

PROJECT ORIANNE LTD.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

Year Ended June 30, 2010

Contents

Year Ended June 30, 2010

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Financial Statements

Independent Auditors' Report

The Board of Directors
Project Orienne Ltd.

We have audited the statement of financial position of Project Orienne Ltd. ("Orienne") as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Orienne's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Orienne Ltd. as of June 30, 2010, and the changes in its net assets, functional expenses, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

New York, New York
September 8, 2010

Statement of Financial Position

June 30, 2010

Assets

Current Assets:

| | |
|---|----------------|
| Cash and cash equivalents | \$ 266,141 |
| Pledges receivable | 174,400 |
| Accounts receivable | 53,402 |
| Prepaid expenses and other current assets | 62,872 |
| Total Current Assets | <u>556,815</u> |

Fixed Assets - net

| | |
|--------------------|---------------------|
| Fixed Assets - net | 627,728 |
| Total Assets | <u>\$ 1,184,543</u> |

Liabilities and Net Assets

Current Liabilities:

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 63,700 |
| Total Current Liabilities | <u>63,700</u> |

Net Assets:

| | |
|----------------------------------|---------------------|
| Unrestricted | 699,943 |
| Temporarily restricted | 420,900 |
| Total Net Assets | <u>1,120,843</u> |
| Total Liabilities and Net Assets | <u>\$ 1,184,543</u> |

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2010

Changes in Unrestricted Net Assets:

Revenue:

| | |
|-----------------------------------|------------------|
| Contributions | \$ 1,789,250 |
| In-kind gifts | 1,235 |
| Assets released from restrictions | 109,960 |
| Other income | 4,986 |
| Total Revenue | <u>1,905,431</u> |

Expenses:

| | |
|------------------------|------------------|
| Management and general | 103,392 |
| Programs | 1,418,364 |
| Total Expenses | <u>1,521,756</u> |

| | |
|-------------------------------------|----------------|
| Increase in Unrestricted Net Assets | <u>383,675</u> |
|-------------------------------------|----------------|

Changes in Temporarily Restricted Net Assets:

| | |
|---|------------------|
| Contributions and grants | 530,860 |
| Net assets released from restrictions | <u>(109,960)</u> |
| Increase in Temporarily Restricted Net Assets | <u>420,900</u> |

| | |
|------------------------|---------|
| Increase in Net Assets | 804,575 |
|------------------------|---------|

| | |
|-------------------------------|---------------------|
| Net Assets, beginning of year | 316,268 |
| Net Assets, end of year | <u>\$ 1,120,843</u> |

PROJECT ORIANNE LTD.

Statement of Functional Expenses

Year Ended June 30, 2010

| | Programs | | | | | | | Total Expenses |
|---------------------------------|-------------------|--------------------------|-------------------|-------------------|---------------------|------------------------|---------------------|----------------|
| | Captive Breeding | Monitoring and Inventory | Land | Research | Program Services | Management and General | Total | |
| Salaries | \$ 172,267 | \$ 101,662 | \$ 124,943 | \$ 112,634 | \$ 511,506 | \$ 30,563 | \$ 542,069 | |
| Benefits | 45,371 | 27,600 | 35,402 | 25,166 | 133,539 | 9,827 | 143,366 | |
| Grants | - | - | 200,000 | 119,208 | 319,208 | - | 319,208 | |
| Supplies and Equipment | 17,860 | 13,854 | 31,284 | 59,244 | 122,242 | 3,666 | 125,908 | |
| Travel/Lodging/Meals | 12,932 | 10,370 | 10,782 | 23,442 | 57,526 | 422 | 57,948 | |
| Occupancy | 5,932 | 2,502 | 10,760 | 5,225 | 24,419 | 4,487 | 28,906 | |
| Technology/Telephone | 4,050 | 2,715 | 8,850 | 5,318 | 20,933 | 4,385 | 25,318 | |
| Legal/Audit/Other Professionals | 8,548 | 2,672 | 34,577 | 26,641 | 72,438 | 32,737 | 105,175 | |
| Depreciation | 149 | 9,955 | 43,530 | 1,956 | 55,590 | 186 | 55,776 | |
| Conference/Meetings | 1,396 | 1,071 | 2,605 | 2,172 | 7,244 | - | 7,244 | |
| Other | 14,893 | 10,503 | 26,219 | 19,070 | 70,685 | 17,119 | 87,804 | |
| Dog Training and Maintenance | - | 13,300 | - | 9,734 | 23,034 | - | 23,034 | |
| Total | \$ 283,398 | \$ 196,204 | \$ 528,952 | \$ 409,810 | \$ 1,418,364 | \$ 103,392 | \$ 1,521,756 | |

See notes to financial statements.

