

RAINFOREST FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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 from 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, 2017 and 2016, and the changes 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
April 30, 2018

RAINFOREST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash (Note 7)	\$ 565,173	\$ 235,203
Investments (Notes 1b, 1c and 3)	794	18,164
Unconditional promises to give (Notes 1d and 4)		
Restricted for future periods and programs	370,865	722,309
Prepaid expenses and other assets	1,873	5,471
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	5,319	7,183
Security deposit	<u>13,500</u>	<u>13,500</u>
Total Assets	<u><u>\$ 957,524</u></u>	<u><u>\$1,001,830</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 74,689</u>	<u>\$ 37,371</u>
Commitments (Note 6)		
Net Assets		
Unrestricted (deficit)	(118,540)	(26,692)
Temporarily restricted (Note 2)	<u>1,001,375</u>	<u>991,151</u>
Total Net Assets	<u>882,835</u>	<u>964,459</u>
Total Liabilities and Net Assets	<u><u>\$ 957,524</u></u>	<u><u>\$1,001,830</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets		
Revenue and Support		
Government grant (Note 4b)	\$ 862,346	\$ 771,675
Contributions	506,793	403,162
Net investment gains (losses) (Note 3)	501	(576)
Miscellaneous income	91	-
	1,369,731	1,174,261
Net assets released from restrictions		
Satisfaction of time and program restrictions	851,566	1,477,309
	2,221,297	2,651,570
Expenses		
Program Services	1,931,811	2,303,066
Supporting Services		
Management and general	246,508	226,948
Fundraising	134,826	87,345
Total Supporting Services	381,334	314,293
Total Expenses	2,313,145	2,617,359
Increase (Decrease) in Unrestricted Net Assets	(91,848)	34,211
Changes in Temporarily Restricted Net Assets		
Contributions	861,790	718,411
Net assets released from restrictions	(851,566)	(1,477,309)
Increase (Decrease) in Temporarily Restricted Net Assets	10,224	(758,898)
Decrease in net assets	(81,624)	(724,687)
Net assets, beginning of year	964,459	1,689,146
Net Assets, End of Year	\$ 882,835	\$ 964,459

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Decrease in net assets	\$ (81,624)	\$ (724,687)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Donated securities	(9,284)	-
Depreciation	1,864	2,537
Unrealized loss on investments	1,224	5,090
Realized gain on investments	(1,668)	(4,088)
(Increase) decrease in:		
Unconditional promises to give	351,444	274,330
Prepaid expenses and other assets	3,598	(3,047)
Increase (decrease) in accounts payable and accrued expenses	37,318	(1,331)
Net Cash Provided (Used) By Operating Activities	302,872	(451,196)
 Cash Flows From Investing Activities		
Purchase of investments	-	(18,715)
Proceeds from sales of investments	13,772	13,175
Transfer of cash held for investment purposes	13,326	-
Acquisition of property and equipment	-	(5,198)
Net Cash Provided (Used) By Investing Activities	27,098	(10,738)
 Net increase (decrease) in cash	329,970	(461,934)
Cash, beginning of year	235,203	697,137
 Cash, End of Year	\$ 565,173	\$ 235,203

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016

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, 2017 and 2016 was \$3,232 and \$28,245, respectively.

h - Financial Statement Presentation

The 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 April 30, 2018, 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, 2017 AND 2016

Note 3 - Investments

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

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 178	\$ 178	\$13,504	\$13,504
Common stock	<u>196</u>	<u>616</u>	<u>3,016</u>	<u>4,660</u>
	<u>\$ 374</u>	<u>\$ 794</u>	<u>\$16,520</u>	<u>\$18,164</u>

Investment loss consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 57	\$ 426
Realized gains	1,668	4,088
Unrealized losses	<u>(1,224)</u>	<u>(5,090)</u>
Net Investment Gains (Losses)	<u>\$ 501</u>	<u>\$ (576)</u>

Note 4 - Promises to Give

a - Unconditional Promises to Give

At December 31, 2017 and 2016, unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

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. The Organization received \$863,634 and \$800,393 under the grant in 2017 and 2016, respectively. During 2017 and 2016, the Organization incurred costs related to the grant of \$862,346 and \$771,675, respectively. The balance of the grants received, \$30,006, is reflected in temporarily restricted net assets as of December 31, 2017.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4 - Promises to Give (continued)

b - Conditional Promise to Give (continued)

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.

