

Rainforest Action Network

Financial Statements

For the Year Ended June 30, 2013
(With Summarized Comparative Totals for 2012)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Rainforest Action Network
San Francisco, California

We have audited the accompanying financial statements of Rainforest Action Network, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses 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.

Auditor's 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 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.

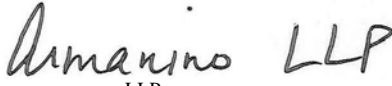
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Action Network as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The prior year summarized comparative information has been derived from Rainforest Action Network's 2012 financial statements, which were audited by other auditors whose report dated September 10, 2012, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it was derived.


Armanino^{LLP}
San Ramon, California

October 11, 2013

RAINFOREST ACTION NETWORK
 Statement of Financial Position
 June 30, 2013
 (With Comparative Totals for 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 899,570	\$ 1,136,151
Grants, pledges and contributions receivable	889,176	433,434
Other receivables	9,496	5,704
Prepaid expenses and other current assets	<u>50,396</u>	<u>43,396</u>
Total current assets	<u>1,848,638</u>	<u>1,618,685</u>
Noncurrent assets		
Property and equipment, net	39,355	38,060
Deposits	<u>47,870</u>	<u>28,305</u>
Total noncurrent assets	<u>87,225</u>	<u>66,365</u>
Total assets	<u>\$ 1,935,863</u>	<u>\$ 1,685,050</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 21,098	\$ 16,998
Accrued payroll liabilities	161,810	145,869
Other accrued liabilities	<u>28,682</u>	<u>74,910</u>
Total current liabilities	<u>211,590</u>	<u>237,777</u>
Net assets		
Unrestricted	662,500	818,103
Temporarily restricted	<u>1,061,773</u>	<u>629,170</u>
Total net assets	<u>1,724,273</u>	<u>1,447,273</u>
Total liabilities and net assets	<u>\$ 1,935,863</u>	<u>\$ 1,685,050</u>

The accompanying notes are an integral part of these financial statements.

RAINFOREST ACTION NETWORK

Statement of Activities

For the Year Ended June 30, 2013

(With Comparative Totals for 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support				
Public support and membership	\$ 774,595	\$ 37,752	\$ 812,347	\$ 777,952
Major gifts/family foundations	993,953	102,115	1,096,068	1,274,499
Grants and contributions	240,000	1,990,220	2,230,220	1,488,180
In-kind contributions	74,701	-	74,701	37,055
Total	<u>2,083,249</u>	<u>2,130,087</u>	<u>4,213,336</u>	<u>3,577,686</u>
Special events income	438,104	-	438,104	271,485
Less: special events expenses	(181,993)	-	(181,993)	(154,798)
Net special events income	<u>256,111</u>	<u>-</u>	<u>256,111</u>	<u>116,687</u>
Net assets released from restrictions	<u>1,697,484</u>	<u>(1,697,484)</u>	<u>-</u>	<u>-</u>
Total	4,036,844	432,603	4,469,447	3,694,373
Investment income	347	-	347	1,332
Realized gains (losses) on investments	(476)	-	(476)	1,194
Other	40,005	-	40,005	81,604
Total revenue and support	<u>4,076,720</u>	<u>432,603</u>	<u>4,509,323</u>	<u>3,778,503</u>
Expenses				
Program services	3,225,103	-	3,225,103	3,014,204
Management and general	295,956	-	295,956	237,413
Fundraising	711,264	-	711,264	596,714
Total expenses	<u>4,232,323</u>	<u>-</u>	<u>4,232,323</u>	<u>3,848,331</u>
Change in net assets	(155,603)	432,603	277,000	(69,828)
Net assets at beginning of year	<u>818,103</u>	<u>629,170</u>	<u>1,447,273</u>	<u>1,517,101</u>
Net assets at end of year	<u>\$ 662,500</u>	<u>\$ 1,061,773</u>	<u>\$ 1,724,273</u>	<u>\$ 1,447,273</u>

The accompanying notes are integral part of these financial statements.