Statement of Cash Flows

Year Ended June 30, 2010

Cash Flows from Operating Activities:

| | |
|--|------------------|
| Changes in net assets | \$ 804,575 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | |
| Depreciation | 55,776 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (53,402) |
| Pledge receivable | (174,400) |
| Other current assets | (48,896) |
| Accounts payable and accrued expenses | 55,393 |
| Total adjustments | <u>(165,529)</u> |
| Net Cash Provided by Operating Activities | <u>639,046</u> |

Cash Flows from Investing Activities:

| | |
|--|-------------------|
| Purchase of fixed assets | (482,300) |
| Net Cash Used in Investing Activities | <u>(482,300)</u> |
| Increase in Cash and Cash Equivalents | 156,746 |
| Cash and Cash Equivalents, beginning of year | 109,395 |
| Cash and Cash Equivalents, end of year | <u>\$ 266,141</u> |

Notes to Financial Statements

Year Ended June 30, 2010

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Project Orianne Ltd. ("Orianne") is a not-for-profit wildlife conservation organization incorporated in 2008 in the State of Delaware as a 501(c)(3) tax-exempt organization whose mission is focused on the range-wide conservation of eastern indigo snakes which is on the United States Endangered Species List. Orianne's *Indigo Snake Initiative* is providing expertise and resources to create one of the largest snake conservation efforts in the world. Orianne's focus is on land protection, land management, captive breeding, reintroduction, inventory, monitoring, and research programs. Orianne has two primary approaches to eastern indigo snake conservation; first, to protect and manage land in areas where eastern indigo snake populations remain strong; and, second, to conduct research to understand the cause of snake declines, mitigate the factors that have caused the declines, conduct land management to restore habitats, and reintroduce snakes into areas where they have been extirpated.

A brief summary of major programs of Orianne consist of the following:

Captive Breeding and Reintroduction Program: The goal is to breed and to reestablish extirpated populations and augment existing populations of eastern indigo snakes. We are developing the "Captive Propagation and Reintroduction Plan for Eastern Indigo Snakes (*Drymarchon couperi*)" which establishes basic protocols for propagating eastern indigo snakes, that identifies communication and coordination prior to reintroduction, source populations, regions for reintroduction, areas for habitat restoration, and existing federal and state policy requirements for permitting reintroduction and augmentation actions. At this time, we are designing facilities where the indigo snakes will be bred and raised in preparation for release.

Inventory and Monitoring Program: The primary goal is to determine the distribution and status of eastern indigo snake populations as well as to design and implement long-term monitoring programs for the Altamaha River Corridor in Georgia and the Peninsula of Florida. These two sites have been targeted due to the fact that they may be the greatest remaining strongholds of eastern indigo snake populations. Inventory and monitoring efforts will provide valuable baseline data for the targeted regions and will help demonstrate if our reintroduction efforts are successful based on long-term survival, reproduction, and site fidelity.

Land Program: Our focus is on protecting a contiguous corridor of eastern indigo snake habitat within the Altamaha River Corridor in Georgia and managing and restoring habitats in the Altamaha River Corridor and in areas of Florida and Alabama where reintroduction efforts are focused. Orianne's prescribed fire team will work with a variety of partners to restore and manage habitat. Our flagship property that is leased and managed by us is the Orianne Indigo Snake Preserve, a stretch of approximately 2,500 acres of land located along the Ocmulgee River in Georgia. The Orianne Indigo Snake Preserve habitat contains a relatively healthy population of eastern indigo snakes and gopher tortoises and the property is in the process of restoration of the natural environment. In addition to this, we will be assisting partners in protecting lands throughout Georgia and Florida, as needed, to ensure the recovery of eastern indigo snake populations.

