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**Arsyad & Rekan**

Registered Public Accountants

**YAYASAN EKOTURISME INDONESIA**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND 2003  
AND  
INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

Report No. ARS-037/05

The Organs of Foundation  
**Yayasan Ekoturisme Indonesia**

We have audited the financial position of Yayasan Ekoturisme Indonesia as of December 31, 2004 and 2003 and the related statements of activities and cash flows for the years then ended. These financial statements are responsibility of the Foundation's executives. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Instituted of Accountants. 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 executives, as well as evaluating the overall financial position presentations. 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 respect the financial position of Yayasan Ekoturisme Indonesia as of December 31, 2004 and 2003 and the results of its activities, and its cash flow for the years then ended in conformity with generally accepted accounting principles.

**ARSYAD & REKAN**



Drs. S. Arsyad  
License No: 99.1.0568

April 25, 2005

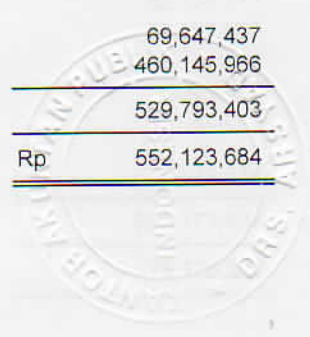
**NOTICE TO READERS**

The accompanying financial statements are intended to present the financial position, results of the activities and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdictions. The standards, procedures and practices applied to audit such financial statements are those generally accepted and applied in Indonesia.

**YAYASAN EKOTURISME INDONESIA**  
**STATEMENTS OF FINANCIAL POSITIONS**  
**DECEMBER 31, 2004 AND 2003**

	Notes	2004	2003
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and banks	2,3,10	Rp 619,484,437	Rp 270,590,607
Other current assets	2,4	47,879,167	36,916,667
<b>Total Current Assets</b>		<b>667,363,604</b>	<b>307,507,274</b>
<b>NON CURRENT ASSETS</b>			
Due from related parties	2,5	1,484,375	17,405,825
Deferred tax assets	7	27,611,822	-
Property and equipment - net of accumulated depreciation	2,6,9	538,928,999	227,210,585
<b>Total Non Current Assets</b>		<b>568,025,196</b>	<b>244,616,410</b>
<b>TOTAL ASSETS</b>		<b>Rp 1,235,388,800</b>	<b>Rp 552,123,684</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accrued expenses	2	Rp 122,981,775	Rp 4,924,456
Tax payable	2,7	1,484,375	17,405,825
<b>Total Liabilities</b>		<b>124,466,150</b>	<b>22,330,281</b>
<b>NET ASSETS</b>			
Unrestricted		( 360,456,886 )	69,647,437
Restricted - temporary		1,471,379,536	460,145,966
<b>Total Net Assets</b>		<b>1,110,922,650</b>	<b>529,793,403</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>Rp 1,235,388,800</b>	<b>Rp 552,123,684</b>

*See accompanying Notes to Financial Statements which are an integral part of the financial statements.*





**YAYASAN EKOTURIN INDONESIA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	Notes	2004	2003
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>			
Revenue			
Donations	2,8	Rp 156,799,868	Rp 317,963,062
Others		21,907,462	14,078,339
Total Unrestricted Revenue		178,707,330	332,041,401
Expenses			
General and administrative	6,9	626,756,334	436,425,464
Others		9,667,141	-
Total Unrestricted Expenses		636,423,475	436,425,464
Decrease in Unrestricted Net Assets		( 457,716,145 )	( 104,384,063 )
<b>CHANGE IN TEMPORARY RESTRICTED NET ASSETS:</b>			
Revenue from donations	2,8	2,006,534,521	683,297,759
Program Expenses			
Education program		269,101,278	221,378,892
Water supply program		230,965,407	185,528,606
Vetiver program		151,133,098	23,995,481
Infrastructure program		80,179,080	51,943,620
Educational art story book program		74,681,625	-
Agriculture program		51,774,939	82,138,111
Health program		37,981,634	37,122,613
Library development program		29,208,350	-
Cubang covers program		24,061,100	2,691,900
School uniform program		23,162,385	-
EBPP centre program		18,661,125	-
Goat breeding program		4,390,930	372,214
Total Program Expenses		995,300,951	605,171,437
Increase in Temporary Restricted Net Assets		1,011,233,570	78,126,322
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE PROVISION FOR INCOME TAX</b>		553,517,425	( 26,257,741 )
<b>PROVISION FOR INCOME TAX - DEFERRED</b>	7	27,611,822	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>		581,129,247	( 26,257,741 )
<b>NET ASSETS AT BEGINNING OF YEAR</b>		529,793,403	556,051,144
<b>NET ASSETS AT END OF YEAR</b>		Rp 1,110,922,650	Rp 529,793,403

