



**FINANCIAL STATEMENTS
&
INDEPENDENT AUDITORS REPORT
DECEMBER 31, 2010 AND 2009**

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BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Born Free USA United with Animal Protection Institute
Sacramento, California

We have audited the accompanying statements of financial position of Born Free USA United with Animal Protection Institute (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits 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 audits provide 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 Born Free USA United with Animal Protection Institute as of December 31, 2010 and 2009, 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.

Sacramento, California
April 14, 2011

PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA

Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 2)	344,255	892,254
Accounts receivable	16,325	420
Inventories	9,106	12,869
Prepaid expenses and deposits	58,099	39,296
Investments (Note 3)	1,778,587	1,343,941
Land held for resale (Note 5)	-	7,500
Total Current Assets	<u>2,206,372</u>	<u>2,296,280</u>
Non-Current Assets		
Property and equipment, net (Note 4)	<u>844,643</u>	<u>890,323</u>
Total Non-Current Assets	<u>844,643</u>	<u>890,323</u>
Total Assets	\$ 3,051,015	\$ 3,186,603
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 57,140	\$ 136,068
Accrued expenses and other current liabilities	<u>63,994</u>	<u>50,754</u>
Total Current Liabilities	<u>121,134</u>	<u>186,822</u>
Net Assets (Note 6)		
Unrestricted	2,507,944	2,673,015
Temporarily restricted	390,588	295,417
Permanently restricted	<u>31,349</u>	<u>31,349</u>
Total Net Assets	<u>2,929,881</u>	<u>2,999,781</u>
Total Liabilities and Net Assets	\$ 3,051,015	\$ 3,186,603

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>				
Contributions	\$ 644,419	\$ 188,634	\$ -	\$ 833,053
Bequests	697,318	-	-	697,318
Investment income (loss)	157,694	-	-	157,694
In-kind contributions	10,534	-	-	10,534
Other	<u>42,867</u>	<u>-</u>	<u>-</u>	<u>42,867</u>
Total Support and Revenues	<u>1,552,832</u>	<u>188,634</u>	<u>-</u>	<u>1,741,466</u>
Net assets released from restriction	<u>93,463</u>	<u>(93,463)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,646,295</u>	<u>95,171</u>	<u>-</u>	<u>1,741,466</u>
<u>Expenses</u>				
Program services				
Animal advocacy	692,056	-	-	692,056
Public education	178,251	-	-	178,251
Primate sanctuary	448,329	-	-	448,329
Lobbying	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>1,318,636</u>	<u>-</u>	<u>-</u>	<u>1,318,636</u>
Support services				
Administration	204,570	-	-	204,570
Fundraising	<u>288,160</u>	<u>-</u>	<u>-</u>	<u>288,160</u>
Total support services	<u>492,730</u>	<u>-</u>	<u>-</u>	<u>492,730</u>
Total Expenses	<u>1,811,366</u>	<u>-</u>	<u>-</u>	<u>1,811,366</u>
Change in Net Assets	(165,071)	95,171	-	(69,900)
Net Assets - January 1, 2010	<u>2,673,015</u>	<u>295,417</u>	<u>31,349</u>	<u>2,999,781</u>
Net Assets - December 31, 2010	<u>\$ 2,507,944</u>	<u>\$ 390,588</u>	<u>\$ 31,349</u>	<u>\$ 2,929,881</u>

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>				
Contributions	\$ 702,288	\$ 40,553	\$ -	\$ 742,841
Bequests	1,263,070	-	-	1,263,070
Investment income (loss)	465,432	-	-	465,432
In-kind contributions	14,969	-	-	14,969
Other	<u>21,173</u>	<u>-</u>	<u>-</u>	<u>21,173</u>
Total Support and Revenues	<u>2,466,932</u>	<u>40,553</u>	<u>-</u>	<u>2,507,485</u>
Net assets released from restriction	<u>100,499</u>	<u>(100,499)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>2,567,431</u>	<u>(59,946)</u>	<u>-</u>	<u>2,507,485</u>
<u>Expenses</u>				
Program services				
Animal advocacy	1,029,810	-	-	1,029,810
Public education	175,846	-	-	175,846
Primate sanctuary	412,470	-	-	412,470
Lobbying	<u>13,700</u>	<u>-</u>	<u>-</u>	<u>13,700</u>
Total program services	<u>1,631,826</u>	<u>-</u>	<u>-</u>	<u>1,631,826</u>
Support services				
Administration	271,397	-	-	271,397
Fundraising	<u>305,568</u>	<u>-</u>	<u>-</u>	<u>305,568</u>
Total support services	<u>576,965</u>	<u>-</u>	<u>-</u>	<u>576,965</u>
Total Expenses	<u>2,208,791</u>	<u>-</u>	<u>-</u>	<u>2,208,791</u>
Change in Net Assets	358,640	(59,946)	-	298,694
Net Assets - January 1, 2009	<u>2,314,375</u>	<u>355,363</u>	<u>31,349</u>	<u>2,701,087</u>
Net Assets - December 31, 2009	<u>\$ 2,673,015</u>	<u>\$ 295,417</u>	<u>\$ 31,349</u>	<u>\$ 2,999,781</u>

