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RAINFOREST FOUNDATION, INC.

Financial Statements

Year Ended December 31, 2012

RAINFOREST FOUNDATION, INC.

Financial Statements

Year Ended December 31, 2012

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Independent Auditors' Report

To the Board of Trustees of
Rainforest Foundation, Inc.
New York, New York

We have audited the accompanying financial statements of Rainforest Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses 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 risk 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, 2012, 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.

A handwritten signature in black ink that reads "NE Kelly & Associates LLC". The signature is written in a cursive, slightly slanted style.

NE Kelly & Associates, LLC
New York, New York
August 6, 2013

RAINFOREST FOUNDATION, INC.

Statement of Financial Position

December 31, 2012

(with summarized comparative information as of December 31, 2011)

<i>Assets</i>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 153,875	\$ 52,424
Investments	3,683	7,686
Accounts receivable	44,403	45,947
Pledges receivable	306,175	-
Prepaid expenses and other assets	-	400
Fixed assets, net	11,103	16,639
Security deposit	13,566	13,040
	<u>532,805</u>	<u>136,136</u>
<i>Total assets</i>	\$ <u>532,805</u>	\$ <u>136,136</u>
 <i>Liabilities and Net Assets</i>		
 <i>Liabilities</i>		
Accounts payable	\$ 11,676	\$ 14,457
Payroll taxes payable	5,555	6,035
Deferred rent	8,166	9,807
Grants payable	278,340	-
Other liability	50,000	-
	<u>353,737</u>	<u>30,299</u>
<i>Total liabilities</i>	<u>353,737</u>	<u>30,299</u>
 <i>Net assets</i>		
Unrestricted	59,068	105,837
Temporarily restricted	120,000	-
	<u>179,068</u>	<u>105,837</u>
<i>Total net assets</i>	<u>179,068</u>	<u>105,837</u>
<i>Total liabilities and net assets</i>	\$ <u>532,805</u>	\$ <u>136,136</u>

RAINFOREST FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<i>Revenue and support:</i>				
Individuals	\$ 179,207	\$ -	\$ 179,207	\$ 155,244
Foundations	91,137	154,480	245,617	46,000
Corporations	67,335	-	67,335	172,134
Other non-profit support	708,346	-	708,346	540,403
Special event revenue	8,170	-	8,170	2,261
Contributed goods and services	1,731	-	1,731	4,466
Interest and dividends	162	-	162	456
Other income	6,280	-	6,280	15,178
Investment income, net	815	-	815	(1,104)
Net assets released from restrictions	34,480	(34,480)	-	-
<i>Total revenue and support</i>	<u>1,097,663</u>	<u>120,000</u>	<u>1,217,663</u>	<u>935,038</u>
<i>Expenses:</i>				
Program services	967,125	-	967,125	883,878
General and administration	90,699	-	90,699	110,532
Fundraising	86,608	-	86,608	101,929
<i>Total expenses</i>	<u>1,144,432</u>	<u>-</u>	<u>1,144,432</u>	<u>1,096,339</u>
<i>Changes in net assets</i>	(46,769)	120,000	73,231	(161,301)
<i>Net assets, beginning</i>	<u>105,837</u>	<u>-</u>	<u>105,837</u>	<u>267,138</u>
<i>Net assets, ending</i>	<u>\$ 59,068</u>	<u>\$ 120,000</u>	<u>\$ 179,068</u>	<u>\$ 105,837</u>

RAINFOREST FOUNDATION, INC.

