COMBINED FINANCIAL STATEMENTS

the Jane Goodall Institute

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2012

To the Board of Directors
The Jane Goodall Institute for Wildlife Research, Education and
Conservation and Related Entity
Arlington, Virginia

In planning and performing our audit of the combined financial statements of The Jane Goodall Institute for Wildlife Research, Education and Conservation and Related Entity (the Institute) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

Our consideration of the Institute's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Institute's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in the Institute's internal control that we consider to be significant deficiencies.

A deficiency in the Institute's internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in the Institute's internal control, such that there is a reasonable possibility that a material misstatement of the Institute's combined financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in the Institute's internal control that we consider to be material weaknesses.

SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency, or a combination of deficiencies, in the Institute's internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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We consider the following deficiencies in the Institute's internal control to be significant deficiencies:

Documentation of Travel Related Expenditures

Previous Years Comment: During the course of our audit, we reviewed a random sample of the travel related charges incurred on the corporate credit card. As a result of our review, we noted numerous instances where receipts in excess of the Institute's threshold were missing. We strongly recommend that all employees be reminded of the current policy. In addition, we recommend that the Finance Department be more diligent in following up on the missing documentation.

Current Year Status: Our audit work revealed improvement in the consistency of credit card receipt submission, although we noted a few instances of missing receipts during the first part of the year. However, our testwork during the second half of the year revealed that all charges were properly documented with receipts except for those charges incurred for the support of the Founder.

Our testwork over travel related expenses also revealed instances in which expense reports were not submitted in a timely manner (one expense report included expenses from 2009) and instances in which expenses claimed for reimbursement were not properly supported with receipts.

Based upon the aforementioned issues, we recommend that management of the Institute kindly inform those individuals responsible for providing support for the Founder that best practices within the International NGO community requires business related expenses to be properly documented with receipts. In addition, we strongly recommend that all employees be reminded of the importance of complying with the Institute's travel policies regarding the documentation of expenses and the timeliness of submission of expense reports.

Managements Response: Management will re-enforce its travel policy with staff.

Completion and Submission of Timesheets

Current Year Comment: Our examination of certain timesheets and the recording of salary expense revealed five (5) instances out of 60 tested (a bit over 8%) where timesheets were not submitted by the employees who were paid during the time period tested. Accordingly, based upon the fact that the Institute receives funding from the U.S. Government, it is mandatory that all employees complete and submit timesheets indicating the time worked during each pay period.

Management's Response: Management will re-enforce its timesheet policy with staff.

General Ledger Coding

Current Year Comment: Our control testwork over the cash disbursement cycle and the wire transfer payment cycle noted numerous instances in which the transactions that were coded in the general ledger did not match the general ledger coding noted on the approved invoice. In addition, we noted several instances in which the general ledger code was not indicted on the approved invoice. While none of these instances (exceptions) involved expenditures charged to U.S. Government awards, the results are indicative of a lack of attention to detail with respect to the proper controls over the disbursement and wire transfer cycles. We strongly suggest that all individuals responsible for the coding of approved invoices as well as responsible for the posting of the transactions within the general ledger be reminded of the importance of complying with the Institute's stated policies and the fact that undocumented expenses may be disallowed by donors.

Management's Response: Management agrees and has re-instructed the Finance staff that any coding errors discovered or non coded invoices while entering invoices and or wires into the disbursement system need to be struck through or entered on the check request and the correct code entered and initialed by the individual making the change.

OTHER AREAS OF CONCERN

In addition to the aforementioned significant deficiencies, we noted other areas of concern, that while not considered material weaknesses or significant deficiencies we believe merit the attention of those charged with governance.

Policies and Procedures Manual

Previous Years Comment: It has come to our attention that the current policies and procedures manual has not been updated since 2003. Accordingly, the current manual includes many policies that are either outdated or no longer in place. We recommend that the Institute update its formal accounting policies and procedures manual as soon as possible.

Current Year Status: The Institute is currently in the process of revising its policies and procedures manual so that all current policies and procedures will be appropriately documented. We continue to recommend that the policies and procedures manual be completed as soon as possible and distributed to all employees.

Field Office Fraud

Prior Year Comment: During 2010, management discovered that a field office grant accountant had misappropriated approximately $15,000 of funds. Management appropriately terminated the grant accountant and has recovered approximately $4,000 of the misappropriated funds and is pursuing collection with respect to the remaining balance. It should be noted that the funds that were misappropriated were not related to a U.S. Government funded program. We understand that management has reviewed its current policies and procedures with respect to its field office internal controls and we recommend that any changes to the current policies and procedures be documented in the field office policies and procedures manual which is currently under review as noted above.