In connection with the grant, the Organization awarded \$656,634 and \$612,435 to subgrantees for 2017 and 2016, respectively. Based upon audited financial statements of the subgrantees, the total amount of grants disbursed by the Organization to the subgrantees as of December 31, 2017 exceeded related expenses incurred by \$96,038. 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>2017</u>	<u>2016</u>
Computer equipment	5 years	\$27,268	\$27,268
Computer software	3 years	<u>10,221</u>	<u>10,221</u>
		37,489	37,489
Less: Accumulated depreciation		<u>(32,170)</u>	<u>(30,306)</u>
Total		<u>\$ 5,319</u>	<u>\$ 7,183</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,864 and \$2,537, respectively.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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>	
2018	\$59,107
2019	60,882
2020	25,680

Rent expense for the years ended December 31, 2017 and 2016 was \$65,241 and \$55,400, respectively.

b - Grants Awarded

As of December 31, 2017, the Organization had committed \$813,646 in grant awards for future years. All are expected to be distributed in 2018.

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.

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, 2017 and 2016, and our report thereon dated April 30, 2018, 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, 2017 with comparative totals for 2016 and the Schedule of Government Grant Income and Expenses for the year ended December 31, 2017 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
April 30, 2018

RAINFOREST FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Supporting Services		2017	2016
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 389,813	\$ 92,028	\$ 64,959	\$ 546,800	\$ 441,675
Payroll taxes and employee benefits	83,015	19,598	13,833	116,446	93,689
Grants	1,201,157	-	-	1,201,157	1,465,603
Professional fees	4,659	54,520	30,005	89,184	96,307
Program expenses	199,154	-	-	199,154	344,394
Information technology	507	278	15	800	1,210
Printing and copying	52	-	560	612	1,575
Office expense	12,009	17,725	7,170	36,904	38,690
Occupancy	12,108	47,186	12,108	71,402	61,376
Insurance	-	1,845	-	1,845	4,370
Advertising and communications	81	115	3,036	3,232	28,245
Travel	26,717	11,349	1,230	39,296	34,800
Miscellaneous	2,539	-	1,910	4,449	2,888
Total expenses before depreciation	1,931,811	244,644	134,826	2,311,281	2,614,822
Depreciation	-	1,864	-	1,864	2,537
Total Expenses, 2017	<u>\$1,931,811</u>	<u>\$ 246,508</u>	<u>\$ 134,826</u>	<u>\$2,313,145</u>	
Total Expenses, 2016	<u>\$2,303,066</u>	<u>\$ 226,948</u>	<u>\$ 87,345</u>		<u>\$2,617,359</u>

See independent auditors' report on supplementary information.

RAINFOREST FOUNDATION, INC.

SCHEDULE OF GOVERNMENT GRANT INCOME AND EXPENSES

YEAR ENDED DECEMBER 31, 2017

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>\$863,634</u>
Expenses		
Subgrants		
Forest Peoples Programme	\$124,283	
Amerindian Peoples Association	431,351	
The South Central Peoples Development Association	<u>101,000</u>	
Total Subgrants		\$656,634
Salaries		98,780
Payroll taxes and employee benefits		6,584
Consultants		12,869
Travel		12,497
Equipment and technology		30,658
Miscellaneous		2,075
Overhead		<u>42,249</u>
		<u>\$862,346</u>

Note: Based upon audited financial statements of the subgrantees, grants disbursed to the subgrantees as of December 31, 2017 exceeded related expenses incurred by \$96,038. These remaining grant funds will be expended by the subgrantees in future periods.

See independent auditors' report on supplementary information.