Statement of Cash Flows

Year Ended December 31, 2012

(with summarized comparative information for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
<i>Cash flows from operating activities:</i>		
Changes in net assets	\$ 73,231	\$ (161,301)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,266	6,420
Unrealized (gain)/ loss on investments	(815)	1,104
Donations of fixed assets	(1,731)	(4,466)
Changes in:		
Accounts receivable	1,544	23,605
Pledges receivable	(306,175)	-
Accounts payable	(2,781)	(20,801)
Payroll taxes payable	(480)	(434)
Prepaid expenses and other assets	400	1,200
Security deposits	(526)	(380)
Deferred rent	(1,641)	(76)
Grants payable	278,340	-
Other liability	50,000	-
Net cash provided by (used in) operating activities	<u>96,632</u>	<u>(155,129)</u>
<i>Cash flows from investing activities:</i>		
Purchase of investments	(28,256)	(2,641)
Proceeds from sales of investments	33,075	-
Purchase of fixed assets	-	(2,140)
Net cash provided by (used in) investing activities	<u>4,819</u>	<u>(4,781)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>101,451</u>	<u>(159,910)</u>
<i>Cash and cash equivalents, beginning</i>	<u>52,424</u>	<u>212,334</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 153,875</u>	<u>\$ 52,424</u>

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

RAINFOREST FOUNDATION, INC.

Statement of Functional Expenses

Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

	<i>Program Services</i>	<i>General and Administration</i>	<i>Fundraising</i>	<i>2012 Total</i>	<i>2011 Total</i>
Salaries	\$ 241,985	\$ 59,766	\$ 40,052	\$ 341,803	\$ 377,602
Payroll taxes	19,157	4,743	3,201	27,101	30,716
Employee benefits	51,936	12,857	8,677	73,470	90,921
Bank and credit card charges	2,527	616	1,096	4,239	2,697
Calendar expenses	-	-	1,656	1,656	100
Computer expenses	5,445	816	544	6,805	10,008
Conferences and seminars	2,128	-	-	2,128	2,476
Consultants	-	-	-	-	23,698
Depreciation	5,813	872	581	7,266	6,420
Dues and memberships	380	57	38	475	695
Education and outreach	5,876	-	-	5,876	5,877
Filing fees	376	56	38	470	1,151
Insurance	2,206	331	220	2,757	2,673
Interest	91	14	9	114	110
Office expenses	4,017	602	402	5,021	2,839
Payroll processing and pension plan administration fees	2,332	350	233	2,915	222
Postage and delivery	458	69	46	573	351
Professional fees	6,078	912	608	7,598	6,700
Project payments	536,220	-	-	536,220	414,111
Printing and publication	-	-	-	-	191
Real estate taxes	1,855	278	185	2,318	1,507
Rent	41,666	6,250	4,167	52,083	52,083
Miscellaneous fundraising expenses	-	-	23,157	23,157	20,932
Supplies and stationery	1,211	182	121	1,514	2,194
Telephone	4,512	677	451	5,640	5,431
Travel	26,052	530	646	27,228	28,931
Utilities	4,804	721	480	6,005	5,703
	<i>Total expenses</i>	<i>Total expenses</i>	<i>Total expenses</i>	<i>Total expenses</i>	<i>Total expenses</i>
	\$ 967,125	\$ 90,699	\$ 86,608	\$ 1,144,432	\$ 1,096,339

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 1 - Organization

The 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”

“Developing the means to protect their individual and collective rights and obtain, shape and control basic services from the state.”

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report 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.

Unrestricted Net Assets – consist of assets, public support, program revenues and investment earnings which are available and used for charitable activities, operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by donor.

Temporarily Restricted Net Assets – include funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified, and are satisfied either by passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts, and investment income earned on restricted funds.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Permanently Restricted Net Assets – include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and or cash equivalents. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Fair value approximates carrying amounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fixed Assets

Fixed assets are stated at cost, if purchased, or at fair market value at the date of receipt, if donated. The cost of maintenance, repairs, and minor renewals are expensed as incurred and renewals and betterments are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Computer and software	3-5 years
Furniture and equipment	5 years

Revenue Recognition

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributions

The Organization follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gift of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. 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. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

Contributed Goods and Services

The Organization records various types of in kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Tax Status

The Organization is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code except on net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1)(a) and has been classified as an organization that is not a private foundation under Section 509 (a)(1). The Organization is a not-for-profit organization incorporated under the laws of the State of California and registered in the State of New York and New Jersey. The Organization is exempt from New York taxes under the provision of Section 7A and the EPTL Section 8-13.4 of the New York State Department of Law Charities Bureau. The Organization is also exempt from California and New Jersey state taxes under the provision of Department of Revenue Taxation Code. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

Uncertain Tax Positions

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition.