Current Year Status: As noted above, The Institute took appropriate measures to address the 2010 fraud upon discovery. There were no incidents of fraud reported during 2011

Credit Card Approval

Current Year Comment: During the course of our audit work, it came to our attention that the credit card charges incurred by the Founder and the President are currently reviewed and approved by the Executive Vice President of Finance. We recommend that all expense reports and credit card charges for these two individuals be sent to a member of the Board of Directors on a quarterly basis for review and approval for reasonableness. The review process by a Board member should not delay the reimbursement process or the accounting for the transactions.

Management's Response: After consulting with the Chairperson of the Audit and Finance Committee, Management instituted the recommend policy. Effective July 1, 2012 the Co-Chairperson's will review and approve for reasonableness all of the Founder's and President's credit card charges and expense reports on a quarterly basis.

Field Office Monitoring

Current Year Comment: As of December 31, 2011, the Institute maintained four field offices in Africa. At the present time each field office submits to the Headquarters office a monthly balance sheet and income statement as well as all bank statements and reconciliations to support the cash balances at the end of each month. However, to enhance the controls over the field offices and to have more complete financial information, we recommend that the field offices submit to the Headquarters office reconciled schedules for all other asset and liability accounts which had balances over a certain threshold (determined by management of the Institute) on a monthly basis.

Management's Response: Management agrees with this comment and is in the process of reviewing each office's general ledger to determine the threshold balance for accounts to be reconciled on a monthly basis.

Grants Receivable

Current Year Comment: During the year, there were two instances where items were recorded as revenue when awarded, and then again when the money was received (as opposed to offsetting the previously recorded receivable). We recommend that upon receipt of all grant payments, the grants receivable schedule be reviewed in detail so that the receipt is properly posted to either offset an existing receivable or to a revenue account (as this represents a new award).

Management's Response: Management accepts this recommendation and will review all grants when the payment is received in the field but originally recorded at headquarters when awarded.

This communication is intended solely for the information and use of management, audit committee, others within The Jane Goodall Institute for Wildlife Research, Education and Conservation and Related Entity, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

GELMAN, ROSENBERG & FREEDMAN

Robert W. Albrecht
Certified Public Accountant

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Jane Goodall Institute for Wildlife Research, Education and
Conservation and Related Entity
Arlington, Virginia

We have audited the accompanying combined statement of financial position of The Jane Goodall Institute for Wildlife Research, Education and Conservation and Related Entity (the Institute) as of December 31, 2011, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2010 combined financial statements and, in our report dated September 9, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 Institute'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 combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Institute as of December 31, 2011, and the combined change in net assets and the combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

COMBINED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2011 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents:		
Funds held in United States	$ 609,334	$ 375,985
Funds held in foreign countries	618,709	980,995
Total cash and cash equivalents	1,228,043	1,356,980
Investments (Notes 2, 9 and 10)	5,117,636	6,388,501
Grants receivable	2,416,006	2,575,152
Other receivables	784,528	716,119
Prepaid expenses	203,751	225,129
Inventory	25,081	37,956
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization (Note 3)	702,042	599,188
TOTAL ASSETS	**$ 10,477,087**	**$ 11,899,025**

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Line of credit (Note 10)	$ 900,000	$ 400,000
Accounts payable and accrued liabilities	1,041,433	1,164,500
Refundable advance	67,000	30,000
Total liabilities	2,008,433	1,594,500
NET ASSETS		
Unrestricted	4,498,588	6,361,619
Temporarily restricted (Note 5)	3,752,338	3,725,178
Permanently restricted (Note 6)	217,728	217,728
Total net assets	8,468,654	10,304,525
TOTAL LIABILITIES AND NET ASSETS	**$ 10,477,087**	**$ 11,899,025**

See accompanying notes to combined financial statements.