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Animal Advocacy</u>	<u>Public Education</u>	<u>Primate Sanctuary</u>	<u>Adminis-tration</u>	<u>Fundraising</u>	
Personnel	\$ 233,063	\$ 81,753	\$ 204,601	\$ 126,589	\$ 104,903	\$ 750,909
Consultants	126,745	24,810	5,811	4,153	47,698	209,217
Legal and accounting	37,861	7,114	15,415	14,036	9,129	83,555
Postage and delivery	77,152	20,820	2,425	2,246	40,601	143,244
Printing and publications	77,954	21,294	92	766	42,233	142,339
Feed	-	-	97,568	-	-	97,568
Depreciation	17,328	6,078	43,530	9,412	7,800	84,148
Contributions	13,384	-	-	-	-	13,384
Supplies	4,729	1,153	20,520	-	1,334	27,736
Media and communications	30,527	3,903	240	172	6,226	41,068
Investment expenses	3,985	1,398	3,029	2,360	1,794	12,566
Travel and conferences	41,358	968	4,474	5,956	9,474	62,230
Telecommunications	7,108	1,762	4,741	2,728	2,261	18,600
Building and office	7,843	2,751	2,691	4,747	3,530	21,562
Utilities	5,883	2,063	14,434	3,195	2,648	28,223
Insurance	2,852	1,001	12,496	1,550	1,283	19,182
Equipment maintenance	614	215	1,856	333	276	3,294
Veterinary	-	-	2,415	-	-	2,415
Facilities repair and maintenance	266	93	11,790	144	120	12,413
Board of directors	-	-	-	17,958	-	17,958
Taxes and registration	-	-	201	6,560	5,471	12,232
Other	3,404	1,075	-	1,665	1,379	7,523
Total	<u>\$ 692,056</u>	<u>\$ 178,251</u>	<u>\$ 448,329</u>	<u>\$ 204,570</u>	<u>\$ 288,160</u>	<u>\$ 1,811,366</u>

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>Animal Advocacy</u>	<u>Public Education</u>	<u>Primate Sanctuary</u>	<u>Lobbying</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	
Personnel	\$ 371,331	\$ 88,243	\$ 180,960	\$ -	\$ 159,901	\$ 131,387	\$ 931,822
Consultants	95,500	16,296	5,929	-	5,239	31,114	154,078
Legal and accounting	254,787	5,115	10,489	13,700	9,269	8,266	301,626
Postage and delivery	71,140	19,082	273	-	3,086	37,294	130,875
Printing and publications	74,094	19,878	-	-	1,039	39,462	134,473
Feed	-	-	102,072	-	-	-	102,072
Depreciation	-	-	43,982	-	41,206	-	85,188
Contributions	3,000	-	-	-	-	-	3,000
Supplies	7,332	842	16,333	-	1,093	898	26,498
Media and communications	52,328	13,601	134	-	117	25,419	91,599
Investment expenses	6,489	1,542	3,163	-	2,794	2,296	16,284
Travel and conferences	54,721	2,798	5,566	-	5,789	16,853	85,727
Telecommunications	9,386	1,702	4,066	-	3,086	2,534	20,774
Building and office	7,827	1,859	474	-	3,396	2,768	16,324
Utilities	7,786	1,850	14,366	-	3,353	2,753	30,108
Insurance	3,333	792	12,272	-	1,435	1,179	19,011
Equipment maintenance	771	183	3,583	-	332	273	5,142
Veterinary	1,304	-	3,903	-	-	-	5,207
Facilities repair and maintenance	384	91	862	-	165	136	1,638
Board of directors	-	-	-	-	26,524	-	26,524
Taxes and registration	3,501	832	1,706	-	1,508	1,239	8,786
Other	4,796	1,140	2,337	-	2,065	1,697	12,035
Total	<u>\$ 1,029,810</u>	<u>\$ 175,846</u>	<u>\$ 412,470</u>	<u>\$ 13,700</u>	<u>\$ 271,397</u>	<u>\$ 305,568</u>	<u>\$ 2,208,791</u>

