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**ARSYAD & REKAN**  
REGISTERED PUBLIC ACCOUNTANTS

**YAYASAN EKOTURISME INDONESIA**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006  
AND  
INDEPENDENT AUDITORS' REPORT**

**INDONESIAN CURRENCY**

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**STATEMENT LETTER OF CHAIRMAN OF THE FOUNDATION  
CONCERNING  
THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006  
YAYASAN EKOTURISME INDONESIA**

We, undersigned below:

1. Name : David John Booth MBE  
Office Address : Jl. Tunjung Sari No. 2YZ Padangsambian, Denpasar  
Telephone Number : (62) 0361 410071  
Position : Founder & Trustee
2. Name : I Komang Kurniawan  
Office Address : Jl. Tunjung Sari No. 2YZ Padangsambian, Denpasar  
Telephone Number : (62) 0361 410071  
Position : Chairman

Certify that:

1. We certify that, as members of management, we are responsible for the preparation and presentation of the Foundation's financial statements;
2. The Foundation's financial statements have been prepared and presented in conformity with generally accepted accounting principles;
3. a. All information in the Foundation's financial statements are complete and correct;  
b. The Foundation's financial statements do not contain information or material fact which is not true, and do not omit material information or facts;
4. We are responsible for the internal control system in the Foundation.

We declare that the above statements are true.

Denpasar, October 14, 2008

**Bank Account Details:**

**English Account:**

Bank Name: BBI Cabang J. Kumbaya, Denpasar  
Address: J. Kumbaya, No.5, Denpasar, Bali  
Acc. Name: Yayasan Ekoturisme Indonesia  
Acc. No: 0255 295 047  
Swift code: BBIIDJJA100N

**USD Account:**

Bank Name: JBNABN(B) Bank BNI, Denpasar, Bali  
Address: J. Teuku Umar No. 10, BKR AS-42,  
Denpasar, Bali, Indonesia  
Acc. Name: Yayasan Ekoturisme Indonesia or  
East Bali Poverty Project  
Acc. No: 2901 034 757 USD  
Swift code: JBNBIDJJA



I Komang Kurniawan  
Chairman

David John Booth MBE  
Founder & Trustee

First registered in Indonesia as  
Yayasan Ekoturisme Indonesia  
by Indonesian Social Department,  
Depos. No: 522882054/1001

Established by Notary Public  
Wijaya Halingjastadish SH,  
No 56 dated 25<sup>th</sup> July 1995

# **ARSYAD & REKAN**

Kantor Akuntan Publik  
Izin Usaha No. KEP-181/KM.6/2004

## **INDEPENDENT AUDITORS' REPORT**

Report No. ARS-056/08

The Organs of Foundation  
**Yayasan Ekoturisme Indonesia**

We have audited the financial positions of Yayasan Ekoturisme Indonesia as of December 31, 2007 and 2006 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 audit in accordance with auditing standards established by the Indonesian Instituted of Certified Public 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 audit 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, 2007 and 2006 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

October 14, 2008

### **NOTICE TO READERS**

The accompanying financial statements are intended to present the financial position, result 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**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

	Notes	2007	2006
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and banks	2,3,10	Rp 468,418,476	Rp 573,859,157
Other current assets	2,4	315,172,689	324,435,917
Total Current Assets		783,591,165	898,295,074
<b>NON CURRENT ASSETS</b>			
Due from related parties	2,5	3,714,619	2,032,050
Deferred tax assets	2,7	37,557,976	33,815,413
Property and equipment - net of accumulated depreciation	2,6,9	764,315,721	509,327,039
Total Non Current Assets		805,588,316	545,174,502
<b>TOTAL ASSETS</b>		Rp 1,589,179,481	Rp 1,443,469,576
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses		Rp 7,489,454	Rp 10,293,410
Tax payable	2,7	3,714,619	2,032,050
Other payable		800,000	-
Total Liabilities		12,004,073	12,325,460
<b>NON CURRENT LIABILITY</b>			
Provision for retirement and employee benefits	2.11	125,193,253	112,718,043
<b>NET ASSETS</b>			
Unrestricted		( 1,458,246,870 )	( 900,648,257 )
Restricted - temporary		2,910,229,025	2,219,074,330
Total Net Assets		1,451,982,155	1,318,426,073
<b>TOTAL LIABILITIES AND NET ASSETS</b>		Rp 1,589,179,481	Rp 1,443,469,576

