

RAINFOREST FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019 AND 2018

RAINFOREST FOUNDATION, INC.

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LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Many countries in Central and South America where the Organization implements and funds projects also issued emergency decrees. As a result, the Organization adapted some of its program activities to be consistent with the direction of national and local governmental authorities in the countries in which it operates. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
August 5, 2020

RAINFOREST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash (Note 8)	\$ 845,341	\$ 823,452
Investments (Notes 1c, 1d and 4)	33,210	424
Unconditional promises to give (Notes 1e and 5)		
Without donor restrictions	518,932	92,452
With donor restrictions	75,748	93,475
Prepaid expenses and other assets	11,270	18,958
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 6)	1,772	3,545
Security deposit	<u>13,500</u>	<u>13,500</u>
Total Assets	<u><u>\$1,499,773</u></u>	<u><u>\$1,045,806</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 45,354</u>	<u>\$ 73,245</u>
Commitments (Note 7)		
Net Assets		
Without donor restrictions	850,702	88,821
With donor restrictions (Note 3)	<u>603,717</u>	<u>883,740</u>
Total Net Assets	<u>1,454,419</u>	<u>972,561</u>
Total Liabilities and Net Assets	<u><u>\$1,499,773</u></u>	<u><u>\$1,045,806</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Restrictions		
Revenue and Support		
Government grant (Note 5b)	\$ 940,145	\$ 963,301
Contributions	2,518,789	896,970
Net investment loss (Note 4)	(355)	(1,173)
Miscellaneous income	100	3,545
	<u>3,458,679</u>	<u>1,862,643</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>468,222</u>	<u>907,166</u>
 Total Revenue and Support	 <u>3,926,901</u>	 <u>2,769,809</u>
Expenses		
Program Services	<u>2,877,701</u>	<u>2,226,024</u>
Supporting Services		
Management and general	163,513	187,074
Fundraising	123,806	149,350
Total Supporting Services	<u>287,319</u>	<u>336,424</u>
 Total Expenses	 <u>3,165,020</u>	 <u>2,562,448</u>
 Increase in Net Assets Without Donor Restrictions	 <u>761,881</u>	 <u>207,361</u>
Changes in Net Assets With Restrictions		
Contributions	198,358	805,444
Net assets released from restrictions	(468,222)	(907,166)
Foreign currency exchange loss	(10,159)	(15,913)
	<u>(280,023)</u>	<u>(117,635)</u>
 Decrease in Net Assets With Donor Restrictions	 <u>(280,023)</u>	 <u>(117,635)</u>
 Increase in net assets	 481,858	 89,726
Net assets, beginning of year	<u>972,561</u>	<u>882,835</u>
 Net Assets, End of Year	 <u>\$1,454,419</u>	 <u>\$ 972,561</u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018			Total Expenses
	Program Services	Supporting Services Management and General	Fundraising	Program Services	Supporting Services Management and General	Fundraising	
Salaries	\$ 471,376	\$ 63,750	\$ 70,175	\$ 411,324	\$ 69,635	\$ 80,555	\$ 561,514
Payroll taxes and employee benefits	113,332	15,327	16,872	96,908	16,406	18,979	132,293
Grants	1,414,486	-	-	1,103,155	-	-	1,103,155
Professional fees	34,200	48,837	16,132	4,377	53,736	31,905	90,018
Program expenses	358,979	-	-	377,687	-	-	377,687
Information technology	1,492	202	222	1,908	323	374	2,605
Printing and copying	1,989	269	296	658	111	129	898
Office expense	41,423	20,290	4,286	16,308	16,768	6,595	39,671
Occupancy	57,124	7,726	8,504	43,781	7,412	8,574	59,767
Insurance	1,533	208	228	2,818	477	552	3,847
Advertising and communications	38,501	-	6,794	135	-	1,605	1,740
Travel	343,266	5,131	297	166,965	10,564	82	177,611
Bad debt expense	-	-	-	-	9,868	-	9,868
Total expenses before depreciation	2,877,701	161,740	123,806	2,226,024	185,300	149,350	2,560,674
Depreciation	-	1,773	-	-	1,774	-	1,774
Total Expenses	<u>\$2,877,701</u>	<u>\$ 163,513</u>	<u>\$ 123,806</u>	<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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$481,858	\$ 89,726
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,773	1,774
Donated securities	(182,241)	-
Unrealized (gain) loss on investments	(1,710)	186
Realized loss on investments	2,210	998
(Increase) decrease in:		
Unconditional promises to give	(408,753)	184,938
Prepaid expenses and other assets	7,688	(17,085)
Decrease in accounts payable and accrued expenses	(27,891)	(1,444)
Net Cash Provided (Used) By Operating Activities	(127,066)	259,093
 Cash Flows From Investing Activities		
Purchase of investments	-	(1,045)
Proceeds from sales of investments	148,955	-
Transfer of cash held for investment purposes	-	231
Net Cash Provided (Used) By Investing Activities	148,955	(814)
 Net increase in cash	21,889	258,279
Cash, beginning of year	823,452	565,173
 Cash, End of Year	\$845,341	\$823,452