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ (69,900)	\$ 298,694
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	(109,811)	(395,413)
Depreciation	84,148	85,188
Changes in:		
Accounts receivable	(15,905)	166
Inventories	3,763	2,398
Prepaid expenses and deposits	(18,803)	2,174
Accounts payable	(78,928)	75,910
Accrued expenses and other liabilities	<u>13,240</u>	<u>(18,932)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(192,196)</u>	<u>50,185</u>
Cash Flows from Investing Activities		
Purchase of investments	(781,722)	(1,398,141)
Proceeds from sale of investments	456,887	1,783,279
Purchases of property and equipment	<u>(30,968)</u>	<u>(21,188)</u>
Net Cash Provided by Investing Activities	<u>(355,803)</u>	<u>363,950</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(547,999)</u>	<u>414,135</u>
Cash and Cash Equivalents, January 1, 2010	<u>892,254</u>	<u>478,119</u>
Cash and Cash Equivalents, December 31, 2010	<u>\$ 344,255</u>	<u>\$ 892,254</u>

The accompanying notes are an integral part of these financial statements.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Born Free USA united with Animal Protection Institute (Organization), formerly Animal Protection Institute, is a nonprofit corporation established in 1968. The mission of the Organization is to educate the public about the humane treatment of all animals, to engage in legal and political action to stop animal pain and suffering and to establish cooperative efforts with other humane movements to advance the cause of animal protection. The Organization also operates a Primate Sanctuary in Texas, for non-human primates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and are available for general operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of three months or less at the time of purchase.

Investments

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Certificates of Deposit are carried at fair value based on quoted prices for identical or similar assets in inactive markets (Level 2 measurements).

Inventories

Inventories consist of educational and promotional materials and are recorded at the lower of cost or market, using the first-in, first-out method.

Property and Equipment

Equipment is recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 3 to 20 years. Maintenance and repairs are charged to expenses as incurred. Renewals and betterments over \$5,000, which extend the useful lives of assets are capitalized.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Bequests on unsettled estates are considered conditional promises to give because the amounts cannot reasonably be estimated and the dates of the distribution are unknown. Therefore, revenue from bequests on unsettled estates is recognized in full when received. Revenues from bequests can fluctuate significantly from year to year.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributions of tangible assets are recorded at fair value when received.

Functional Expense Allocation

The costs of providing the program services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services based on estimates of employees' time incurred and usage of resources.

Income Taxes

The Organization, pursuant to a determination letter from the Internal Revenue Service, is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue code and Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for income taxes has been made.

On January 1, 2009, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10 (previously FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48)). FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. FASB ASC 740-10 prescribes a recognition threshold and measurement standard for financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FASB ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition.

The provisions of FASB ASC 740-10 have been applied to all tax positions of the Organization as of January 1, 2009. The adoption of FASB ASC 740-10 did not have a material impact on the Organization's financial position, results of operations, or cash flows.

Subsequent Events

Subsequent events have been evaluated through April 14, 2011, which is the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2010, cash and cash equivalents included \$327,547 held in commercial banks, of which \$250,000 was fully insured by the Federal Deposit Insurance Corporation. At December 31, 2010, \$81,316 was held with investment brokers. At December 31, 2009, cash and cash equivalents included \$801,780 held in two commercial banks and were insured for \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2009, \$116,621 was held with two investment brokers.

NOTE 3: INVESTMENTS

Investment securities are reported in the financial statements at fair market value and consist of the following at December 31, 2010 and December 31, 2009:

	<u>2010</u>	<u>2009</u>
U.S. Government obligations	340,758	200,966
Marketable equity securities and funds	853,017	864,703
Corporate bonds and notes	241,975	265,652
Certificates of deposit	33,783	12,620
Other investment types	<u>309,054</u>	<u>-</u>
Total Investments	<u>\$ 1,778,587</u>	<u>\$ 1,343,941</u>

The following schedule summarizes the investment activity reported in the statement of activities.

