



WithumSmith+Brown, PC  
Certified Public Accountants and Consultants



# Rainforest Alliance

**RAINFOREST ALLIANCE, INC.**

**Financial Statements**

**June 30, 2013 and 2012**

**With Independent Auditors' Report**

**Rainforest Alliance, Inc.**  
**Table of Contents**  
**June 30, 2013 and 2012**

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<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements</b>	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-14
<b>Supplementary Information</b>	
Schedule of Expenditures Related to NORAD Grant .....	15
Schedule of Expenditures Related to UNEP/GEF Grant .....	16
Schedule of Expenditures Related to Flemish Government Grant.....	17
Schedule of Expenditures Related to World Resources Institute (WRI) - GEF Congo Basin Grant .....	18
Schedule of Expenditures Related to Stichting Progreso Foundation Grant.....	19



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## Independent Auditors' Report

To the Board of Directors,  
Rainforest Alliance, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Rainforest Alliance, Inc., ("RA" or the "Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, 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.

### Auditors' 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. These 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 auditors' 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 Alliance, Inc. as of June 30, 2013 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures related to NORAD grant, schedule of expenditures related to UNEP/GEF grant, schedule of expenditures related to Flemish government grant, schedule of expenditures related to World Resources Institute (WRI) – GEF Congo Basin grant and schedule of expenditures related to Stichting Progreso Foundation grant are presented for purposes of additional analysis as required by the respective funding source. These schedules are 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 supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited RA's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*WithumSmith+Brown, PC*

October 30, 2013

**Rainforest Alliance, Inc.**  
**Statement of Financial Position**  
**June 30, 2013**  
**(With Comparative Summarized Totals for June 30, 2012)**

	2013	2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,364,940	\$ 10,587,287
Grants and contributions receivables	6,758,854	4,134,473
SmartWood and other receivables, net of allowances for doubtful accounts of \$310,600 in 2013 and \$334,857 in 2012	1,806,073	1,744,578
Advances and prepaid expenses	<u>351,663</u>	<u>457,332</u>
Total current assets	17,281,530	16,923,670
Property and equipment, net	1,108,042	108,863
Other assets		
Security deposits	267,682	448,577
Investments	<u>1,141,504</u>	<u>1,132,080</u>
Total other assets	<u>1,409,186</u>	<u>1,580,657</u>
	<u>\$ 19,798,758</u>	<u>\$ 18,613,190</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 7,669,859	\$ 7,227,436
Financing provision - current portion	39,775	--
Refundable advances	818,373	737,051
Deferred rent liability	<u>--</u>	<u>17,773</u>
Total current liabilities	8,528,007	7,982,260
Long term liabilities		
Deferred rent liability	367,052	--
Financing provision - net of current portion	163,256	--
Loan payable	445,500	674,700
Recoverable grant payable	<u>668,250</u>	<u>1,012,050</u>
Total liabilities	10,172,065	9,669,010
Net assets		
Unrestricted	1,112,657	512,025
Temporarily restricted	7,514,036	7,432,155
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>9,626,693</u>	<u>8,944,180</u>
	<u>\$ 19,798,758</u>	<u>\$ 18,613,190</u>

The Notes to Financial Statements are an integral part of this statement.

**Rainforest Alliance, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2013**  
**(With Summarized Comparative Totals for June 30, 2012)**

	2013			Total	Total 2012
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenues					
Contributions	\$ 1,861,647	\$ 2,943,971	\$ --	\$ 4,805,618	\$ 4,752,136
Foundations and corporate grants	573,000	7,142,031	--	7,715,031	6,425,087
Government grants and contracts	11,217,661	--	--	11,217,661	10,896,468
Membership dues	785,770	--	--	785,770	812,348
Certification fees	12,993,003	--	--	12,993,003	13,838,314
Participation agreement revenue	6,913,135	--	--	6,913,135	4,911,777
Special events - net	1,300,541	--	--	1,300,541	1,352,399
Other income	359,480	--	--	359,480	271,081
In-kind contributions	523,411	--	--	523,411	645,314
Net assets released from restrictions	<u>10,004,121</u>	<u>(10,004,121)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total support and revenues	46,531,769	81,881	--	46,613,650	43,904,924
Expenses					
Program services					
Sustainable agriculture	15,114,888	--	--	15,114,888	11,947,405
RA Cert	13,979,015	--	--	13,979,015	13,673,994
TREES	6,085,400	--	--	6,085,400	7,325,191
Sustainable tourism	547,856	--	--	547,856	1,747,655
Communications/education	592,124	--	--	592,124	935,862
Climate initiative	2,586,055	--	--	2,586,055	1,000,587
Special projects	2,390,872	--	--	2,390,872	1,313,988
Sustainable finance	<u>241,137</u>	<u>--</u>	<u>--</u>	<u>241,137</u>	<u>98,515</u>
Total program services	41,537,347	--	--	41,537,347	38,043,197
Support services					
Management and general	727,400	--	--	727,400	513,342
Fundraising	<u>3,666,390</u>	<u>--</u>	<u>--</u>	<u>3,666,390</u>	<u>2,812,514</u>
Total expenses	<u>45,931,137</u>	<u>--</u>	<u>--</u>	<u>45,931,137</u>	<u>41,369,053</u>
Changes in net assets	600,632	81,881	--	682,513	2,535,871
Net assets, beginning of year	<u>512,025</u>	<u>7,432,155</u>	<u>1,000,000</u>	<u>8,944,180</u>	<u>6,408,309</u>
Net assets, end of year	<u>\$ 1,112,657</u>	<u>\$ 7,514,036</u>	<u>\$ 1,000,000</u>	<u>\$ 9,626,693</u>	<u>\$ 8,944,180</u>