*see accompanying Notes to Financial Statements which are an integral part of the financial statements.*

**YAYASAN EKOTURISME INDONESIA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donations	Rp 2,163,334,389	Rp 1,001,260,821
Cash paid for project expenses	( 991,300,951 )	( 346,380,006 )
Cash received from operations	1,172,033,438	654,880,815
Cash received from interest	17,254,903	10,239,903
Cash paid for general and administration expenses	( 399,995,143 )	( 619,111,908 )
Net Cash Provided by Operating Activities	789,293,198	46,008,810
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 440,399,368 )	( 57,798,100 )
<b>NET INCREASE (DECREASE) IN CASH AND BANKS</b>	348,893,830	( 11,789,290 )
<b>CASH AND BANKS AT BEGINNING OF YEAR</b>	270,590,607	282,379,897
<b>CASH AND BANKS AT END OF YEAR</b>	Rp 619,484,437	Rp 270,590,607
<b>Activity not affecting cash flows:</b>		
Acquisition of property and equipment from trade-in	Rp 909,271	Rp 288,063

*See accompanying Notes to Financial Statements which  
are an integral part of the financial statements.*





**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2004 and 2003**

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**1. GENERAL**

Yayasan Ekoturisme Indonesia (the Foundation) was established based on notarial deed No. 96 of Meijane Halimatussjadiah, S.H. dated July 25, 1998. The deed of establishment was registered at the Denpasar Public Court in its Report List No. 26 dated August 11, 1998. The Foundation's Articles of Association has been amended by notarial deed No. 2 dated September 5, 2002 of Meiyane Halimatussadiyah, S.H., to conform with Law No. 16 year 2001 regarding Foundation. The amendment deed was registered at the Denpasar Public Court in its Report List No. 91 dated October 1, 2002 and still in progress to be approved by the Ministry of Justice and Human Rights.

The purposes and objectives of the Foundation are to be active in the social sector, particularly improving the welfare of village communities through information that can improve the knowledge and awareness of these communities, of their village potential and the community potential, in a voluntary and non-profit manner.

The Foundation has two Secretariats: one is located in Jalan Tunjung Sari No. 2YZ Padangsambian, Denpasar, and the other in Dusun Cut-cut, Ban Village, Kecamatan Kubu, Karangasem, Bali Province, Indonesia.

As of December 31, 2004, the members of the organs of the Foundation are as follows:

Patrons

Chairman	:	Ketut Arthana
Member	:	Endang Husnaeni

Executives

Chairman	:	David John Booth
Secretary	:	Gede Ngurah Indraguna Pinatih
Treasurer	:	I Gusti Ngurah Adi Suputra

Supervisor : John Scott Younger

The Foundation had 41 and 33 employees in 2004 and 2003, respectively.

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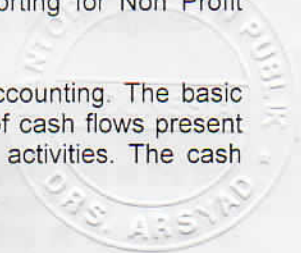
**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Financial Statements

The Foundation adopted the accounting policies and presented the financial statements based on the Statement of Financial Accounting Standards (SFAS) No. 45, "Financial Reporting for Non Profit Organizations", and the principles and practices generally accepted in Indonesia.

The financial statements have been prepared on the historical cost basis of accounting. The basic assumption for financial statements preparation is accrual basis. The statement of cash flows present cash received and payments classified into operating, investing and financing activities. The cash flows from operating activities are presented using the direct method.

The reporting currency used in the financial statements is the Indonesian Rupiah.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

Transactions with Related Parties

The Foundation has transactions with certain parties, which are regarded as having special relationship, as defined under SFAS No. 7, "Related Parties Disclosures".

All significant transactions with related parties, whether or not conducted under similar price, term and conditions as those with third parties, are disclosed in the notes to financial statements.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on a review of the collectibility of the receivable accounts at the end of the year.

Prepaid Expenses

Prepaid expenses (presented in as part of "Other Current Assets") are amortized over periods benefited using the straight-line method.

