

# **Rainforest Action Network**

Financial Statements

June 30, 2018

(With Comparative Totals for 2017)



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Rainforest Action Network (a California nonprofit corporation)("RAN"), which comprise the statement of financial position as of June 30, 2018, 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, 2018, 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.

## Report on Summarized Comparative Information

We have previously audited Rainforest Action Network's 2017 financial statements, and our report dated October 18, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, except for the effects of the restatement described in Note 6, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

October 22, 2018

Rainforest Action Network  
Statement of Financial Position  
June 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,755,384	\$ 3,620,126
Investments	754,871	250,000
Grants, pledges and contributions receivable	195,499	1,280,316
Other receivables	14,127	14,397
Prepaid expenses and other current assets	90,389	66,553
Total current assets	4,810,270	5,231,392
Noncurrent assets		
Grants, pledges and contributions receivable, net	2,075,140	500,000
Property and equipment, net	11,064	18,440
Deposits	48,270	47,870
Total noncurrent assets	2,134,474	566,310
Total assets	\$ 6,944,744	\$ 5,797,702
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 34,567	\$ 43,273
Accrued payroll liabilities	288,840	280,619
Other accrued liabilities	169,699	74,448
Deferred revenue	-	5,000
Deferred rent	34,623	11,772
Total current liabilities	527,729	415,112
Deferred rent, net of current portion	-	34,623
Total liabilities	527,729	449,735
Net assets		
Unrestricted	3,622,843	3,136,715
Temporarily restricted	2,794,172	2,211,252
Total net assets	6,417,015	5,347,967
Total liabilities and net assets	\$ 6,944,744	\$ 5,797,702

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

Rainforest Action Network  
Statement of Activities  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue, support, membership, special events, and investment returns				
Support and membership				
Public support and membership	\$ 1,240,783	\$ 12,902	\$ 1,253,685	\$ 1,268,020
Major gifts/family foundations	1,878,798	293,320	2,172,118	1,579,597
Grants and contributions	544,264	3,597,248	4,141,512	3,927,805
In-kind contributions	395,756	-	395,756	422,112
Total support and membership	<u>4,059,601</u>	<u>3,903,470</u>	<u>7,963,071</u>	<u>7,197,534</u>
Special events				
Special events income	418,745	-	418,745	600,402
Special events expenses	<u>(81,966)</u>	<u>-</u>	<u>(81,966)</u>	<u>(218,589)</u>
Total special events	<u>336,779</u>	<u>-</u>	<u>336,779</u>	<u>381,813</u>
Investment returns				
Investment income	<u>5,455</u>	<u>-</u>	<u>5,455</u>	<u>1,228</u>
Total investment returns	<u>5,455</u>	<u>-</u>	<u>5,455</u>	<u>1,228</u>
Net assets released from restriction	<u>3,320,550</u>	<u>(3,320,550)</u>	<u>-</u>	<u>-</u>
Revenue, support, membership, special events, and investment returns	<u>7,722,385</u>	<u>582,920</u>	<u>8,305,305</u>	<u>7,580,575</u>
Functional expenses				
Program services				
Other programs	5,260,793	-	5,260,793	5,783,318
Forest Governance, Markets and Climate	<u>453,990</u>	<u>-</u>	<u>453,990</u>	<u>413,134</u>
Total program services	5,714,783	-	5,714,783	6,196,452
Management and general	332,261	-	332,261	281,274
Fundraising	<u>1,189,213</u>	<u>-</u>	<u>1,189,213</u>	<u>1,094,254</u>
Total functional expenses	<u>7,236,257</u>	<u>-</u>	<u>7,236,257</u>	<u>7,571,980</u>
Change in net assets	<u>486,128</u>	<u>582,920</u>	<u>1,069,048</u>	<u>8,595</u>
Net assets, beginning of year, as previously reported	2,464,201	2,883,766	5,347,967	5,339,372
Prior period restatement (Note 6)	<u>672,514</u>	<u>(672,514)</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>3,136,715</u>	<u>2,211,252</u>	<u>5,347,967</u>	<u>5,339,372</u>
Net assets, end of year	<u>\$ 3,622,843</u>	<u>\$ 2,794,172</u>	<u>\$ 6,417,015</u>	<u>\$ 5,347,967</u>