RAINFOREST ACTION NETWORK
Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013			2012 Total	
	Program Services	Management and General	Fundraising		Total
Educational messaging	\$ 61,524	\$ -	\$ 10	\$ 61,534	\$ 17,403
Bank charges and fees	-	5,266	16,484	21,750	18,670
Campaign supplies	4,861	-	-	4,861	9,671
Communication services	16,113	848	-	16,961	22,329
Contract services	472,244	31,226	42,663	546,134	313,458
Depreciation	17,691	986	3,885	22,562	20,995
Direct mail	55,134	-	84,978	140,112	118,748
Employee development and training	10,880	345	1,373	12,598	19,467
Equipment leases	6,884	384	1,512	8,780	24,964
Equipment maintenance and repair	300	17	66	383	100
Events	-	31,766	-	31,766	-
Grants to third parties	81,050	-	-	81,050	77,500
Insurance	5,552	8,879	1,219	15,651	15,845
Legal services	2,250	33,795	-	36,045	4,369
List rental	-	-	11,511	11,511	11,819
Meetings, conferences and conventions	104,387	6,918	3,492	114,797	50,739
Membership dues	2,918	298	434	3,649	3,528
Miscellaneous	11,102	12,448	522	24,072	20,396
Newsletters	27,231	-	5,446	32,678	24,215
Office supplies and equipment	8,974	3,302	1,430	13,706	23,929
Photography and videography	2,255	-	-	2,255	13,282
Postage and shipping	6,807	291	7,543	14,641	16,294
Printing and copying	26,471	14,248	1,306	42,024	37,041
Publication and subscriptions	27,029	140	288	27,456	30,678
Recruitment services	70	1,885	-	1,955	2,796
Rent and utilities	268,500	15,054	59,246	342,800	364,796
Salaries, payroll taxes and benefits	1,741,425	122,392	381,774	2,245,591	2,259,645
Software leases	11,167	623	2,452	14,243	-
Taxes, fees, fines, penalties	-	3,104	-	3,104	6,993
Telecommunications	42,365	1,099	4,713	48,178	50,957
Travel	196,816	146	4,056	201,018	218,933
Volunteer and intern expenses	3,821	-	-	3,821	4,082
Website	9,281	497	159	9,937	7,634
In-kind expenses	-	-	74,701	74,701	37,055
	<u>\$ 3,225,103</u>	<u>\$ 295,956</u>	<u>\$ 711,264</u>	<u>\$ 4,232,323</u>	<u>\$ 3,848,331</u>

The accompanying notes are an integral part of these financial statements.

RAINFOREST ACTION NETWORK
Statement of Cash Flows
For the Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 277,000	\$ (69,828)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	22,562	20,995
Donated investments	(120,195)	(25,319)
Realized losses (gains) on investments	476	(1,194)
Changes in operating assets and liabilities		
Grants, pledges and contributions receivable	(455,742)	91,570
Other receivables	(3,792)	(4,654)
Prepaid expenses and other current assets	(7,000)	(2,299)
Deposits	(19,565)	-
Accounts payable	4,100	(2,209)
Accrued payroll liabilities	15,941	14,149
Deferred advances	-	(281,180)
Other accrued liabilities	(46,228)	(46,016)
Net cash used in operating activities	(332,443)	(305,985)
Cash flows from investing activities		
Proceeds from sale of investments	119,719	26,513
Acquisition of property and equipment	(23,857)	(29,393)
Net cash provided by (used in) investing activities	95,862	(2,880)
Net decrease in cash and cash equivalents	(236,581)	(308,865)
Cash and cash equivalents at beginning of year	1,136,151	1,445,016
Cash and cash equivalents at end of year	\$ 899,570	\$ 1,136,151
<u>Additional cash flow information</u>		
Cash paid for taxes	\$ 150	\$ 150

The accompanying notes are an integral part of these financial statements.

RAINFOREST ACTION NETWORK

Notes to Financial Statements

June 30, 2013

1. Organization

Rainforest Action Network ("RAN") was established in 1985 as a California nonprofit public charity corporation to conduct research and educate the public about environmental issues. RAN's mission is to campaign for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing and non-violent direct action. Since it was founded, RAN has played a key role in strengthening the worldwide rainforest conservation movement through supporting activists in rainforest countries as well as organizing and mobilizing consumers and community action groups throughout the United States.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to nonprofit organizations.

Basis of presentation

Financial accounting standards require nonprofit organizations to classify net assets in the accompanying statement of financial position and statement of activities in three classes of net assets based on the existence or absence of donor imposed restrictions.

Unrestricted Net Assets represent the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by the management and the Board of Directors for general operations.

Temporarily Restricted Net Assets represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of RAN.

Permanently Restricted Net Assets represent the portion of net assets for which use is permanently limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of RAN. There are no permanently restricted net assets at June 30, 2013.

Cash and cash equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of three months or less when acquired.

