

RAINFOREST FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2013

RAINFOREST FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rainforest Foundation, Inc.

We have audited the accompanying financial statements of Rainforest Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Foundation, Inc. as of December 31, 2013, and the change in its net asset and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
November 13, 2014

RAINFOREST FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

Assets

Cash (Note 7)	\$ 134,917
Investments (Notes 1b and 3)	6,758
Accounts receivable	329
Unconditional promises to give (Notes 1c and 4)	
Unrestricted	4,244
Restricted	353,226
Prepaid expenses	194
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	5,788
Security deposit	<u>13,969</u>

Total Assets**\$ 519,425****Liabilities and Net Assets**

Liabilities	
Accounts payable and accrued expenses	\$ 26,579
Deferred rent (Note 1e)	<u>3,747</u>
Total Liabilities	<u>30,326</u>

Commitment (Note 6)

Net Assets

Unrestricted (deficit)	(126,122)
Temporarily restricted (Note 2)	<u>615,221</u>
Total Net Assets	<u>489,099</u>

Total Liabilities and Net Assets**\$ 519,425**

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

Changes in Unrestricted Net Assets

Revenue and Support	
Contributions	\$ 457,786
Gift in kind	588
Investment income	2,497
Miscellaneous income	1,376
	462,247
Net assets released from restrictions	
Satisfaction of time and program restrictions	426,175
	888,422
Expenses	
Program Services	876,051
Supporting Services	
Management and general	101,848
Fundraising	67,878
Total Supporting Services	169,726
Total Expenses	1,045,777
Decrease in Unrestricted Net Assets	(157,355)

Changes in Temporarily Restricted Net Assets

Contributions	615,221
Net assets released from restrictions	(426,175)
Increase in Temporarily Restricted Net Assets	189,046
Increase in net assets	31,691
Net assets, beginning of year, as originally reported	179,068
Prior period adjustment (Note 9)	278,340
Net assets, beginning of year, as restated	457,408
Net Assets, End of Year	\$ 489,099

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

Cash Flows From Operating Activities

Increase in net assets	\$ 31,691
Adjustment to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	5,315
Bad debts	7,302
Deferred rent	(4,419)
Unrealized gain	(2,381)
(Increase) decrease in:	
Accounts receivable	44,074
Unconditional promises to give	(58,597)
Prepaid expenses	(194)
Security deposit	(403)
Increase (decrease) in:	
Accounts payable and accrued expenses	9,348
Other liability	(50,000)
Net Cash Used By Operating Activities	(18,264)

Cash Flows From Investing Activities

Acquisition of property and equipment	(694)
Net decrease in cash	(18,958)
Cash, beginning of year	153,875
Cash, End of Year	\$ 134,917

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Rainforest Foundation, Inc. (the "Organization") was incorporated in 1988 in accordance with State of California Not-For-Profit Corporation Law. The mission of the Organization is to support indigenous people and traditional populations of the rainforest in their efforts to protect their environment and fulfill their rights.

The Organization assists them in securing and controlling the natural resources necessary for their long term well-being and managing these resources in ways which do not harm their environment, violate their culture or compromise their future. Developing the means to protect their individual and collective rights and obtain, shape and control basic services from the state.

b - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels. Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

c - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made.

d - Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

e - Deferred Rent

The Organization records rent expense associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is reflected as an adjustment to the liability and as an expense in the accompanying financial statements.

f - Financial Statement Presentation

Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - 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.

h - Tax Status

The Organization is a not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain positions are required in the financial statements. The Organization's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i - Subsequent Events

The Organization has evaluated subsequent events through November 13, 2014, the date that the financial statements are considered available to be issued.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future periods and programs.

Note 3 - Investments

Investments are classified within Level 1 of the fair value hierarchy and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 71	\$ 71
Common stock	<u>1,145</u>	<u>6,687</u>
	<u>\$1,216</u>	<u>\$6,758</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>Amount</u>
Computer equipment	5 years	\$43,934
Computer software	3 years	<u>26,346</u>
		70,280
Less: Accumulated depreciation		<u>(64,492)</u>
Total		<u>\$ 5,788</u>

Depreciation expense for the year ended December 31, 2013 was \$5,315.

Note 6 - Commitment

The Organization occupies office space under a lease agreement which expires January 31, 2015. Approximate minimum annual obligations for rent under this lease agreement are as follows:

Year ending December 31, 2014	\$56,857
Thereafter, through January 15, 2015	4,750

Rent expense for the year was \$55,660.

Note 7 - Concentration of Credit Risk

The Organization maintains its cash balances in a financial institution located in New York City. The cash balances, at times, may exceed federally insured limits.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 9 - Prior Period Adjustment

Net assets at December 31, 2012 have been restated to reclassify a grant received in the amount of \$306,175 as temporarily restricted and to reduce grants payable in the amount of \$278,340 for grants not committed until 2013.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Rainforest Foundation, Inc.

We have audited the financial statements of Rainforest Foundation, Inc. as of and for the year ended December 31, 2013, and our report thereon dated November 13, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
November 13, 2014

RAINFOREST FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$225,201	\$ 30,627	\$ 39,373	\$ 295,201
Payroll taxes and employee benefits	53,645	21,168	11,694	86,507
Grants	473,351	-	-	473,351
Professional fees	7,936	28,693	2,968	39,597
Information technology	4,549	619	795	5,963
Printing and copying	1,500	111	585	2,196
Office expense	14,318	3,255	3,044	20,617
Occupancy	48,678	6,620	8,511	63,809
Advertising	1,368	40	-	1,408
Bad debts	-	7,302	-	7,302
Travel	35,144	545	12	35,701
Miscellaneous	6,478	2,147	185	8,810
Total expenses before depreciation	872,168	101,127	67,167	1,040,462
Depreciation	3,883	721	711	5,315
Total Expenses	<u>\$876,051</u>	<u>\$ 101,848</u>	<u>\$ 67,878</u>	<u>\$1,045,777</u>

See independent auditors' report on supplementary information.