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

Rainforest Action Network  
Statement of Functional Expenses  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	<u>Program Services</u>				<u>2018 Total</u>	<u>2017 Total</u>
	<u>Other Programs</u>	<u>Forest Governance, Markets and Climate</u>	<u>Management and General</u>	<u>Fundraising</u>		
Bank charges and fees	\$ 187	\$ 946	\$ 2,873	\$ 45,983	\$ 49,989	\$ 40,246
Campaign supplies	20,543	1,740	-	-	22,283	17,800
Contract services	417,793	211,738	45,984	53,952	729,467	943,693
Digital campaign ad	79,817	-	-	82,383	162,200	411,183
Direct mail	90,422	-	-	212,804	303,226	282,027
Employee development and training	25,225	521	926	6,021	32,693	22,575
Equipment leases	6,241	-	455	1,496	8,192	7,902
Equipment maintenance and repair	38	-	3	9	50	232
Grants to third parties	116,510	78,639	-	-	195,149	340,041
In-kind expenses	394,446	-	-	-	394,446	422,112
Insurance	8,038	-	10,729	1,928	20,695	17,563
Legal services	8,573	-	449	1,477	10,499	8,591
List rental	-	-	-	17,648	17,648	9,009
Meals and entertainment	-	-	-	612	612	-
Meetings, conferences and conventions	74,866	2,436	3,029	8,346	88,677	83,294
Membership dues	18,855	-	1,169	1,996	22,020	14,757
Miscellaneous	15,153	931	359	1,088	17,531	22,749
Newsletters	8,171	-	-	1,972	10,143	14,915
Office supplies and equipment	12,656	-	1,246	4,676	18,578	49,540
Photography and videography	18,717	-	28	91	18,836	15,914
Postage and shipping	1,880	131	369	4,923	7,303	14,766
Printing and copying	20,983	7,213	1,587	11,474	41,257	48,543
Professional fundraising fees	-	-	-	17,055	17,055	-
Publication and subscriptions	56,569	7,729	911	2,338	67,547	80,496
Recruitment services	739	1,303	298	180	2,520	1,257
Rent, depreciation and utilities	206,187	13,072	14,577	47,984	281,820	272,776
Salaries, payroll taxes and benefits	3,293,280	88,113	239,613	637,368	4,258,374	3,955,867
Software leases	24,210	-	1,764	5,806	31,780	31,667
Taxes and related costs	396	-	4,679	5,973	11,048	9,969
Telecommunications	43,971	175	749	4,519	49,414	53,943
Travel	244,678	34,906	444	9,045	289,073	356,384
Volunteer and intern expenses	-	2,067	-	-	2,067	1,081
Website	51,649	2,330	20	66	54,065	21,088
	<u>\$ 5,260,793</u>	<u>\$ 453,990</u>	<u>\$ 332,261</u>	<u>\$ 1,189,213</u>	<u>\$ 7,236,257</u>	<u>\$ 7,571,980</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, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,069,048	\$ 8,595
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,376	10,512
Changes in operating assets and liabilities		
Grants, pledges and contributions receivable, net	(490,323)	(112,766)
Other receivables	270	(12,226)
Prepaid expenses and other current assets	(24,236)	18,765
Accounts payable	(8,706)	7,996
Accrued payroll liabilities	8,221	46,500
Other accrued liabilities	95,251	24,449
Deferred revenue	29,623	5,000
Deferred rent	(46,395)	(2,078)
Net cash provided by (used in) operating activities	640,129	(5,253)
Cash flows from investing activities		
Acquisition of property and equipment	-	(18,410)
Purchase of investments	(504,871)	(250,000)
Net cash used in investing activities	(504,871)	(268,410)
Net increase (decrease) in cash and cash equivalents	135,258	(273,663)
Cash and cash equivalents, beginning of year	3,620,126	3,893,789
Cash and cash equivalents, end of year	\$ 3,755,384	\$ 3,620,126

Supplemental disclosures of cash flow information

Cash paid during the year for		
Tax	\$ 150	\$ 150

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



Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

1. NATURE OF OPERATIONS

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 preserve forests, protect the climate and uphold human rights by challenging corporate power and systemic injustice through frontline partnerships and strategic campaigns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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.

