

Rainforest Action Network

Financial Statements

June 30, 2016
(With Comparative Totals for 2015)



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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), which comprise the statement of financial position as of June 30, 2016, 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 (the "U.S."); 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 U.S. 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, 2016, 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 U.S.

Report on Summarized Comparative Information

We have previously audited Rainforest Action Network's 2015 financial statements, and our report dated October 16, 2015 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, 2015, 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^{LLP}
San Francisco, California

October 14, 2016

Rainforest Action Network
Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,893,789	\$ 3,889,972
Grants, pledges and contribution receivable	1,667,550	480,279
Other receivables	2,171	3,517
Prepaid expenses and other current assets	85,318	84,949
Total current assets	5,648,828	4,458,717
Property and equipment, net	10,542	26,436
Deposits	47,870	47,870
Total assets	\$ 5,707,240	\$ 4,533,023
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 35,277	\$ 29,652
Accrued payroll liabilities	234,119	210,653
Other accrued liabilities	98,472	82,749
Total current liabilities	367,868	323,054
Net assets		
Unrestricted	3,025,766	3,445,757
Temporarily restricted	2,313,606	764,212
Total net assets	5,339,372	4,209,969
Total liabilities and net assets	\$ 5,707,240	\$ 4,533,023

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

Rainforest Action Network
Statements of Activities
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and support				
Support and membership				
Public support and membership	\$ 794,553	\$ 9,431	\$ 803,984	\$ 555,987
Major gifts/family foundations	1,978,693	40,300	2,018,993	1,954,813
Grants and contributions	293,347	4,070,228	4,363,575	1,342,185
In-kind contributions	<u>74,702</u>	<u>-</u>	<u>74,702</u>	<u>71,328</u>
Total support and membership	<u>3,141,295</u>	<u>4,119,959</u>	<u>7,261,254</u>	<u>3,924,313</u>
Special events				
Special events income	618,813	-	618,813	698,564
Special events expenses	<u>(289,292)</u>	<u>-</u>	<u>(289,292)</u>	<u>(212,292)</u>
Total special events	<u>329,521</u>	<u>-</u>	<u>329,521</u>	<u>486,272</u>
Investment returns				
Investment income	<u>649</u>	<u>-</u>	<u>649</u>	<u>533</u>
Total investment returns	<u>649</u>	<u>-</u>	<u>649</u>	<u>533</u>
Net assets released from restriction	<u>2,570,565</u>	<u>(2,570,565)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,042,030</u>	<u>1,549,394</u>	<u>7,591,424</u>	<u>4,411,118</u>
Functional expenses				
Program Services	5,291,141	-	5,291,141	4,368,040
Management and General	196,556	-	196,556	201,573
Fundraising	<u>974,324</u>	<u>-</u>	<u>974,324</u>	<u>763,410</u>
Total functional expenses	<u>6,462,021</u>	<u>-</u>	<u>6,462,021</u>	<u>5,333,023</u>
Change in net assets	(419,991)	1,549,394	1,129,403	(921,905)
Net assets, beginning of year	<u>3,445,757</u>	<u>764,212</u>	<u>4,209,969</u>	<u>5,131,874</u>
Net assets, end of year	<u>\$ 3,025,766</u>	<u>\$ 2,313,606</u>	<u>\$ 5,339,372</u>	<u>\$ 4,209,969</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, 2016
(With Comparative Totals for 2015)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Digital campaign ad	\$ 164,513	\$ -	\$ 15,409	\$ 179,922	\$ 446
Bank charges and fees	-	2,760	19,086	21,846	16,856
Campaign supplies	16,880	-	-	16,880	11,101
Communication services	2,000	-	-	2,000	-
Contract services	748,317	23,144	152,004	923,465	775,786
Direct mail	69,268	-	4,074	73,342	106,446
Employee development and training	24,207	3,618	3,561	31,386	70,460
Equipment leases	6,178	217	1,249	7,644	7,689
Equipment maintenance and repair	-	-	-	-	4,444
Grants to third parties	505,999	-	-	505,999	258,331
In-kind expenses	-	-	74,702	74,702	71,328
Insurance	6,589	10,039	1,332	17,960	14,517
Legal services	2,999	-	-	2,999	7,822
List rental	-	-	8,301	8,301	5,110
Meetings, conferences and conventions	142,672	2,176	5,524	150,372	119,400
Membership dues	1,484	624	65	2,173	7,073
Miscellaneous	14,786	136	666	15,588	18,158
Newsletters	13,416	-	3,238	16,654	18,959
Office supplies and equipment	46,645	1,072	3,264	50,981	56,834
Photography and videography	19,639	-	-	19,639	5,593
Postage and shipping	3,386	355	50,572	54,313	10,647
Printing and copying	51,406	619	54,308	106,333	50,714
Publication and subscriptions	66,898	142	3,760	70,800	45,387
Recruitment services	3,504	-	420	3,924	2,664
Rent, depreciation and utilities	217,121	7,357	42,420	266,898	276,619
Salaries, payroll taxes and benefits	2,700,696	136,426	513,950	3,351,072	3,009,413
Software leases	14,967	525	3,027	18,519	14,545
Taxes, fees, fines, penalties	501	6,069	101	6,671	5,098
Telecommunications	48,169	473	3,906	52,548	52,434
Travel	374,494	803	9,377	384,674	274,603
Volunteer and intern expenses	223	-	-	223	1,347
Website	24,184	1	8	24,193	13,199
	<u>\$ 5,291,141</u>	<u>\$ 196,556</u>	<u>\$ 974,324</u>	<u>\$ 6,462,021</u>	<u>\$ 5,333,023</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, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 1,129,403	\$ (921,905)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	15,894	25,434
Changes in operating assets and liabilities		
Grants, pledges and contributions receivable, net	(1,187,271)	1,327,639
Other receivables	1,346	1,346
Prepaid expenses and other current assets	(369)	(4,683)
Accounts payable	5,625	12,536
Accrued payroll liabilities	23,466	54,685
Other accrued liabilities	15,723	(73,281)
Net cash provided by operating activities	<u>3,817</u>	<u>421,771</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>-</u>	<u>(9,435)</u>
Net cash used in investing activities	<u>-</u>	<u>(9,435)</u>
Net increase in cash and cash equivalents	3,817	412,336
Cash and cash equivalents, beginning of year	<u>3,889,972</u>	<u>3,477,636</u>
Cash and cash equivalents, end of year	<u>\$ 3,893,789</u>	<u>\$ 3,889,972</u>