Property and Equipment

Property and equipment are stated at cost, except for property and equipment from donations, which is stated at estimated cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Office equipment	4 - 8
Vehicles	4

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

The cost of maintenance and repairs is charged in the statements of activities as incurred; significant renewals and betterments, which extend their useful lives or result in an increase in the future economic benefits are capitalized. When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Revenue and Expense Recognition

Revenue from donations is recognized when received from donors. Expenses are recognized as incurred (accrual basis).

Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the average buying and selling rates prevailing at such date as published by Bank Indonesia and any resulting gains or losses are credited or charged to current operations.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

As of December 31, 2004 and 2003, the exchange rate using for US\$ 1 are Rp 9,290 and Rp 8,465, respectively.

Provision for Income Tax

The Foundation uses the deferred income tax method in accounting for income tax, in accordance with SFAS No. 46, "Accounting for Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of assets and liabilities and for the carry forward of fiscal losses. The tax effects of temporary differences and fiscal loss carry forwards, which individually are either assets or liabilities, are shown at the applicable net amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires executives 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 reported period. Actual results could be different from these estimates.

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**3. CASH AND BANKS**

This account consists of the following:

	2004	2003
Cash on hand	Rp 7,226,639	Rp 8,086,232
Cash in bank:		
Rupiah account		
PT Bank Negara Indonesia (Persero)	608,775,999	261,984,370
US Dollar account		
ABN - AMRO Bank, N.V. (US\$ 374.79 in 2004 and US\$ 61.43 in 2003)	3,481,799	520,005
	<u>612,257,798</u>	<u>262,504,375</u>
Total	<u>Rp 619,484,437</u>	<u>Rp 270,590,607</u>

There was no restriction on the usage of the Foundation's funds or either in banks.

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**4. OTHER CURRENT ASSETS**

This account mainly represents prepaid rent for office building and land.





**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

**5. DUE FROM RELATED PARTIES**

This account represents receivables from employees which bears no interest, with no collateral and no payment schedule.

No allowance for doubtful account was provided on due from related parties, as the executives believe that all such receivables are collectible.

**6. PROPERTY AND EQUIPMENT**

The details of property and equipment are as follows:

	2004			
	Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>				
Vehicles	Rp 256,626,950	Rp 382,214,000	Rp -	Rp 638,840,950
Office equipment	172,154,013	59,094,639	12,595,000	218,653,652
<b>Total Carrying Value</b>	<b>428,780,963</b>	<b>441,308,639</b>	<b>12,595,000</b>	<b>857,494,602</b>
<u>Accumulated Depreciation</u>				
Vehicles	122,693,777	81,650,758	-	204,344,535
Office equipment	78,876,601	42,015,614	6,671,147	114,221,068
<b>Total Accumulated Depreciation</b>	<b>201,570,378</b>	<b>123,666,372</b>	<b>6,671,147</b>	<b>318,565,603</b>
<b>Net Book Value</b>	<b>Rp 227,210,585</b>			<b>Rp 538,928,999</b>

	2003			
	Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>				
Office equipment	Rp 140,038,750	Rp 32,576,163	Rp 460,900	Rp 172,154,013
Vehicles	231,116,950	25,510,000	-	256,626,950
<b>Total Carrying Value</b>	<b>371,155,700</b>	<b>58,086,163</b>	<b>460,900</b>	<b>428,780,963</b>
<u>Accumulated Depreciation</u>				
Office equipment	42,636,603	36,412,835	172,837	78,876,601
Vehicles	64,425,002	58,268,775	-	122,693,777
<b>Total Accumulated Depreciation</b>	<b>107,061,605</b>	<b>94,681,610</b>	<b>172,837</b>	<b>201,570,378</b>
<b>Net Book Value</b>	<b>Rp 264,094,095</b>			<b>Rp 227,210,585</b>

Depreciation for the years ended December 31, 2004 and 2003 was charged to operations amounting to Rp 123,666,372 and Rp 94,681,610 (see Note 9), respectively.

Based on the executives' assessment, there are no events or changes in circumstances, which may indicate impairment in value of property and equipment as of December 31, 2004 and 2003.

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

**7. TAX PAYABLE**

This account represents Income Tax payable article 21.