At December 31, 2012 and 2011, the Organization recorded a tax liability of \$-0- on the unrelated business activity. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to December 31, 2009.

Use of Estimates and Assumptions

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses

The Organization allocates their expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/or support services are allocated directly according to their natural expenditure classification.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 3 – Fair Value Measurements

Financial Accounting Standards Board Statement ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include stocks, which amounted to \$3,683 and \$7,686 as of December 31, 2012 and 2011, respectively. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 4 – Investments

Investments are recorded at fair value. The value assigned to investments received by gift is the fair value at the date of donation. Investments at December 31, 2012 and 2011 are comprised of the following:

	<i>2012</i>		
	<u><i>Fair Value</i></u>	<u><i>Cost</i></u>	<u><i>Unrealized Gain/ (Loss)</i></u>
Cash	\$ 50	\$ 50	\$ -
Equity funds	<u>3,633</u>	<u>2,694</u>	<u>939</u>
Total	<u>\$ 3,683</u>	<u>\$ 2,744</u>	<u>\$ 939</u>

	<i>2011</i>		
	<u><i>Fair Value</i></u>	<u><i>Cost</i></u>	<u><i>Unrealized Gain/ (Loss)</i></u>
Equity funds	<u>\$ 7,686</u>	<u>\$ 7,806</u>	<u>\$ (120)</u>
Total	<u>\$ 7,686</u>	<u>\$ 7,806</u>	<u>\$ (120)</u>

Investment earnings for the years ended December 31, are as follows:

	<u><i>2012</i></u>	<u><i>2011</i></u>
Interest and dividend income	\$ 162	\$ 456
Realized loss on investments	(244)	-
Unrealized gain/(loss) on investments	<u>1,059</u>	<u>(1,104)</u>
Total	<u>\$ 977</u>	<u>\$ (648)</u>

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 5 – Fixed Assets

At December 31, 2012 and 2011, fixed assets consisted of the following:

	<u>2012</u>	<u>2011</u>
Computers	\$ 30,086	\$ 30,086
Computer software	26,345	24,615
Furniture and equipment	<u>13,849</u>	<u>13,849</u>
	70,280	68,550
Less accumulated depreciation	<u>(59,177)</u>	<u>(51,911)</u>
Fixed assets, net	\$ <u>11,103</u>	\$ <u>16,639</u>

Depreciation expenses for the years ended December 31, 2012 and 2011 were \$7,266 and \$6,420, respectively.

Note 6 – Leases

On October 14, 2009, the Organization entered into the lease for its office space for five years. The term of the lease began on January 1, 2010 and ends on December 31, 2014. A base monthly rent is \$4,220 for the year 2010, \$4,347 for the year 2011, \$4,477 for the year 2012, \$4,611 for the year 2013, and \$4,750 for the year 2014 with escalation clauses for operating expenses and utilities. The lease agreement additionally stipulated a rent credit in the amount of \$8,440 to be applied in four equal monthly installments of \$2,110 each against the second, third, fourth, and fifth period of the lease. Accordingly, a liability for this reduction is being amortized over the five-year lease term. The amount of the subsidy will be \$141 for the remaining term of the lease. Total rental payments for the years ended December 31, 2012 and 2011 were \$52,083. The future minimum lease payments, exclusive of escalation clauses, are as follows:

<i>Years</i>	<i>Minimum Lease Payments</i>
2013	\$ 55,336
2014	56,996

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 7 – Contributed Goods and Services

The Organization recognized contributed goods and services for certain goods and services received at the fair market value. For the years ended December 31, 2012 and 2011, the Organization received donated software of \$1,731 and \$4,466, respectively and recognized these amounts in the financial statements:

Note 8 - Concentration of Credit Risk

The Organization has concentrated its credit risk for cash by maintaining deposits in one bank. At times throughout the year, the Organization may maintain certain bank account balances in excess of the FDIC insured limits. The Organization does not have any collateral available to them from the bank to insure this credit risk, but maintaining deposits with high-quality financial institutions minimizes the risk.

