

RAINFOREST FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018 AND 2017

RAINFOREST FOUNDATION, INC.

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LUTZ AND CARR

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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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, and the changes in its net assets 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 25, 2019

RAINFOREST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash (Note 8)	\$ 823,452	\$ 565,173
Investments (Notes 1c, 1d and 4)	424	794
Unconditional promises to give (Notes 1e and 5)		
Without donor restrictions	92,452	-
With donor restrictions	93,475	370,865
Prepaid expenses and other assets	18,958	1,873
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 6)	3,545	5,319
Security deposit	<u>13,500</u>	<u>13,500</u>
Total Assets	<u><u>\$1,045,806</u></u>	<u><u>\$ 957,524</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 73,245</u>	<u>\$ 74,689</u>
Commitments (Note 7)		
Net Assets		
Without donor restrictions (deficit)	88,821	(118,540)
With donor restrictions (Note 2)	<u>883,740</u>	<u>1,001,375</u>
Total Net Assets	<u>972,561</u>	<u>882,835</u>
Total Liabilities and Net Assets	<u><u>\$1,045,806</u></u>	<u><u>\$ 957,524</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Restrictions		
Revenue and Support		
Government grant (Note 5b)	\$ 963,301	\$ 862,346
Contributions	896,970	506,793
Net investment income (loss) (Note 4)	(1,173)	501
Miscellaneous income	3,545	91
	<u>1,862,643</u>	<u>1,369,731</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>907,166</u>	<u>851,566</u>
 Total Revenue and Support	 <u>2,769,809</u>	 <u>2,221,297</u>
Expenses		
Program Services	<u>2,226,024</u>	<u>1,931,811</u>
Supporting Services		
Management and general	187,074	246,508
Fundraising	149,350	134,826
Total Supporting Services	<u>336,424</u>	<u>381,334</u>
 Total Expenses	 <u>2,562,448</u>	 <u>2,313,145</u>
 Increase (Decrease) in Net Assets Without Donor Restrictions	 <u>207,361</u>	 <u>(91,848)</u>
Changes in Net Assets With Restrictions		
Contributions	805,444	861,790
Net assets released from restrictions	(907,166)	(851,566)
Foreign currency exchange loss	(15,913)	-
	<u>(117,635)</u>	<u>10,224</u>
 Increase (Decrease) in Net Assets With Donor Restrictions	 <u>(117,635)</u>	 <u>10,224</u>
 Increase (decrease) in net assets	 89,726	 (81,624)
Net assets, beginning of year	<u>882,835</u>	<u>964,459</u>
 Net Assets, End of Year	 <u><u>\$ 972,561</u></u>	 <u><u>\$ 882,835</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 411,324	\$ 69,635	\$ 80,555	\$ 561,514
Payroll taxes and employee benefits	96,908	16,406	18,979	132,293
Grants	1,103,155	-	-	1,103,155
Professional fees	4,377	53,736	31,905	90,018
Program expenses	531,534	-	-	531,534
Information technology	1,908	323	374	2,605
Printing and copying	658	111	129	898
Office expense	14,911	14,171	2,920	32,002
Occupancy	43,781	7,412	8,574	59,767
Insurance	2,818	477	552	3,847
Advertising and communications	135	-	1,605	1,740
Travel	13,118	10,564	82	23,764
Bad debt expense	-	9,868	-	9,868
Miscellaneous	1,397	2,597	3,675	7,669
Total expenses before depreciation	2,226,024	185,300	149,350	2,560,674
Depreciation	-	1,774	-	1,774
Total Expenses	<u>\$2,226,024</u>	<u>\$ 187,074</u>	<u>\$ 149,350</u>	<u>\$2,562,448</u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 389,813	\$ 92,028	\$ 64,959	\$ 546,800
Payroll taxes and employee benefits	83,015	19,598	13,833	116,446
Grants	1,201,157	-	-	1,201,157
Professional fees	4,659	54,520	30,005	89,184
Program expenses	199,154	-	-	199,154
Information technology	507	278	15	800
Printing and copying	52	-	560	612
Office expense	12,009	17,725	7,170	36,904
Occupancy	12,108	47,186	12,108	71,402
Insurance	-	1,845	-	1,845
Advertising and communications	81	115	3,036	3,232
Travel	26,717	11,349	1,230	39,296
Miscellaneous	2,539	-	1,910	4,449
Total expenses before depreciation	1,931,811	244,644	134,826	2,311,281
Depreciation	-	1,864	-	1,864
Total Expenses	\$1,931,811	\$ 246,508	\$ 134,826	\$2,313,145

