

RAINFOREST FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014 AND 2013

RAINFOREST FOUNDATION, INC.

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LOTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
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, 2014 and 2013, and the related statements of activities 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 of 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, 2014 and 2013, and the change in its net asset and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
September 9, 2015

RAINFOREST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash (Note 7)	\$ 258,452	\$ 134,917
Investments (Notes 1b, 1c and 3)	10,250	6,758
Accounts receivable	88	329
Unconditional promises to give (Notes 1d and 4)		
Unrestricted	-	4,244
Restricted	875,351	353,226
Prepaid expenses	-	194
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	2,525	5,788
Security deposit	<u>14,249</u>	<u>13,969</u>
Total Assets	<u><u>\$1,160,915</u></u>	<u><u>\$ 519,425</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 38,547	\$ 26,579
Grants payable (Note 1g)	27,100	-
Deferred rent (Note 1f)	<u>-</u>	<u>3,747</u>
Total Liabilities	<u>65,647</u>	<u>30,326</u>
Commitment (Note 6)		
Net Assets		
Unrestricted (deficit)	(44,698)	(126,122)
Temporarily restricted (Note 2)	<u>1,139,966</u>	<u>615,221</u>
Total Net Assets	<u>1,095,268</u>	<u>489,099</u>
Total Liabilities and Net Assets	<u><u>\$1,160,915</u></u>	<u><u>\$ 519,425</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets		
Revenue and Support		
Contributions	\$ 375,900	\$ 457,786
Gift in kind	-	588
Investment income	3,374	2,597
Miscellaneous income	-	1,276
	<u>379,274</u>	<u>462,247</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,168,004</u>	<u>426,175</u>
Total Revenue and Support	<u>1,547,278</u>	<u>888,422</u>
Expenses		
Program Services	<u>1,314,110</u>	<u>876,051</u>
Supporting Services		
Management and general	90,335	101,848
Fundraising	<u>61,409</u>	<u>67,878</u>
Total Supporting Services	<u>151,744</u>	<u>169,726</u>
Total Expenses	<u>1,465,854</u>	<u>1,045,777</u>
Increase (Decrease) in Unrestricted Net Assets	<u>81,424</u>	<u>(157,355)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,692,749	615,221
Net assets released from restrictions	<u>(1,168,004)</u>	<u>(426,175)</u>
Increase in Temporarily Restricted Net Assets	<u>524,745</u>	<u>189,046</u>
Increase in net assets	606,169	31,691
Net assets, beginning of year	<u>489,099</u>	<u>457,408</u>
Net Assets, End of Year	<u><u>\$1,095,268</u></u>	<u><u>\$ 489,099</u></u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 606,169	\$ 31,691
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	3,263	5,315
Bad debts	-	7,302
Deferred rent	(3,747)	(4,419)
Unrealized gain	(3,211)	(2,381)
(Increase) decrease in:		
Accounts receivable	241	44,074
Unconditional promises to give	(517,881)	(58,597)
Prepaid expenses	194	(194)
Security deposit	(280)	(403)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,968	9,348
Grants payable	27,100	-
Other liability	-	(50,000)
Net Cash Provided (Used) By Operating Activities	<u>123,816</u>	<u>(18,264)</u>
Cash Flows From Investing Activities		
Purchase of investments	(281)	-
Acquisition of property and equipment	-	(694)
Net Cash Used By Investing Activities	<u>(281)</u>	<u>(694)</u>
Net increase (decrease) in cash	123,535	(18,958)
Cash, beginning of year	<u>134,917</u>	<u>153,875</u>
Cash, End of Year	<u>\$ 258,452</u>	<u>\$ 134,917</u>

See notes to financial statements.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 - 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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

c - Fair Value Measurements

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses the higher priority valuation techniques based on available inputs to measure fair values. The fair value of the Organization's investments in common stock is measured using Level 1 inputs, quoted prices in active markets.

