Corporate Stock	124,861	124,861	-	-
Total	<u>\$ 189,049</u>			

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