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

**YAYASAN EKOTURISME INDONESIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Notes	2007	2006
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>			
Revenue			
Donations	2,8	Rp 227,131,365	Rp 459,851,449
Others		39,457,064	17,221,470
Total Unrestricted Revenue		266,588,429	477,072,919
Expenses			
General and administrative	2	822,324,622	630,880,672
Others	6,9,11	5,604,983	30,012,638
Total Unrestricted Expenses		827,929,605	660,893,310
Decrease in Unrestricted Net Assets		( 561,341,176 )	( 183,820,391 )
<b>CHANGE IN TEMPORARY RESTRICTED NET ASSETS:</b>			
Revenue from donations	2,8	2,897,453,817	1,878,533,675
Program Expenses			
Integrated education program	2	789,890,027	506,539,303
Health program		327,644,786	209,796,548
Community safe water supply program		275,768,313	113,651,351
Solar power system program		237,724,980	-
Vetiver program		202,990,554	136,196,040
Infrastructure program		97,940,489	188,133,186
Bamboo development and reforestation program		69,201,600	3,750,275
Agriculture program		69,162,108	71,235,736
Further education program		39,550,602	24,074,200
Goat breeding program		28,538,270	2,344,625
Library development program		24,687,000	11,507,380
School uniform program		24,352,650	18,497,100
Independence day celebrations empowering children		18,847,743	13,076,904
Educational art story book program		-	73,971,000
EBPP centre		-	3,860,000
Total Program Expenses		2,206,299,122	1,376,633,648
Increase in Temporary Restricted Net Assets		691,154,695	501,900,027
<b>INCREASE IN NET ASSETS BEFORE PROVISION FOR INCOME TAX</b>		129,813,519	318,079,636
<b>PROVISION FOR INCOME TAX - DEFERRED</b>		7	3,742,563
<b>INCREASE (DECREASE) IN NET ASSETS</b>		133,556,082	324,283,227
<b>NET ASSETS AT BEGINNING OF YEAR</b>		1,318,426,073	994,142,846
<b>NET ASSETS AT END OF YEAR</b>		Rp 1,451,982,155	Rp 1,318,426,073

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

**YAYASAN EKOTURISME INDONESIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donations	Rp 3,124,585,182	Rp 2,338,385,124
Cash paid for project expenses	( 2,109,445,498 )	( 1,376,633,648 )
Cash received from operations	1,015,139,684	961,751,476
Cash received from interest	16,241,734	17,220,470
Cash paid for general and administration expenses	( 670,144,519 )	( 461,281,282 )
<b>Net Cash Provided by Operating Activities</b>	<b>361,236,899</b>	<b>517,690,664</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from sale of property and equipment	250,000	28,000,000
Purchase of property and equipment	( 466,927,580 )	( 273,253,094 )
<b>Net Cash Used in Operating Activities</b>	<b>( 466,677,580 )</b>	<b>( 245,253,094 )</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANKS</b>	<b>( 105,440,681 )</b>	<b>272,437,570</b>
<b>CASH AND BANKS AT BEGINNING OF YEAR</b>	<b>573,859,157</b>	<b>301,421,587</b>
<b>CASH AND BANKS AT END OF YEAR</b>	<b>Rp 468,418,476</b>	<b>Rp 573,859,157</b>

*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, 2007 and 2006**

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**1. GENERAL**

Yayasan Ekoturisme Indonesia (the Foundation) was established based on notarial deed No. 96 of Meiyane Halimatussyadiah, 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 have been amended several times, most recently by notarial deed No. 6 dated October 4, 2005 of Meiyane Halimatussyadiah, S.H., to conform with Law No. 16 year 2001 regarding Foundation. The deed of amendment was approved by the Minister of Justice and Human Right of the Republic of Indonesia in his decision letter No. C-HT.01.09-250 dated October 19, 2005.

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 knowledge and awareness of these communities, of their village potential or 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 Ban, Ban Village, Kecamatan Kubu, Karangasem, Bali Province, Indonesia.