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

Rainforest Action Network
Notes to Financial Statements
June 30, 2016

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 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 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, 2016.

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, 2016

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.

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, 2016.

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.

In-kind contributions

RAN receives gifts in kind, such as event space and catering for its annual special event. 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, 2016 amounted to \$74,702.

Rainforest Action Network
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$257,522 during 2016, which RAN immediately converted into cash.

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.

Comparative information and reclassifications

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with RAN's financial statements for the year ended June 30, 2015, from which the summarized information is derived.

Rainforest Action Network
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 14, 2016, 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 consist of the following:

Furniture and fixtures	\$ 91,725
Leasehold improvements	<u>27,286</u>
	119,011
Accumulated depreciation	<u>(108,469)</u>
	<u>\$ 10,542</u>

Depreciation expense for 2016 amounted to \$15,894.

4. 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 \$89,392 for the informational materials and activities that included fundraising appeals during the year ended June 30, 2016. Of those costs, \$6,708 was allocated to fundraising expenses and \$82,684 was allocated to public education during the year ended June 30, 2016. 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, 2016

5. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following:

Climate Program	\$ 100,000
Rainforest Free Paper	211,369
Agribusiness Campaign	1,874,121
Protect an Acre	116,986
Climate Action Fund	1,128
Shared/Training	<u>10,002</u>
	<u><u>\$ 2,313,606</u></u>

During 2016, RAN released \$2,570,565 from temporarily restricted net assets to unrestricted net assets.

6. 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 2016 amounted to \$48,225.

7. 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, 2016

7. 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. Deferred rent at June 30, 2016 amounted to \$48,473.

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>	
2017	\$ 246,286
2018	251,106
2019	257,328
2020	<u>130,876</u>
	<u>\$ 885,596</u>

Rent expense for the year ended June 30, 2016 was \$242,340.