d - 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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

d - Unconditional Promises to Give and Contributions (continued)

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made.

e - Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

f - Deferred Rent

The Organization records rent expense associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is reflected as an adjustment to the liability and as an expense in the accompanying financial statements.

g - Grants

Grants are accrued when authorized. Grants payable at December 31, 2014 are due to be paid within one year.

h - Advertising

The Organization expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$37,650 and \$1,408, respectively.

i - Financial Statement Presentation

Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

j - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - 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. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain positions are required in the financial statements. The Organization's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

I - Subsequent Events

The Organization has evaluated subsequent events through September 9, 2015, the date that the financial statements are considered available to be issued.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future periods and programs.

Note 3 - Investments

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

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 124	\$ 124	\$ 71	\$ 71
Common stock	<u>1,373</u>	<u>10,126</u>	<u>1,145</u>	<u>6,687</u>
	<u>\$1,497</u>	<u>\$10,250</u>	<u>\$1,216</u>	<u>\$6,758</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2014</u>	<u>2013</u>
Due within one year	\$684,004	\$357,470
Due within two to three years	<u>200,000</u>	<u>-</u>
	884,004	357,470
Less: Discount to present value	<u>(8,653)</u>	<u>-</u>
Total	<u>\$875,351</u>	<u>\$357,470</u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3% per annum.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Computer equipment	5 years	\$43,934	\$43,934
Computer software	3 years	<u>26,346</u>	<u>26,346</u>
		70,280	70,280
Less: Accumulated depreciation		<u>(67,755)</u>	<u>(64,492)</u>
Total		<u>\$ 2,525</u>	<u>\$ 5,788</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$3,263 and \$5,315, respectively.

Note 6 - Commitment

The Organization occupies office space under a lease agreement which expires May 31, 2020. Approximate minimum annual obligations for rent under this lease agreement are as follows:

<u>Year Ending December 31,</u>	
2015	\$36,250
2016	54,000
2017	57,387
2018	59,107
2019	60,882
Thereafter, through May 31, 2020	25,680

Rent expense for the years ended December 31, 2014 and 2013 was \$54,600 and \$55,660, respectively.

Note 7 - 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.

RAINFOREST FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

SUPPLEMENTARY INFORMATION



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300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

**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, 2014 and 2013, and our report thereon dated September 9, 2015, 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 Functional Expenses for the year ended December 31, 2014 with comparative totals for 2013 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
September 9, 2015

RAINFOREST FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services	Supporting Services		2014	2013
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 206,458	\$ 20,542	\$ 33,000	\$ 260,000	\$ 295,201
Payroll taxes and employee benefits	53,959	5,369	8,624	67,952	86,507
Grants	677,764	-	-	677,764	473,351
Professional fees	132,240	40,757	12,505	185,502	39,597
Information technology	453	391	-	844	5,963
Printing and copying	1,644	-	242	1,886	2,196
Office expense	16,501	13,538	1,632	31,671	20,617
Repairs and maintenance	9,591	-	-	9,591	-
Occupancy	58,915	5,982	-	64,897	63,809
Insurance	-	1,052	-	1,052	-
Advertising	37,629	21	-	37,650	1,408
Bad debts	-	-	-	-	7,302
Travel	115,305	129	41	115,475	35,701
Miscellaneous	1,267	2,040	5,000	8,307	8,810
Total expenses before depreciation	1,311,726	89,821	61,044	1,462,591	1,040,462
Depreciation	2,384	514	365	3,263	5,315
Total Expenses, 2014	<u>\$1,314,110</u>	<u>\$ 90,335</u>	<u>\$ 61,409</u>	<u>\$1,465,854</u>	
Total Expenses, 2013	<u>\$ 876,051</u>	<u>\$ 101,848</u>	<u>\$ 67,878</u>		<u>\$1,045,777</u>

See independent auditors' report on supplementary information.