As of December 31, 2007 and 2006, the members of the organs of the Foundation are as follows:

Patrons

Chairman : Ketut Arthana  
Member : David Booth MBE  
Endang Husnaeni

Executives

Chairman : I Komang Kurniawan  
Vice Chairman : Tri Budiyo  
Secretary : Gede Ngurah Indraguna Pinatih  
Treasurer : I Gusti Ngurah Adi Suputra

Supervisor : John Scott Younger

The Foundation had 108 and 103 employees in 2007 and 2006, 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.

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".

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and 8
Vehicles	4 and 8

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.

Impairment of assets

Assets is reviewed for impairment losses whenever events or charges. In circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

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.

As of December 31, 2007 and 2006, the exchange rate using for US\$ 1 are Rp 9,419, and Rp 9,020, respectively.



**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

	2007	2006
Cash on hand	Rp 27,375,284	Rp 15,653,441
Cash in bank:		
PT Bank Negara Indonesia (Persero) Tbk	435,901,171	540,111,686
ABN - AMRO Bank, N.V. (US\$ 545.92 in 2007 and US\$ 2,005.99 in 2006)	5,142,021	18,094,030
Total	Rp 468,418,476	Rp 573,859,157

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, prepaid insurance, and advances.

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**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.

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

**6. PROPERTY AND EQUIPMENT**

The details of property and equipment are as follows:

		2007			
		Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>					
Vehicles	Rp	664,055,950	Rp 323,800,000	Rp -	Rp 987,855,950
Office equipment		352,487,011	143,127,580	6,323,063	489,291,528
Total Carrying Value		1,016,542,961	466,927,580	6,323,063	1,477,147,478
<u>Accumulated Depreciation</u>					
Vehicles		296,466,950	143,612,875	-	440,079,825
Office equipment		210,748,972	67,830,294	5,827,334	272,751,932
Total Accumulated Depreciation		507,215,922	211,443,169	5,827,334	712,831,757
Net Book Value	Rp	509,327,039			764,315,721

		2006			
		Beginning Balance	Additions	Deductions	Ending Balance
<u>Carrying Value</u>					
Vehicles	Rp	565,540,950	Rp 176,015,000	Rp 77,500,000	Rp 664,055,950
Office equipment		255,248,917	97,238,094	-	352,487,011
Total Carrying Value		820,789,867	273,253,094	77,500,000	1,016,542,961
<u>Accumulated Depreciation</u>					
Vehicles		203,266,992	114,189,542	20,989,584	296,466,950
Office equipment		156,579,691	54,169,281	-	210,748,972
Total Accumulated Depreciation		359,846,683	168,358,823	20,989,584	507,215,922
Net Book Value	Rp	460,943,184			509,327,039

Depreciation for the years ended December 31, 2007 and 2006 has been charged to the following:

	2007		2006	
General and administrative (see Note 9)	Rp	114,589,545	Rp	134,922,189
Program expenses		96,853,624		33,436,634
Total	Rp	211,443,169	Rp	168,358,823

Deduction of property and equipment for the years 2007 and 2006 are as follows:

	2007		2006	
Net book value	Rp	495,729	Rp	56,510,416
Sales price		250,000		28,000,000
Loss on sale of property and equipment	Rp	245,729	Rp	28,510,416

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

**6. PROPERTY AND EQUIPMENT (Continued)**

In 2007 and 2006, vehicles are covered by insurance against losses by accident amounting to Rp 512,000,000 and Rp 353,500,000. The executives believes the insurance is sufficient to cover possible losses arising from such risk.

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, 2007 and 2006.

**7. TAX PAYABLE**

This account represents Income Tax payable article 21.

The reconciliation between net increase in net assets before provision for Income Tax, as shown in the statement of activities, and the estimated fiscal loss for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
	Rp	Rp
Net increase in net assets before Provision for Income Tax	129,813,519	318,079,636
Timing differences:		
Salaries and employee benefit	12,475,210	20,678,638
Permanent differences:		
Salaries and employee benefit	57,237,132	41,416,020
Rental	50,367,633	53,735,674
Interest income already subjected to final tax	( 16,241,734 )	( 17,220,470 )
Donations received	( 3,124,585,182 )	( 2,338,385,124 )
Estimated fiscal loss before fiscal loss carry-forward	( 2,890,933,422 )	( 1,921,695,626 )
Fiscal loss carry-forward		
- 2001	-	( 588,198,546 )
- 2002	( 942,920,319 )	( 942,920,319 )
- 2003	( 940,455,840 )	( 940,455,840 )
- 2004	( 1,465,720,354 )	( 1,465,720,354 )
- 2005	( 1,616,315,580 )	( 1,616,315,580 )
- 2006	( 1,921,695,626 )	-
Estimated fiscal loss	(Rp 9,778,041,141)	(Rp 7,475,306,265)

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.