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
Contributions and grants	$ 4,546,297	$ 5,136,455	$ -	$ 9,682,752	$11,411,882
Bequests	201,844	-	-	201,844	215,994
Lecture tour and honorariums	901,881	-	-	901,881	413,647
Merchandise sales	58,391	-	-	58,391	85,835
Royalties, license fees and other income	227,091	-	-	227,091	424,229
Investment income (Note 2)	321,907	-	-	321,907	278,087
Special events, net of direct costs of $80,256	111,959	-	-	111,959	98,606
In-kind contributions (Note 8)	39,128	-	-	39,128	146,912
Net assets released from restriction - satisfaction of donor restrictions (Note 5)	5,109,295	(5,109,295)	-	-	-
Total revenue	11,517,793	27,160	-	11,544,953	13,075,192
EXPENSES					
Program Services:					
Animal Welfare and Conservation	7,096,336	-	-	7,096,336	8,333,269
Education	2,766,188	-	-	2,766,188	2,590,132
Communications and Membership	927,313	-	-	927,313	935,460
Wildlife Research	-	-	-	-	54,577
Total program services	10,789,837	-	-	10,789,837	11,913,438
Supporting Services:					
Fundraising	1,778,408	-	-	1,778,408	1,580,806
Management and General	541,298	-	-	541,298	521,108
Total supporting services	2,319,706	-	-	2,319,706	2,101,914
Total expenses	13,109,543	-	-	13,109,543	14,015,352
Change in net assets from operating activities before other items	(1,591,750)	27,160	-	(1,564,590)	(940,160)

See accompanying notes to combined financial statements.

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OTHER ITEMS					
Exchange rate (loss) gain	$ (47,217)	$ -	$ -	$ (47,217)	$ (160,807)
Unrealized (loss) gain on investments (Note 2)	(224,064)	-	-	(224,064)	285,310
Total other items	(271,281)	-	-	(271,281)	124,503
Change in net assets	(1,863,031)	27,160	-	(1,835,871)	(815,657)
Net assets at beginning of year	6,361,619	3,725,178	217,728	10,304,525	11,120,182
NET ASSETS AT END OF YEAR	**$ 4,498,588**	**$ 3,752,338**	**$ 217,728**	**$ 8,468,654**	**$10,304,525**

See accompanying notes to combined financial statements.

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

See accompanying notes to combined financial statements.

THE JANE GOODALL INSTITUTE FOR WILDLIFE RESEARCH, EDUCATION AND CONSERVATION AND RELATED ENTITY

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,835,871)	$ (815,657)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	129,321	275,620
Realized loss (gain) on sale of investments	(43,857)	10,856
Unrealized (gain) loss on investments	224,064	(285,310)
Donated securities	(57,725)	(60,999)
(Increase) decrease in:		
Grants receivable	159,146	(246,469)
Other receivables	(68,409)	454,490
Prepaid expenses	21,378	(121,046)
Inventory	12,875	9,583
Increase (decrease) in:		
Accounts payable and accrued liabilities	(123,067)	59,630
Refundable advance	37,000	(5,000)
Net cash used by operating activities	(1,545,145)	(724,302)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(232,175)	(225,874)
Net proceeds from sales (purchases) of investments	1,148,383	147,485
Net cash provided (used) by investing activities	916,208	(78,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	500,000	400,000
Net cash provided by financing activities	500,000	400,000
Net (decrease) in cash and cash equivalents	(128,937)	(402,691)
Cash and cash equivalents at beginning of year	1,356,980	1,759,671
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,228,043**	**$ 1,356,980**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 23,110**	**$ 7,325**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Jane Goodall Institute for Wildlife Research, Education and Conservation (the Institute) was incorporated as a nonprofit organization under the laws of the State of California in 1977. The Institute contributes to the preservation of great apes and their habitats through conservation, education and promotion of sustainable livelihoods in local communities; improves global understanding and treatment of great apes through research, public education and advocacy; and engages a worldwide network of young people who take responsible action on behalf of humans, animals and the environment.

The Jane Goodall Institute, Inc. - Tanzania (JGI-Tanzania) is a legally registered organization located in Tanzania and receives the majority of its support from The Jane Goodall Institute for Wildlife Research, Education and Conservation. The current programs are funded by various public and private donors.

Program services -

Program services are segregated by type of activity within the Combined Statement of Activities and Change in Net Assets. The following indicates the specific activities that are included in each program area and promoted by the Institute:

- **Animal Welfare and Conservation**
  Conservation activities ensure the long-term preservation of wildlife habitats, including reforestation and an extensive community-centered conservation program. Expenses include those related to the TACARE (Lake Tanganyika Catchment Reforestation and Education) program in Tanzania and similar initiatives in other African countries, as well as the Institutes Tanzanian Roots & Shoots program. Animal welfare activities ensure the physical and psychological well-being of animals in general, particularly chimpanzees. Animal welfare and conservation activities include the Institute's sanctuary in the Republic of Congo. In the United States, the Institute lends assistance to organizations seeking to address the welfare of captive chimpanzees kept for pets, entertainment and medical testing.