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, 2018.

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, 2018

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. 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. Pledge and contributions receivable at June 30, 2018 totaled \$2,270,639, with \$195,499 due in less than one year and \$2,075,140 due in two to five years.

Receivables are reviewed by management for collectability and an allowance for doubtful accounts is established when needed. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for doubtful account recorded at June 30, 2018.

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 \$3,000 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.

Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Forest Governance, Markets and Climate Grant

In October 2015, RAN received an award for the Forest Governance, Markets and Climate ("FGMC") program, which ended on March 31, 2018. In May 2018, RAN received an additional award for the FGMC program. In accordance with the award provisions, RAN is required to report certain financial information related to the awards and meet certain programmatic requirements in order to receive cash disbursements from the grant. Based on the uncertainty of these requirements, RAN has treated the FGMC grant as a conditional contribution. For the year ended June 30, 2018, FGMC grant revenue amounted to \$532,385. The remaining funds that have been committed but not yet disbursed to RAN amounted to \$2,080,525 at June 30, 2018.

In-kind contributions

RAN receives gifts in kind, such as event space and catering for its annual special event and digital ads (Google Grants). Gifts in kind received through donation are valued and recorded as revenue at their fair value at the time the contribution is received. The value of such items received during the year ended June 30, 2018 amounted to \$395,756 (\$1,310 for Special Events and \$394,446 for digital ads).

Fair value measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. RAN determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the RAN has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Donated investments

Cash receipts from the sale of donated financial assets that upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash are classified as cash flows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. RAN received donated stock amounting to \$70,228 during 2018, which RAN immediately converted into cash.

Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, an evaluation of the outstanding receivables at the end of the year and other known circumstances, an allowance for doubtful accounts is maintained for amounts deemed to be uncollectible.

Subsequent events

RAN has evaluated subsequent events through October 22, 2018, 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.

Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 23,513
Leasehold improvements	<u>45,696</u>
	69,209
Accumulated depreciation	<u>(58,145)</u>
	<u><u>\$ 11,064</u></u>

Depreciation expense for the year ended June 30, 2018 totaled \$7,376.

4. INVESTMENTS

Investments consist of the following:

Fixed income	<u><u>\$ 754,871</u></u>
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The following table sets forth by level, within the fair value hierarchy, RAN's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ -	\$ 754,871	\$ -	\$ 754,871
	<u><u>\$ -</u></u>	<u><u>\$ 754,871</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 754,871</u></u>

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 fundraising and the appropriate program or management and general function. RAN incurred joint costs of \$120,266 for the informational materials and activities that included fundraising appeals during the year ended June 30, 2018. Of those costs, \$21,673 was allocated to fundraising expenses and \$98,593 was allocated to public education during the year ended June 30, 2018. 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.

Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

6. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following:

Climate Program	\$ 334,165
Agribusiness Campaign	1,074,137
Protect an Acre	206,563
Climate Action Fund	89,975
General Operations	<u>1,089,332</u>
	<u>\$ 2,794,172</u>

During 2018, RAN released \$3,320,550 from temporarily restricted net assets to unrestricted net assets.

In the 2017 previously issued financial statements, temporarily restricted net assets includes \$672,514 of net assets whose time or purpose restriction was met during 2017, and therefore should have been released during 2017. To account for the overstatement of temporarily restricted net assets at June 30, 2017, RAN restated \$672,514 of temporarily restricted net assets into unrestricted net assets at June 30, 2017.

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 2018 amounted to \$68,254.

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.

Rainforest Action Network  
Notes to Financial Statements  
June 30, 2018

8. COMMITMENTS AND CONTINGENCIES (continued)

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.

RAN also leases office equipment under various operating lease agreements which expire within one to five years.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 257,328
2020	<u>130,876</u>
	<u>\$ 388,204</u>

Rent expense for the year ended June 30, 2018 was \$253,535.