

**RAINFOREST FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016 AND 2015**

**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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 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 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, 2016 and 2015, and the change in its net asset and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
May 17, 2017

## RAINFOREST FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash (Note 7)	\$ 235,203	\$ 697,137
Investments (Notes 1b, 1c and 3)	18,164	13,626
Unconditional promises to give (Notes 1d and 4)		
Restricted for future periods and programs	722,309	996,639
Prepaid expenses and other assets	5,471	2,424
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	7,183	4,522
Security deposit	<u>13,500</u>	<u>13,500</u>
<b>Total Assets</b>	<u><u>\$1,001,830</u></u>	<u><u>\$1,727,848</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 37,371</u>	<u>\$ 38,702</u>
Commitments (Note 6)		
Net Assets		
Unrestricted (deficit)	(26,692)	(60,903)
Temporarily restricted (Note 2)	<u>991,151</u>	<u>1,750,049</u>
Total Net Assets	<u>964,459</u>	<u>1,689,146</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$1,001,830</u></u>	<u><u>\$1,727,848</u></u>

See notes to financial statements.

## RAINFOREST FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Support		
Government grant (Note 4)	\$ 771,675	\$ -
Contributions	403,162	288,961
Special event income (Note 8)	-	86,609
Direct benefit expenses	-	(62,684)
Donated services (Note 9)	-	2,934
Investment loss (Note 3)	(576)	(1,079)
	<u>1,174,261</u>	<u>314,741</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,477,309</u>	<u>961,870</u>
	<u>2,651,570</u>	<u>1,276,611</u>
Expenses		
Program Services	<u>2,303,066</u>	<u>1,051,858</u>
Supporting Services		
Management and general	226,948	156,657
Fundraising	87,345	84,301
Total Supporting Services	<u>314,293</u>	<u>240,958</u>
	<u>2,617,359</u>	<u>1,292,816</u>
	<u>34,211</u>	<u>(16,205)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	718,411	1,571,953
Net assets released from restrictions	<u>(1,477,309)</u>	<u>(961,870)</u>
	<u>(758,898)</u>	<u>610,083</u>
Increase (decrease) in net assets	(724,687)	593,878
Net assets, beginning of year	<u>1,689,146</u>	<u>1,095,268</u>
	<u>\$ 964,459</u>	<u>\$1,689,146</u>

See notes to financial statements.

## RAINFOREST FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (724,687)	\$ 593,878
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	2,537	1,673
Unrealized loss on investments	5,090	1,594
Realized gain on investments	(4,088)	-
(Increase) decrease in:		
Unconditional promises to give	274,330	(121,288)
Prepaid expenses and other assets	(3,047)	(2,336)
Security deposit	-	749
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,331)	155
Grants payable	-	(27,100)
Net Cash Provided (Used) By Operating Activities	<u>(451,196)</u>	<u>447,325</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(18,715)	(4,970)
Proceeds from sales of investments	13,175	-
Acquisition of property and equipment	(5,198)	(3,670)
Net Cash Used By Investing Activities	<u>(10,738)</u>	<u>(8,640)</u>
Net increase (decrease) in cash	(461,934)	438,685
Cash, beginning of year	<u>697,137</u>	<u>258,452</u>
<b>Cash, End of Year</b>	<u>\$ 235,203</u>	<u>\$ 697,137</u>

See notes to financial statements.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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. The Organization also assists in developing the means to protect their individual and collective rights and obtain, shape and control basic services.

b - Investments

The Organization reflects investments at fair value in the statement of financial position. Investment income, including unrealized gains and losses on investments, are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

c - Fair Value Measurements

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses the higher priority valuation techniques based on available inputs to measure fair values. The fair value of the Organization's investments in common stock is measured using Level 1 inputs, quoted prices in active markets.

d - 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 restricted by the donor 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, if necessary, is based on management's analysis of specific promises made.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

e - 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.

f - Grants

Grants are accrued when authorized. Grants approved for future years which are conditional upon fulfilling future obligation are reflected as commitments (Note 6b).

g - Advertising

The Organization expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$28,245 and \$2,722, respectively.

h - 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.

i - 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.

j - 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.

k - Subsequent Events

The Organization has evaluated subsequent events through May 17, 2017, 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.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**Note 3 - Investments**

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

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$13,504	\$13,504	\$ 131	\$ 131
Common stock	<u>3,016</u>	<u>4,660</u>	<u>6,761</u>	<u>13,495</u>
	<u>\$16,520</u>	<u>\$18,164</u>	<u>\$6,892</u>	<u>\$13,626</u>

Investment loss consists of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 426	\$ 515
Realized gain	4,088	-
Unrealized losses	<u>(5,090)</u>	<u>(1,594)</u>
Net Investment Loss	<u>\$ (576)</u>	<u>\$(1,079)</u>

**Note 4 - Promises to Give**

a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2016</u>	<u>2015</u>
Due within one year	\$722,309	\$ 900,400
Due within two to three years	<u>-</u>	<u>100,000</u>
	722,309	1,000,400
Less: Discount to present value	<u>-</u>	<u>(3,761)</u>
Total	<u>\$722,309</u>	<u>\$ 996,639</u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give due after one year were discounted to net present value using a discount rate of 3% per annum.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**Note 4 - Promises to Give (continued)**

b - Conditional Promise to Give

The Organization was awarded a grant by an agency of the Norwegian government of approximately \$4.2 million over a five-year period, 2016 to 2020, toward a project designed to protect the forests in Guyana. During 2016, \$800,393 was received. Costs incurred were \$771,675 of which \$612,435 was disbursed to three subgrantees. The balance of the grant received, \$28,718 is reflected as temporarily restricted.