- **Education**
  Education efforts heighten global awareness of the issues facing wild and captive great apes, particularly chimpanzees, and foster an awareness and understanding of the interdependence of all life, and empower youth to take action on behalf of people, animals and the environment. These types of expenses include those related to the Dr. Goodall's United States tours, including efforts to educate policy makers, and Jane Goodall's Roots & Shoots program, the Institute's global environmental and humanitarian youth program.

- **Communications and Membership**
  Communication efforts promote the Institute’s work to the general public, inform in regular updates the progress and outcomes of its efforts in conservation and development, wildlife research, and humanitarian and environmental education, and seek to heighten global awareness of the threats facing chimpanzees and other conservation issues. Communication efforts also entail creation of educational materials and their distribution to Institute members and the general public. This work is done through the Institute’s website, print materials, videos and promotion of Dr. Jane Goodall’s lecture tour and media appearances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Program services (continued) -

- **Wildlife Research**
  Wildlife research expenses relate to projects in Africa and the United States involving the protection of great apes in general and to chimpanzees in particular (in both captive and natural environments). Projects related to these expenses include the Gombe Stream Research Centre in Tanzania.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with *FASB ASC 958, Not-for-Profit Entities, Consolidation*. All intercompany transactions have been eliminated during combination.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's combined financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Cash and cash equivalents -

Cash and cash equivalents include cash on hand and other highly liquid instruments with maturities of less than three months.

At times during the year, the Institute maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

At December 31, 2011, the Institute maintained cash and cash equivalents of $618,709 in foreign countries. The majority of these funds are uninsured.

Foreign operations -

The combined financial statements include The Jane Goodall Institute, Inc. - Tanzania. The accounting records are maintained in the functional currency of the foreign country, the Tanzanian Shilling. In addition, the Institute maintains offices in Uganda, the Republic of Congo, the Democratic Republic of Congo and Guinea.

Assets and liabilities denominated in each respective countries' functional currency are converted into U.S. dollars at year-end exchange rates, and revenue and expense accounts are translated at the average rates in effect during the year. Exchange gains and losses are reported in the Combined Statement of Activities and Change in Net Assets.

Property, equipment and leasehold improvements -

Furniture and equipment costing in excess of $2,500 are capitalized and depreciated over the life of the asset ranging from three to seven years. Leasehold improvements are capitalized and amortized over the life of the lease.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Other receivables -

Other receivables consist of general trade receivables, travel advances, accrued interest and other miscellaneous receivables that are stated at their net realizable value. Management considers all accounts to be collectible.

Inventory -

Inventory, consisting of books, videotapes, brochures and other resource materials held for resale, is stated at the lower of cost or net realized value. Cost is determined on the first-in, first-out basis.

Investments -

Investments are presented in the combined financial statements at their readily determinable fair value. Interest and dividend income is recorded as revenue when earned. Realized gains and losses from investments are included in investment income which are reflected in the Combined Statement of Activities and Change in Net Assets. Unrealized gains and losses are reflected as an other item in the Combined Statement of Activities and Change in Net Assets .

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Institute.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Institute and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Institute.

Income taxes -

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Institute is not a private foundation.

As an independently registered non-governmental organization (NGO), Jane Goodall Institute, Inc. - Tanzania (JGI-Tanzania) is subject to taxes on net investment income. JGI-Tanzania did not earn any investment income. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, the Institute has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements. Contributions and grants with donor-imposed restrictions that are met in the same accounting period are reported as unrestricted net assets.

Donated goods and services -

Donated goods and services are recorded at fair market value. The Institute makes extensive use of volunteers in many of their programs, have a volunteer Board of Directors, and does not attempt to place a dollar value on these donated services.

For the year ended December 31, 2011, the Organizations received donated supplies and airfare in the amount of $39,128 (Note 8).