Under the taxation laws of Indonesia, the Foundation submits tax return on the basis of self-assesment. The tax authorities may assess or amend taxes within ten years from the date the tax becomes due.

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

**7. TAX PAYABLE (Continued)**

Deferred

The computations of deferred income tax for the years ended December 31, 2007 and 2006 using the maximum tax rate of 30% is as follows:

	2007	2006
Employee benefit	Rp 3,742,563	Rp 6,203,591

The deferred tax assets as of December 31, 2007 and 2006 are as follows:

	2007	2006
Employee benefit	Rp 37,557,976	Rp 33,815,413

In 2007 and 2006, the Foundation did not recognize deferred tax assets on fiscal losses amounting to Rp 2,933,412,342 and Rp 2,242,591,880, 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:

	2007	2006
Unrestricted:		
Regional Institutions	Rp 149,171,135	Rp 252,256,351
Private	68,013,030	195,219,289
Others	9,947,200	12,375,809
	<u>227,131,365</u>	<u>459,851,449</u>
Temporary Restricted:		
Education program	860,166,158	765,573,562
Health program	267,165,089	320,691,902
Vetiver development program	222,447,101	198,168,712
Site transport to facilitate all programs	275,799,800	154,960,022
Agriculture program	55,631,480	123,268,500
Educational art story book program	70,590,564	114,472,027
Infrastructure program	72,214,035	101,490,000
Water supply program	616,965,549	70,975,000
School uniform program	30,730,000	17,426,250
Independence day	1,187,500	11,507,700
Solar power system program	201,050,850	-
Bamboo development and reforestation program	182,501,000	-
Further education program	32,742,500	-
Development of comprehensive library program	8,262,191	-
	<u>2,897,453,817</u>	<u>1,878,533,675</u>
Total	<u>Rp 3,124,585,182</u>	<u>Rp 2,338,385,124</u>

**YAYASAN EKOTURISME INDONESIA**  
**NOTES TO FINANCIAL STATEMENTS (Continue)**  
**For The Years Ended December 31, 2007 and 2006**

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**9. GENERAL AND ADMINISTRATIVE**

This account consists of the following:

	2007	2006
Salaries and employee benefit (see Note 11)	Rp 281,360,860	Rp 237,189,686
Depreciation (see Note 6)	114,589,545	134,922,189
Transportation	90,780,653	48,039,440
Public relation, marketing and fundraising	65,724,099	41,926,973
Media and communication	63,683,431	44,233,859
Office supplies	57,492,253	43,697,036
Rental	50,367,633	47,335,674
Insurance	42,335,329	-
Electricity and water	29,306,405	23,106,331
Others	26,684,414	10,429,484
Total	Rp 822,324,622	Rp 630,880,672

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**10. ASSETS IN FOREIGN CURRENCY**

As of December 31, 2007 and 2006, the Foundation has cash in bank denominated in foreign currency amounting to US\$ 545.92 and US\$ 2,005.99, which is equivalent Rp 5,142,021 and Rp 18,094,030, respectively.

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**11. EMPLOYEE BENEFITS**

In December 2007 and 2006, the Foundation recorded an accrual for employee termination, gratuity and compensation amounting to Rp 125,193,253 and Rp 112,718,043, respectively, as provided under the Labor Law No. 13/2003 dated March 25, 2003. The accrual has been determined based on the following assumptions:

Annual discount rate	:	11% pa in 2007 and 10% pa in 2006
Annual salary increase	:	10% pa
Retirement age	:	55 years

Such benefits were presented as salaries and employee benefit account in general and administrative expenses in statement of activities and provision for retirement and employee benefits account in statement of financial position.

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

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**12. RECLASSIFICATION ACCOUNT**

Accounts in 2006 financial statements have been reclassified to conform with the presentation of accounts in 2007 financial statements.

**13. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are the responsibility of the foundation's executives and have been approved for issued on October 14, 2008.