The reconciliation between net increase (decrease) in net assets, as shown in the statements of activities, and the estimated fiscal loss for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Net increase (decrease) in net assets	Rp 553,517,425	(Rp 26,257,741)
Timing difference:		
Employee benefit	92,039,405	-
Permanent differences:		
Rental	55,160,000	39,598,333
Salaries and wages	13,790,085	61,542,728
Loss on write-off of property and equipment	5,014,582	-
Donations received	( 2,163,334,389)	( 1,001,260,821)
Interest income already subjected to final tax	( 21,907,462)	( 14,078,339)
Estimated fiscal loss before fiscal loss carryforward	( 1,465,720,354)	( 940,455,840)
Fiscal loss carryforward		
- 2001	( 588,198,546)	( 588,198,546)
- 2002	( 942,920,319)	( 942,920,319)
- 2003	( 940,455,840)	-
Estimated fiscal loss	(Rp 3,937,295,059)	(Rp 2,471,574,705)

In accordance to Law No. 17 Year 2000, donations to recipient parties are not tax objects as long as the donations are not received under relations of business, ownership or controlling relations between relevant parties.

The computation of deferred income tax for the years ended December 31, 2004 dan 2003 is as follows:

	2004	2003
Provision for deferred income tax –		
Employee benefit	Rp 27,611,822	Rp -

The detail of deferred tax assets as of December 31, 2004 and 2003 are as follows:

	2004	2003
Employee benefit	Rp 27,611,822	Rp -

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

In 2004 and 2003, the Foundation did not recognize deferred tax assets on fiscal losses amounting to Rp 1,181,188,518 and Rp 741,472,412, respectively, because the fiscal losses are considered unrecoverable.

**8. DONATIONS**

This account represents unrestricted and temporary restricted donations received from donor. The details of this account are as follows:

	2004	2003
Unrestricted:		
Private	Rp 138,459,718	Rp 305,285,982
Regional Institutions	12,232,650	-
Others	6,107,500	12,677,080
	<u>156,799,868</u>	<u>317,963,062</u>
Temporary Restricted:		
Water supply program	485,895,000	210,140,818
Education program	461,083,836	272,946,813
Agriculture program	162,217,000	145,321,306
Health program	158,821,505	31,410,561
Infrastructure program	149,460,000	23,478,261
Cubang covers program	118,000,000	-
Vetiver development program	117,441,680	-
Educational art story book program	112,167,000	-
Library development program	96,100,000	-
EBPP centre	74,992,500	-
Goat breeding program	43,100,000	-
School uniform program	27,256,000	-
	<u>2,006,534,521</u>	<u>683,297,759</u>
Total	Rp <u>2,163,334,389</u>	Rp <u>1,001,260,821</u>





**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

**9. GENERAL AND ADMINISTRATIVE**

This account consists of the following:

	2004	2003
Salaries and employee benefits	Rp 158,849,605	Rp 95,863,977
Depreciation (see Note 6)	123,666,372	94,681,610
Office supplies	97,341,617	86,179,626
Transportation	89,787,800	38,373,818
Media and communication	56,800,358	33,289,423
Rental	40,385,000	24,250,000
Public relation, marketing and fundraising	22,106,829	46,302,655
Electricity	13,560,580	9,239,710
Others	24,258,173	8,244,645
Total	Rp 626,756,334	Rp 436,425,464

The amounts above include the expenses of field site office operational costs to service all the programmes amounting to Rp 306,276,035 in 2004 and Rp 134,451,307 in 2003 which was not provided in specific budgets or allocated to programmes expenses.

**10. ASSETS IN FOREIGN CURRENCY**

As of December 31, 2004 and 2003, the Foundation has cash in bank denominated in foreign currency amounting to US\$ 374.79 and US\$ 61.43, which is equivalent Rp 3,481,799 and Rp 520,005, respectively.

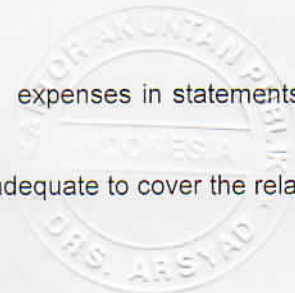
**11. EMPLOYEE BENEFITS**

The Foundation recorded an accrual for termination, gratuity and compensation expenses amounting to Rp 92,039,405 in December 2004, as provided under the Labor Law No. 13/2003 March 25, 2003. The accrual has been determined based on the following assumptions:

Annual discount rate	: 7% pa
Annual salary increase	: 10% pa
Retirement age	: 55 years

Such benefits were presented as employee benefit account in operating expenses in statements of income and accrued expenses account in balance sheets.

The Foundation's executives believe that the amount of accrual made is adequate to cover the related liabilities arising from this decree.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2004 and 2003**

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**12. RECLASSIFICATION ACCOUNTS**

Accounts in 2003 financial statements have been reclassified to conform with the presentation of accounts in 2004 financial statements.

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**13. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are the responsibility of the foundation's executives and have been approved for issued on April 25, 2005.