The Organization received 58% as other non-profit support for the years ended December 31, 2012 and 2011.

Note 9 – Summarized Comparative Information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such 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 the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 10 – Description of Programs and Projects

The mission of the Rainforest Foundation is to support indigenous and traditional people of the rainforest in their efforts to protect their environment and fulfill their rights. The Organization achieves this goal by creating and supporting projects in collaboration with grassroots partner organizations. Their work has focused on land and resource rights, with an emphasis on legal, policy, and capacity strengthening initiatives.

In 2010, Rainforest Foundation US (RF-US) refined its program strategy, which had last been reviewed in 2007. The Organization decided to focus on four strategic countries in Central America and the Amazon basin: Brazil, Guyana, Panama and Peru. Their program strategy will continue to focus on land rights, promoting indigenous participation in policy, and building strong communities and organizations. Based in New York City, the Rainforest Foundation US provides modest amounts of funding as well as technical support on legal, administrative, advocacy, fundraising and marketing.

Projects in 2012 projects dealt with land rights, natural resource management, community and organizational development, and advocacy, building the capacity of indigenous communities and their organizations so they can fulfill their rights, implement projects, and determine their future. The projects, upon which the Organization worked in 2012, are listed below.

Promoting the Rights of Guyana’s Indigenous People in Climate Change Initiatives

Location: Guyana

Partner: Amerindian Peoples Association (“APA”)

Objective: To promote the informed engagement of indigenous communities with policy makers and donors regarding programs for reduced emissions from deforestation and forest degradation (“REDD”); to consolidate indigenous land rights; and to promote the inclusion of indigenous communities in future decisions regarding REDD in Guyana.

Activities: Depending on how REDD initiatives are carried out, they risk establishing top-down models for forest protection, leading to land grabs and unfair distribution of benefits. This project therefore aims to prepare indigenous peoples to discuss climate change in the context of defending traditional lands. Activities in 2012 included conducting a series of training-of-trainers workshops for indigenous leaders, conducting community meetings and workshops across Guyana throughout the year, engagement of government and donor agencies in dialogue with community leaders, and targeted advocacy and networking at the national and international levels throughout the year.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 10 – Description of Programs and Projects (Continued)

Wounaan Land Titling Project

Location: Panama

Partner: Foundation for the Development of the Wounaan People

Objectives: To support the Wounaan people of Panama in obtaining full recognition of their traditional lands; support the legal research and community meetings needed to develop regulations for land and forest managements, and subsequent negotiations with the government; assist the Wounaan in strengthening their organization and protecting their lands from development projects.

Activities: In late 2008 the Panamanian Congress passed a law to facilitate the demarcation of traditional lands. RF-US activities in 2012- the third year of this project- focused mainly on supporting the Wounaan people in carrying out the process of demarcating their land. These activities included conducting community meetings and workshops, conducting legal work, and negotiating with government agencies regarding full recognition of Wounaan traditional lands. These activities culminated in the titling of the first two collective lands in Panama-Puerto Lara and Cana Blanca – on June 4, 2012.

Titling indigenous lands in San Martin and Ucayali provinces

Location: Peru

Partner: The Inter-ethnic Association for the Development of the Peruvian Amazon (“AIDSESEP”)

Objective: To secure land rights for Awajun, Kichwa, Shawi, and Shipibo communities in the Peruvian Amazon (total of 35 communities).