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates -

The preparation of the combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investment risks and uncertainties -

The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market, foreign exchange, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements -

The Institute adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosure*s. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Institute accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

The investments are recorded at readily determinable fair value. Investments at December 31, 2011 are as follows:

Money market funds	$ 153,541
Mutual funds	871,367
Stocks	738,103
Bonds	3,354,625
TOTAL INVESTMENTS	**$ 5,117,636**

An unrealized loss of $224,064 is reported as an other item in the Combined Statement of Activities and Change in Net Assets . Investment income for the year ended December 31, 2011 consisted of the following:

Interest and dividends	$ 278,050
Realized gain	43,857
TOTAL INVESTMENT INCOME	**$ 321,907**

3. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements at December 31, 2011 are comprised of the following:

Furniture	$ 83,894
Software	470,664
Computer hardware	271,602
Equipment	148,134
Leasehold improvements and buildings	1,019,628
Vehicles	160,349
	2,154,271
Less: Accumulated depreciation and amortization	(1,452,229)
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET	**$ 702,042**

4. LEASE COMMITMENTS

The Institute is obligated under a non-cancelable operating lease for office space in Arlington, Virginia, which expires at the end of August 2012. Beginning September 1, 2012, the Institute signed an eight-year lease for office space which expires April 30, 2021 with one, five-year option to renew at prevailing market rates. In addition, the Institute leased space under several month-to-month leases in Massachusetts, Illinois and California during part of 2011, all of which were closed as of December 31, 2011. Total rent expense (and operating expenses and real estate taxes) under these agreements for the year ended December 31, 2011 totaled $446,208.

Future minimum lease payments, excluding operating expenses and real estate taxes, are as follows:

Year Ended December 31,	
2012	$ 266,437
2013	149,865
2014	229,972
2015	236,339
2016	242,877
Thereafter	1,132,234
	$ 2,257,724

The Institute also leases office space in foreign countries under short-term lease agreements. Total rent expense under short-term lease agreements for the year ended December 31, 2011 totaled $- and is included in field expenses.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011:

Animal Welfare and Conservation	$ 3,224,526
Education	527,812
	$ 3,752,338

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Animal Welfare and Conservation	$ 3,482,699
Education	1,552,514
Wildlife Research	104,082
	$ 5,139,295

6. PERMANENTLY RESTRICTED NET ASSETS

The Institute's permanently restricted net assets consist of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Permanently restricted net assets represent $217,728 of contributions restricted by the donors to be invested in-perpetuity. Interest earned on the invested balance is to be used to support the general operations of the Institute.

7. RETIREMENT PLAN

Retirement benefits are available for all regular, full-time employees. Eligible employees are covered by a 401(k) pension plan. The Institute contributes five percent of an employee's base salary annually. Contributions made by the Institute during the year ended December 31, 2011, amounted to $138,724.

8. IN-KIND CONTRIBUTIONS

The Institute received contributions of donated supplies and airfare during the year ended December 31, 2011. The value of the donated items ($39,128) is included as in-kind contributions in the Combined Statement of Activities and Change in Net Assets and as field expenses in the Combined Statement of Functional Expenses. The value of these donations was determined by the fair market value as determined by the donor.

9. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Institute has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Institute has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

9. FAIR VALUE MEASUREMENTS (Continued)

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Corporate bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

Financial assets recorded in the Combined Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category:				
Money market funds	$ 153,541	$ -	$ -	$ 153,541
Mutual funds	871,367	-	-	871,367
Stocks	738,103	-	-	738,103
Bonds	-	3,354,625	-	3,354,625
TOTAL	**$ 1,763,011**	**$ 3,354,625**	**$ -**	**$ 5,117,636**

10. LINE OF CREDIT

The Institute has a revolving line of credit with the financial institution that manages its investments. The line of credit is secured by the Institute's investment portfolio. Borrowings on the line of credit bear interest at the prime rate (3.25% at December 31, 2011) minus 1.00%. The outstanding borrowings on the line of credit at December 31, 2011 totaled $900,000.

11. ALLOCATION OF JOINT COSTS

The Institute conducts direct mail campaigns and special events that have a programmatic and fundraising content. Accordingly, certain costs associated with the direct mail campaigns and the special events have been allocated among the programs and supporting services benefited.

11. ALLOCATION OF JOINT COSTS (Continued)

The method of allocating costs was based primarily on the programmatic and fundraising content of the activities. The total amount of the costs incurred as of December 31, 2011 totaled $977,640.

The joint costs were allocated as follows:

Education	$	171,143
Communications and Membership		171,143
Animal Welfare and Conservation		342,286
Fundraising		293,068
	$	**977,640**

12. CONTINGENCY

The Institute receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2011. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through , the date the combined financial statements were issued.