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 89,726	\$ (81,624)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,774	1,864
Unrealized loss on investments	186	1,224
Realized (gain) loss on investments	998	(1,668)
(Increase) decrease in:		
Unconditional promises to give	184,938	351,444
Prepaid expenses and other assets	(17,085)	3,598
Increase (decrease) in accounts payable and accrued expenses	(1,444)	37,318
Net Cash Provided By Operating Activities	259,093	312,156
 Cash Flows From Investing Activities		
Purchase of investments	(1,045)	-
Proceeds from sales of investments	-	4,488
Transfer of cash held for investment purposes	231	13,326
Net Cash Provided (Used) By Investing Activities	(814)	17,814
 Net increase in cash	258,279	329,970
Cash, beginning of year	565,173	235,203
 Cash, End of Year	\$ 823,452	\$565,173

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

c - 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 net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

d - 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.

e - 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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

f - Property and Equipment

Purchased property and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

g - Grants

Grants are accrued when authorized. Grants approved for future years which are conditional upon fulfilling future obligation are reflected as commitments (Note 7b).

h - Advertising

The Organization expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$1,740 and \$3,232, respectively.

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.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include salaries, payroll taxes and employee benefits, insurance, general office expenses, and occupancy costs, which are allocated based on employee time and effort.

l - New Accounting Pronouncement

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2017.

m - Subsequent Events

The Organization has evaluated subsequent events through April 25, 2019, the date that the financial statements are considered available to be issued.

n - Prior Year Information

For comparability, certain 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2018.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to management and general and fundraising activities undertaken to support those services. The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations.

The Organization's assets as of December 31, 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year-End:	
Cash and cash equivalents	\$ 823,452
Unconditional promises to give	185,927
Investments	<u>424</u>
Total Financial Assets	1,009,803
Less Amounts Not Available to be Used Within One Year:	
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(883,740)
Plus: Net assets with donor restrictions expected to be met in less than one year	<u>508,740</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 634,803</u>

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or period:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose	\$133,740	\$ 335,724
Subject to passage of time	<u>750,000</u>	<u>665,651</u>
Total Net Assets With Donor Restrictions	<u>\$883,740</u>	<u>\$1,001,375</u>

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 4 - Investments

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

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ -	\$ -	\$ 178	\$ 178
Common stock	<u>190</u>	<u>424</u>	<u>196</u>	<u>616</u>
	<u>\$ 190</u>	<u>\$ 424</u>	<u>\$ 374</u>	<u>\$ 794</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 11	\$ 57
Realized gains (losses)	(998)	1,668
Unrealized losses	<u>(186)</u>	<u>(1,224)</u>
Net Investment Income (Loss)	<u>\$(1,173)</u>	<u>\$ 501</u>

Note 5 - Promises to Give

a - Unconditional Promises to Give

At December 31, 2018 and 2017, 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 \$947,389 and \$863,634 under the grant in 2018 and 2017, respectively. During 2018 and 2017, the Organization incurred costs related to the grant of \$993,307 and \$862,346, respectively.

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.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 5 - Promises to Give (continued)

b - Conditional Promise to Give (continued)

In connection with the grant, the Organization awarded \$735,423 and \$656,634 to subgrantees for 2018 and 2017, 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, 2018 exceeded related expenses incurred by \$94,487. 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 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</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>(33,944)</u>	<u>(32,170)</u>
Total		<u>\$ 3,545</u>	<u>\$ 5,319</u>

Note 7 - 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>	
2019	\$60,882
2020	25,680

Rent expense for the years ended December 31, 2018 and 2017 was \$59,107 and \$65,241, respectively.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 7 - Commitments (continued)

b - Grants Awarded

As of December 31, 2018, the Organization had committed \$756,825 in grant awards for future years. These funds are expected to be distributed as follows:

<u>Year Ending December 31,</u>	
2019	\$381,825
2020	375,000

Note 8 - 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.

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, 2018 and 2017, and our report thereon dated April 25, 2019, 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 Government Grant Income and Expenses for the year ended December 31, 2018 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
April 25, 2019

RAINFOREST FOUNDATION, INC.

SCHEDULE OF GOVERNMENT GRANT INCOME AND EXPENSES

YEAR ENDED DECEMBER 31, 2018

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>\$963,301</u>
Expenses		
Subgrants		
Forest Peoples Programme	\$125,211	
Amerindian Peoples Association	582,851	
The South Central Peoples Development Association	<u>81,921</u>	
Total Subgrants		\$789,983
Salaries		114,028
Payroll taxes and employee benefits		5,980
Professional fees		16,000
Travel		13,255
Indirect		48,603
Loss on currency exchange		3,641
Miscellaneous		<u>1,817</u>
		<u>\$993,307</u>

Note: Based upon audited financial statements of the subgrantees, grants disbursed to the subgrantees as of December 31, 2018 exceeded related expenses incurred by \$94,487. These remaining grant funds will be expended by the subgrantees in future periods.

See independent auditors' report on supplementary information.