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 47,883	\$ 70,019
Realized gains (losses)	34,850	(99,161)
Unrealized gains (losses)	<u>74,961</u>	<u>494,574</u>
Total	<u>\$ 157,694</u>	<u>\$ 465,432</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 110,194	\$ 102,694
Buildings and improvements	1,414,412	1,383,444
Furniture and office equipment	235,493	235,493
Vehicles, tractor, and mowers	<u>100,523</u>	<u>118,737</u>
Total	1,860,622	1,840,368
Less: accumulated depreciation	<u>(1,015,979)</u>	<u>(950,045)</u>
Property and equipment, net	<u>\$ 844,643</u>	<u>\$ 890,323</u>

Depreciation expense for the year ended December 31, 2010 and 2009 was \$84,148 and \$85,188, respectively.

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 5: LAND HELD FOR RESALE

The Organization received three small parcels of land in Utah as a contribution in 2006. The land was originally intended to be sold. In 2010 the land was reclassified to fixed assets.

NOTE 6: RESTRICTED NET ASSETS

Permanently restricted

The Organization received a bequest restricted by the donor for investment in perpetuity. However, there is no restriction on the use of investment earnings and losses, including unrealized gains and losses.

Temporarily restricted

The Organization received several philanthropic grants and contributions restricted for advocacy, education of the public on wild animals, and construction at the primate sanctuary.

NOTE 7: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

Fair Value measurements at Reporting Date Using

	<u>Fair Value</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>
U.S. Government obligations	\$ 340,758	\$ 340,758	\$ -	\$ -
Marketable equity securities and funds	853,017	853,017	-	-
Corporate bonds and notes	241,975	241,975	-	-
Other investment type	309,054	309,054	-	-
Certificates of deposit	<u>33,783</u>	<u>-</u>	<u>33,783</u>	<u>-</u>
Total	<u>\$ 1,778,587</u>	<u>\$ 1,744,804</u>	<u>\$ 33,783</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

Fair Value measurements at Reporting Date Using

	<u>Fair Value</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>
U.S. Government obligations	\$ 200,966	\$ 200,966	\$ -	\$ -
Marketable equity securities and funds	864,703	864,703	-	-
Corporate bonds and notes	265,652	265,652	-	-
Certificates of deposit	<u>12,620</u>	<u>-</u>	<u>12,620</u>	<u>-</u>
Total	<u>\$ 1,343,941</u>	<u>\$ 1,331,321</u>	<u>\$ 12,620</u>	<u>\$ -</u>

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 8: DONOR-DESIGNATED ENDOWMENTS - AFTER IMPLEMENTATION OF FSP FAS 117-1

The Organization's endowments consist of approximately 1 fund established for the operations of the organization. The Organization's endowment was created with donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 31,349	\$ 31,349

Endowment Net Asset Composition by Type of Fund as of December 31, 2009 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 31,349	\$ 31,349

BORN FREE USA UNITED WITH ANIMAL PROTECTION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 9: JOINT FUNDRAISING AND EDUCATIONAL ACTIVITIES

The Organization incurred joint costs for mailings that included animal advocacy and public education messages and fundraising appeals. In accordance with SPC 98-2, joint costs were allocated as follows:

	2010	2009
Program services	\$ 311,244	\$ 299,721
Fundraising	133,390	128,452
Total	\$ 444,634	\$ 428,173

NOTE 10: RETIREMENT PLAN

The Organization has a Simplified Employee Pension-Individual Retirement Account Plan (the Plan) under Internal Revenue Code section 408(k). The Plan covers all eligible employees who have completed at least one year of service, have earned at least \$450 in compensation during the year, and are at least 21 years of age. Under the Plan provisions, employer contributions are discretionary. For the year ended December 31, 2010 and 2009 the organization chose not to contribute to the Plan. No pension expenses were incurred for the years ended December 31, 2010 and 2009.

NOTE 11: RELATED PARTY TRANSACTIONS

Born Free USA United with Animal Protection Institute had various transactions throughout the year with the Born Free Foundation. Both entities have the same CEO. At December 31, 2010, Born Free USA United with Animal Protection Institute paid the Born Free Foundation \$42,908 for program services. At December 31, 2010, Born Free USA United with Animal Protection Institute received \$1,244 from the Born Free Foundation for reimbursement of a program expense.

NOTE 12: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in bank deposit accounts. At times, bank balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE 13: LEGAL CONTINGENCY

The Organization along with six other organizations filed suit against Ringling Brothers and Barnum & Bailey Circus for animal cruelty. The litigation is ongoing and the financial implications are unknown.