Research Program: Our research program conducts and facilitates numerous studies on eastern indigo snake and gopher tortoise ecology and environmental considerations. Projects, among others, are determining whether dogs can be used as a tool to locate eastern indigo snakes in their natural habitats, the nesting ecology of eastern indigo snakes, population viability analysis, predation on eastern indigos snakes, physiological ecology of indigo snakes, and range-wide eastern indigo snake genetic analysis. Because gopher tortoise burrows play such a central role in the habitat requirements for eastern indigo snakes, the

Notes to Financial Statements

Year Ended June 30, 2010

majority of our programs involve gopher tortoises and their habitat requirements which studies include, among others, tortoise recruitment and the effects of gopher tortoise removal, and altered fire regimes on eastern indigo snakes.

Summary of Significant Accounting Policies

Revenue recognition - Oriante's primary source of financial support consists of donations and grants.

Operating indicator - Oriante considers all unrestricted revenue and expenses to be part of its normal operations and considers the Increase in Unrestricted Net Assets as its operating indicator.

Estimates - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donor-imposed restrictions - Oriante reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. All donor-restricted contributions are reported in the first instance as an increase in temporarily restricted net assets. When a donor 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 revenue section of the statement of activities and changes in net assets, as net assets released from restrictions.

Unconditional promises to give (pledges receivable) - When Oriante receives unconditional promises to give that are expected to be collected by Oriante within one year they are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using average risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue or as an increase in temporarily restricted assets, as appropriate.

Conditional promises to give (pledges receivable) - When Oriante receives conditional promises to give they are not included as contributions by Oriante until the conditions have been substantially met.

Conditional promises to give to others - When Oriante makes conditional promises to give to others no liability or expense is recorded until the conditions have been substantially met.

Statement of cash flows - For purposes of the statement of cash flows, Oriante considers all highly liquid debt instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Allowance for doubtful accounts - Periodically, the individual accounts and pledges receivable balances are reviewed and evaluated as to their collectability, and a provision for doubtful accounts is estimated based on the amounts Oriante expects to collect on the receivable balance. Receivables are charged to the allowance for doubtful accounts when management has determined that further collection efforts are not warranted.

Fixed assets - Fixed assets are carried at cost. Buildings, furniture and fixtures, and equipment in excess of \$5,000 are capitalized and depreciated over their estimated useful lives using the straight-line method starting the month of purchase. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations in the year of disposal.

Notes to Financial Statements

Year Ended June 30, 2010

Income taxes - Oriante qualifies as a tax-exempt operating private foundation type of organization under the existing provisions of the Internal Revenue Code Section 501(c) (3) and donations to Oriante are tax deductible to the donor. Non-investment income is generally not subject to federal or state income and excise taxes. Oriante's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violations of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

In-kind contributions - Oriante receives in-kind contributions, which were not significant in the year ended June 30, 2010, and is included in contributions in the statement of activities and changes in net assets. In addition, Oriante receives the unconditional use of the property comprising the Oriante Indigo Snake Preserve under leases having a nominal cost per year. It is not practicable to estimate the fair value of such use and, accordingly, no amounts are included in either contributions or expenses in the accompanying financial statements.

Allocated expenses - Oriante's expenses have been summarized on a functional basis in accordance with accounting principles generally accepted in the United States of America. Most expenses may be identified to their related program or supporting service and are recorded accordingly. Certain salaries and indirect expenses have been allocated based on estimated time spent, the percentage of each program's direct expenses over total program costs, or other bases considered appropriate given the nature of the expense.

2. Conditional Promises to Give

Conditional Promises to Give To Others - During the year ended June 30, 2010, Oriante entered into an agreement to make a grant of approximately \$1.0 million to the United States Forestry Service ("USFS"). Payment to the USFS under the agreement is contingent on a number of conditions including, among others, matching grants from another organization. As of June 30, 2010, the conditions have not substantially been met.