RAINFOREST ACTION NETWORK
Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

Receivables

Unconditional pledges and contributions receivable are reported at fair value and recorded in the period pledged or received. Grants that are considered exchange transactions are recorded as revenue when earned. Grants that are non-exchange transactions are considered contributions and accounted for accordingly. Other receivables are stated at the amount management expects to collect from outstanding balances. Receivable are reviewed by management for collectability and reserves for uncollectible amounts are established when needed. Receivables to be received after one year are presented net of a discount at a rate of return commensurate with the risks involved determined at the respective dates of the original contributions. At June 30, 2013, management expects all receivables to be collectible within one year; therefore, no allowance or discount has been provided on the receivables.

Property and equipment

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. The cost of property and equipment greater than \$1,000 is capitalized. Maintenance and repairs are charged to expense as incurred. Furnishings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life of the respective assets or the related lease term.

Support and revenue recognition

Contributions are recorded at fair value and are recognized as revenue when the donor makes an unconditional promise to give. Unconditional promises to give are recognized as revenue and receivables in the period in which notification of the promise is received. 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 and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates. The remaining costs are charged directly to the appropriate functional category.

RAINFOREST ACTION NETWORK
Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and revenue and expenses, as well as contingent assets and liabilities during the reporting period. Actual results could differ from those estimates.

Income taxes

RAN has been determined to be exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and generally is not subject to state or federal income taxes.

RAN assesses tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition. Based on an analysis prepared by RAN, it was determined that RAN believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Concentration of credit risk

RAN deposits cash with two financial institutions. Such amounts may at times exceed Federal Deposit Insurance Corporation limits. To date, RAN has not experienced any losses in these accounts.

Receivables consist primarily of unsecured amounts due from companies and foundations. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance. Based on past experiences and other known circumstances, an allowance for doubtful accounts is not maintained.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with RAN's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain reclassifications have been made to the prior year information to conform to the current year presentation.

RAINFOREST ACTION NETWORK
Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

Subsequent events

RAN has evaluated subsequent events through October 11, 2013, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of RAN's financial statements.

3. Property and Equipment

Property and equipment consists of the following at June 30, 2013:

Furniture and equipment	\$109,113
Leasehold improvements	54,776
Less: accumulated depreciation	<u>(124,534)</u>
	<u>\$ 39,355</u>

Depreciation expense for 2013 amounted to \$22,562.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs at June 30, 2013:

Global Finance Campaign	\$ 45,870
Rainforest Free Paper	528,715
Agribusiness Campaign	178,650
Protect an Acre	157,549
Communications	60,994
Online and Website	67,697
Carbon Action Fund	12,298
Supervisor Training	<u>10,000</u>
	<u>\$1,061,773</u>

During 2013, RAN released \$1,697,484 from temporarily restricted net assets to unrestricted net assets.

RAINFOREST ACTION NETWORK
Notes to Financial Statements
June 30, 2013

5. Allocation of Joint Costs

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between fund development and the appropriate program or management and general function. RAN incurred joint costs of \$132,626 for the informational materials and activities that included fund-raising appeals during the year ended June 30, 2013. Of those costs, \$50,260 was allocated to fund-raising expenses and \$82,366 and was allocated to public education during the year ended June 30, 2013. These allocations were based on management's analyses of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

6. Leases

In September 2012, RAN entered into an operating lease for its office located in San Francisco, California. The lease has a term of 7 years, beginning January 1, 2013, and expiring on December 31, 2019. The lease calls for monthly payments of \$17,773 during the initial year, increases annually for the next three years (2014 to 2016) by \$539 per month, and increases annually for the following three years (2017 to 2019) by another \$808 per month on the anniversary of the rent commencement date. RAN recognizes rent expense on a straight line basis. Deferred rent at June 30, 2013 amounted to \$11,079.

Future minimum lease payments under the operating lease as of June 31, 2013 are as follows:

2014	\$ 216,510
2015	222,974
2016	229,437
2017	237,515
2018	247,210
Thereafter	<u>387,780</u>
Total minimum operating lease payments	<u>\$1,541,426</u>

Rent expense for the year ended June 30, 2013 was \$333,726.

RAN also leases office equipment under various operating lease agreements which expire within one to five years. Future minimum lease payments under these leases amount to a total of approximately \$22,000.

RAINFOREST ACTION NETWORK
Notes to Financial Statements
June 30, 2013

7. Retirement Plan

RAN sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan covering all employees who meet certain minimum requirements. Under the Plan, RAN provides a matching contribution to each employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.

The amount of pension contribution recognized as expense in 2013 amounted to \$24,351.

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) contractual restrictions and donor conditions which obligate RAN to fulfill certain requirements as set forth in legal instruments, (b) funding levels which vary based on factors beyond RAN's control, such as general economic conditions, (c) service agreements with outside contractors, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.