The remaining portion of the grant has not been recorded in the accompanying financial statements since there are uncertainties regarding the actual amount of the revenue and expenses that will be incurred under this grant.

Based upon audited financial statements of the subgrantees, grants disbursed to the subgrantees as of December 31, 2016, exceeded related expenses incurred by \$108,720. These remaining grant funds will be expended by the subgrantees in future periods.

The grant was awarded in Norwegian krone and is subject to fluctuations in currency exchange rates.

**Note 5 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Computer equipment	5 years	\$27,268	\$47,604
Computer software	3 years	<u>10,221</u>	<u>26,346</u>
		37,489	73,950
Less: Accumulated depreciation		<u>(30,306)</u>	<u>(69,428)</u>
Total		<u>\$ 7,183</u>	<u>\$ 4,522</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$2,537 and \$1,673, respectively.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**Note 6 - Commitments**

a - Lease

The Organization occupies office space under a lease agreement which expires May 31, 2020. Approximate minimum annual obligations for rent under this lease agreement are as follows:

<u>Year Ending December 31,</u>	
2017	\$57,387
2018	59,107
2019	60,882
Thereafter, through May 31, 2020	25,680

Rent expense for the years ended December 31, 2016 and 2015 was \$55,400 and \$54,825, respectively.

b - Grants Awarded

As of December 31, 2016, the Organization had committed \$601,842 in grant awards for future years. All are expected to be distributed in 2017.

**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 - Special Event**

The Organization held a special fundraising dinner in 2015. No event was held in 2016.

**Note 9 - Donated Services**

The Organization recorded donated services in connection with the design of its office space.

**RAINFOREST FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**Note 10 - 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.

**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 years ended December 31, 2016 and 2015, and our report thereon dated May 17, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were 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, 2016 with comparative totals for 2015 and the Schedule of Government Grant Income and Expense for the year ended December 31, 2016, are presented for purposes of additional analysis and are 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  
May 17, 2017

## RAINFOREST FOUNDATION, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Program Services	Supporting Services		2016	2015
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 314,870	\$ 74,335	\$ 52,470	\$ 441,675	\$ 343,092
Payroll taxes and employee benefits	66,791	15,768	11,130	93,689	75,845
Grants	1,465,603	-	-	1,465,603	493,389
Professional fees	35,699	45,582	15,026	96,307	168,777
Program expenses	344,394	-	-	344,394	-
Information technology	166	1,044	-	1,210	1,366
Printing and copying	-	363	1,212	1,575	1,385
Office expense	10,428	21,028	7,234	38,690	40,896
Repairs and maintenance	-	-	-	-	1,747
Occupancy	10,190	51,186	-	61,376	61,107
Insurance	-	4,370	-	4,370	353
Advertising and communications	27,815	264	166	28,245	2,722
Travel	26,874	7,819	107	34,800	99,350
Miscellaneous	236	2,652	-	2,888	1,114
Total expenses before depreciation	2,303,066	224,411	87,345	2,614,822	1,291,143
Depreciation	-	2,537	-	2,537	1,673
Total Expenses, 2016	<u>\$2,303,066</u>	<u>\$ 226,948</u>	<u>\$ 87,345</u>	<u>\$2,617,359</u>	
Total Expenses, 2015	<u>\$1,051,858</u>	<u>\$ 156,657</u>	<u>\$ 84,301</u>		<u>\$1,292,816</u>

See independent auditors' report on supplementary information.

**RAINFOREST FOUNDATION, INC.**

**SCHEDULE OF GOVERNMENT GRANT INCOME AND EXPENSES**

**YEAR ENDED DECEMBER 31, 2016**

Grantor: The Norwegian Agency for Development Cooperation

Purpose of Grant: Protecting forests through protecting rights in Guyana

Grant Number: GUY-16/000

Grant Period: January 2016 to December 2020

Grant Income		<u>\$771,675</u>
Expenses		
Subgrants		
Forest Peoples Programme	\$131,185	
Amerindian Peoples Association	380,250	
The South Central Peoples Development Association	<u>101,000</u>	
Total Subgrants		\$612,435
Salaries		82,965
Payroll taxes and employee benefits		7,873
Consultants		14,048
Travel		10,915
Miscellaneous		156
Overhead		<u>43,283</u>
		<u>\$771,675</u>

Note: Based upon audited financial statements of the subgrantees, grants disbursed to the subgrantees as of December 31, 2016, exceeded related expenses incurred by \$108,720. These remaining grant funds will be expended by the subgrantees in future periods.

**See independent auditors' report on supplementary information.**