Activities: The recognition and titling of their traditional lands is one of the main demands of indigenous people in Peru. Without secure land tenure, communities remain vulnerable to exploitation of their lands and resources by outsiders. This project therefore established an agreement with the regional government of San Martin (AIDSESEP already had one with the government of Ucayali); holding community meeting; and gathering the necessary documentation to obtain recognition for 30 indigenous communities, as well as starting the actual demarcation and titling process for another five. AIDSESEP carried out a number of meetings with both community members and government agencies in order to set the stage for recognition of the communities (a prerequisite for obtaining land titles). To date, they have obtained recognition for 17 of the communities.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 10 – Description of Programs and Projects (Continued)

Indigenous Environmental Monitoring

Location: Peru

Partner: Quechua Federation of the Upper Pastaza (FEDIQUEP) and Solsticio (a local NGO)

Objectives: To support and strengthen an independent indigenous environmental monitoring program in an area affected by oil exploration, in order to address environmental violations and request remedial action and compensation.

Activities: Indigenous lands in the Pastaza River of northern Peru have been explored for oil for the past 40 years, resulting in spills and other environmental damages. Communities are seeking to assert their rights to a healthy environment, and to the protection of their lands. This project therefore trained young indigenous environmental monitors to monitor oil exploration activities on indigenous lands in the Pastaza River basin of Peru. It also supported strengthening the organization, FEDIQUEP, in terms of indigenous rights, environmental legislation, and technical aspects of the oil industry, as well as on basic organizational and administrative skills.

Protecting indigenous communities in Raposa Serra do Sol

Location: Brazil

Partner: Indigenous Council of Roraima (“CIR”)

Objectives: To uphold the rights of indigenous communities in Raposa Serra do Sol (“RSS”), a 6,500 square mile area which is home to some 20,000 Ingarikó, Macuxi, Patamona, Taurepang and Wapichana people. RSS was ratified in 2005, and following a Supreme Court decision in 2009, the remaining illegal non-indigenous occupants were removed. Over the years, however, a series of human rights violations against the indigenous communities of RSS took place, most of them without any resolution.

Activities: The Rainforest Foundation was one of the earliest international NGOs to recognize the significance of the struggle over Raposa Serra do Sol (RSS) and to partner with the indigenous communities and CIR to support their work. RF-US is a co-petitioner, along with CIR, on a case before the Inter-American Commission on Human Rights regarding RSS. We submitted the petition to the Commission in 2004, and it was admitted in early 2011. It deals with both the demarcation of RSS, as well as resolving the human rights violations committed against indigenous communities over the years. In 2012, we held meetings with indigenous leaders from RSS; developed and submitted documents and information to the Inter-American Commission on Human Rights; and collaborated with CIR on advocacy related to the case.

RAINFOREST FOUNDATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

Note 11 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 are fund for 2013 project expenses of \$120,000. The balance of \$120,000 is expected to be fully released in 2013.

Note 12 – Other Liability

Other liability at December 31, 2012 is fund of \$50,000 received for the Rainforest Foundation Fund's special event. The balance of \$50,000 was returned to the Rainforest Foundation Fund in 2013.

Note 13 – Retirement Plan

The Organization contributes to a retirement plan covering all employees with at least one year of service under IRS Code Section 403 (B). The Organization contributes up to 4% of employees' gross compensation. Contributions totaling \$11,324 and \$12,290 for the years ended December 31, 2012 and 2011 were made by the Organization.

Note 14 – Pledges Receivable

Pledges receivable totaled \$306,175 at December 31, 2012. The total balance is due in one year.

Note 15 – Grants Payable

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with *Accounting for Contributions Received and Contributions Made*. At December 31, 2012 and 2011, grants payable to partner organizations were \$278,340 and \$-0-, respectively.

Note 16 – Subsequent Events

Subsequent events have been evaluated through August 6, 2013 which is the date the financial statements were available to be issued.