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 accounting principles generally accepted in the United States of America ("US GAAP"), 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, whereby 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 restricted by explicit donor stipulations or by law.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 exchange-traded closed-end funds and common stock are 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 obligations are reflected as commitments (Note 7b).

h - Advertising

The Organization expenses the cost of advertising as incurred.

i - Estimates

The preparation of financial statements in conformity with US GAAP 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, 2019 AND 2018

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

For 2019, the Organization has adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

m - Subsequent Events

The Organization has evaluated subsequent events through August 5, 2020, the date that the financial statements are considered available to be issued.

n - Prior Year Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 financial assets as of December 31, and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash	\$ 845,341	\$ 823,452
Investments	33,210	424
Unconditional promises to give	<u>594,680</u>	<u>185,927</u>
Total Financial Assets	1,473,231	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	(603,717)	(883,740)
Plus: Net assets with donor restrictions expected to be met in less than one year	<u>603,717</u>	<u>508,740</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,473,231</u>	<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>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose	\$216,480	\$133,740
Subject to passage of time	<u>387,237</u>	<u>750,000</u>
Total Net Assets With Donor Restrictions	<u>\$603,717</u>	<u>\$883,740</u>

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4 - Investments

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 586	\$ 586	\$ -	\$ -
Exchange-traded and closed-end funds	6,039	6,019	-	-
Common stock	<u>24,641</u>	<u>26,605</u>	<u>190</u>	<u>424</u>
	<u>\$31,266</u>	<u>\$33,210</u>	<u>\$ 190</u>	<u>\$ 424</u>

Net investment loss consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 145	\$ 11
Realized loss	(2,210)	(998)
Unrealized gain (loss)	<u>1,710</u>	<u>(186)</u>
Net Investment Loss	<u>\$ (355)</u>	<u>\$ (1,173)</u>

Note 5 - Promises to Give

a - Unconditional Promises to Give

At December 31, 2019 and 2018, 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 \$940,145 and \$963,301 under the grant in 2019 and 2018, respectively. During 2019 and 2018, the Organization incurred costs related to the grant of \$945,276 and \$993,307, respectively.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 5 - Promises to Give (continued)

b - Conditional Promise to Give (continued)

The remaining portion of the grant, approximately \$764,000 at December 31, 2019, 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 \$753,980 and \$735,423 to subgrantees for 2019 and 2018, respectively. Based upon audited financial statements of the subgrantees, which were audited by other auditors, the total amount of grants disbursed by the Organization to the subgrantees as of December 31, 2019 exceeded related expenses incurred by \$178,806. 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>2019</u>	<u>2018</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>(35,717)</u>	<u>(33,944)</u>
Total		<u>\$ 1,772</u>	<u>\$ 3,545</u>

Note 7 - Commitments

a - Lease

The Organization occupies office space under a lease agreement which expires May 31, 2020. After expiration of the lease, the Organization began occupying the office space on a month-to-month basis. Approximate minimum annual obligations for rent under this lease agreement total \$25,680.

Rent expense for the years ended December 31, 2019 and 2018 was \$68,753 and \$57,107, respectively.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 7 - Commitments (continued)

b - Grants Awarded

As of December 31, 2019, the Organization had committed \$387,239 in grant awards for future years. These funds are contingent liabilities subject to fulfillment of future requirements and are expected to be distributed in 2020.

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.

Note 9 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Many countries in Central and South America where the Organization implements and funds projects also issued emergency decrees. As a result, the Organization has adapted some of its program activities to be consistent with the direction of national and local governmental authorities in the countries in which it operates.

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, 2019 and 2018, and our report thereon dated August 5, 2020, 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, 2019 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
August 5, 2020

RAINFOREST FOUNDATION, INC.

SCHEDULE OF GOVERNMENT GRANT INCOME AND EXPENSES

YEAR ENDED DECEMBER 31, 2019

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>\$940,145</u>
Expenses		
Subgrants		
Forest Peoples Programme	\$126,079	
Amerindian Peoples Association	548,471	
The South Central Peoples Development Association	<u>79,430</u>	
Total Subgrants		\$753,980
Salaries		94,028
Payroll taxes and employee benefits		21,628
Professional fees		3,000
Travel		12,531
Indirect		49,913
Loss on currency exchange		10,159
Miscellaneous		<u>37</u>
		<u>\$945,276</u>

Note: Based upon audited financial statements of the subgrantees, grants disbursed to the subgrantees as of December 31, 2019 exceeded related expenses incurred by \$178,806. These remaining grant funds will be expended by the subgrantees in future periods.

See independent auditors' report on supplementary information.