3. Fixed Assets, net

Fixed assets consist of the following:

June 30, 2010

| | |
|-------------------------------|-------------------|
| Buildings | \$ 257,196 |
| Furniture and Fixtures | 61,732 |
| Equipment | 315,625 |
| | <u>634,553</u> |
| Less Accumulated Depreciation | 70,022 |
| | <u>564,531</u> |
| Construction in Progress | 63,197 |
| Fixed Assets, net | <u>\$ 627,728</u> |

Depreciation expense was approximately \$56,000 for the year ended June 30, 2010.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 of \$420,900 (June 30, 2009 - \$0) are comprised of contributions restricted by the donors for the following purposes:

Notes to Financial Statements*Year Ended June 30, 2010**June 30, 2010*

| | |
|---|-------------------|
| Grant to USFS | \$ 100,000 |
| Capital Assets and Long Leaf Pine Plantings | 290,900 |
| Indigo Snake Research | 5,000 |
| Gopher Tortoise Research | 25,000 |
| | <u>\$ 420,900</u> |

A portion of these temporarily restricted contributions are also restricted by time as they have not yet been received by Orianne. At June 30, 2010, cash received relating to temporarily restricted net assets (reported as a component of cash and cash equivalents) amounted to approximately \$246,500.

5. Related Party Transactions

Since inception, a significant portion of the unrestricted and temporarily restricted contributions were received from a member of Orianne's Board of Directors. Pledges receivable at June 30, 2010 aggregating \$174,400 are due from the Director and/or his family.

The two leases for the Orianne Indigo Snake Preserve are with a board member's companies. The leases are for ten year periods with annual rental payments of one dollar (\$1.00) per year with automatic one year renewals at the same annual rental rate. Orianne may use the properties solely for its environmental work in connection with the protection of indigo snakes and may not sublet or assign the leases. (See note 7 for additional information relative to leases).

6. Retirement Plan

During 2008, Orianne adopted the Project Orianne Ltd. 401(k) Retirement Plan ("Plan"), which has a calendar year end. Under the Plan provisions, employees may make elective contributions of amounts up to the federal limitations. Effective with the Plan year starting January 1, 2010, employee elective contributions are matched by employer contributions to the Plan on, at a minimum, an annual Plan year basis. Orianne's matching employee elective contribution is 100% up to 3% of the employee's gross pay and 50% of the excess of compensation above 3% but not to exceed 5% of total compensation. Orianne's matching employee elective contributions vest immediately. Total pension expense for the year ended June 30, 2010 aggregated approximately \$7,000. During the year ended June 30, 2010, Orianne's 2009 Plan and the 2010 Plan were amended to conform to certain federal requirements that had no financial impact on the Plan. In addition, Orianne's 2010 Plan was modified, as indicated above, to provide for employer matching contributions.

7. Commitments and Contingencies

Land leases - On April 24, 2009 and on April 26, 2010, Orianne entered into two ten year leases for land that comprise the Orianne Indigo Snake Preserve in Telfair County, Georgia. Orianne may use the properties solely for its environmental work in connection with the protection of indigo snakes and may not sublet or assign the leases. Annual rent payments are one dollar (\$1.00) for each of the leases.

Office leases - During the year ended June 30, 2010, Orianne entered into a one year non-cancelable operating lease for office space, having annual rent payments of \$18,000. The lease contains provisions for annual renewals for the subsequent two years at the same annual rent amount. The initial lease term expired in August 2010 and was renewed through August 2011. In addition, Orianne had various month-to-month space leases. Rent expense under all leases aggregated approximately \$27,000 for the year ended June 30, 2010.

Notes to Financial Statements

Year Ended June 30, 2010

Concentration of credit risk - Financial instruments which potentially subject Orianne to concentrations of credit risk consist principally of temporary cash investments and receivables. Orianne places its temporary cash investments with high credit quality financial institutions; however, in the event of the financial institution's insolvency, recovery of Orianne's assets on deposit may be limited to account insurance by the FDIC or other protection afforded such deposits.

Other - Orianne has entered into a purchase contract aggregating approximately \$455,000, for a property in north central Florida. The purchase commitment is contingent on, among other things, obtaining zoning variances to use the property to construct and operate the Orianne Indigo Snake Breeding Center.

Subsequent events evaluated by management - Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 8, 2010. No transactions or events subsequent to June 30, 2010 through September 8, 2010 were noted that require additional consideration or disclosure in the accompanying financial statements.