The Notes to Financial Statements are an integral part of this statement.

**Rainforest Alliance, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2013**  
**(With Summarized Comparative Totals for June 30, 2012)**

	2013													2012	
	Program Services									Support Services				Total	Total
	Sustainable Agriculture	RA Cert	TREES	Sustainable Tourism	Communications/ Education	Climate Initiative	Special Projects	Sustainable Finance	Total	Management and General	Fund-Raising	Total			
Salaries and benefits	\$ 7,523,723	\$ 7,029,142	\$ 2,943,747	\$ 294,703	\$ 388,990	\$ 1,224,148	\$ 1,150,445	\$ 150,129	\$ 20,705,027	\$ 456,466	\$ 1,869,046	\$ 2,325,512	\$ 23,030,539	\$ 19,173,655	
Sub-grants	1,242,422	--	454,310	--	12,822	397,056	543,210	--	2,649,820	--	--	--	2,649,820	3,241,513	
Consultants	2,989,829	998,977	1,196,435	152,109	57,707	321,971	229,538	39,157	5,985,723	127,643	368,752	496,395	6,482,118	5,680,811	
Telephone	89,755	100,297	43,816	3,451	3,002	16,153	12,815	695	269,984	5,905	22,781	28,686	298,670	312,319	
Printing	35,839	13,548	16,007	351	15,571	5,093	1,753	137	88,299	300	144,067	144,367	232,666	207,636	
Postage/shipping	31,709	19,846	14,143	1,192	2,340	2,878	8,504	198	80,810	1,339	279,099	280,438	361,248	373,328	
Office supplies	110,487	96,589	54,391	2,950	3,261	24,581	29,883	648	322,790	1,489	18,957	20,446	343,236	313,219	
Office equipment	108,076	66,496	67,387	1,958	2,237	18,051	20,782	2,254	287,241	9,964	33,417	43,381	330,622	226,494	
Certification	14,719	3,818,328	233	1,107	29	979	764	4	3,836,163	2,779	516	3,295	3,839,458	4,245,983	
Occupancy	656,872	549,042	294,267	29,425	32,921	139,841	108,998	4,029	1,815,395	12,576	239,403	251,979	2,067,374	1,654,946	
Travel	1,174,874	491,205	557,390	33,204	27,997	159,564	173,749	27,590	2,645,573	55,415	49,458	104,873	2,750,446	2,627,979	
Workshops	246,891	96,650	151,080	7,420	22,070	174,028	32,788	444	731,371	2,445	10,499	12,944	744,315	577,191	
Other office expenses	715,339	390,970	145,949	13,632	16,201	64,996	51,704	13,469	1,412,260	43,901	433,395	477,296	1,889,556	1,320,417	
Depreciation	27,973	19,478	25,081	1,136	1,316	11,901	3,144	161	90,190	502	9,559	10,061	100,251	39,585	
Foreign tax expense	5,977	61,746	2,001	252	292	1,373	1,122	36	72,799	111	2,124	2,235	75,034	172,112	
Bad debt expense	3,389	99,984	64,000	--	--	--	--	--	167,373	--	45,000	45,000	212,373	556,551	
	14,977,874	13,852,298	6,030,237	542,890	586,756	2,562,613	2,369,199	238,951	41,160,818	720,835	3,526,073	4,246,908	45,407,726	40,723,739	
In-Kind services and supplies	137,014	126,717	55,163	4,966	5,368	23,442	21,673	2,186	376,529	6,565	140,317	146,882	523,411	645,314	
	<u>\$ 15,114,888</u>	<u>\$ 13,979,015</u>	<u>\$ 6,085,400</u>	<u>\$ 547,856</u>	<u>\$ 592,124</u>	<u>\$ 2,586,055</u>	<u>\$ 2,390,872</u>	<u>\$ 241,137</u>	<u>\$ 41,537,347</u>	<u>\$ 727,400</u>	<u>\$ 3,666,390</u>	<u>\$ 4,393,790</u>	<u>\$ 45,931,137</u>	<u>\$ 41,369,053</u>	

The Notes to Financial Statements are an integral part of this statement.

**Rainforest Alliance, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2013**  
**(With Summarized Comparative Totals for June 30, 2012)**

	2013	2012
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 682,513	\$ 2,535,871
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	100,251	39,585
Change in net present value	--	(3,358)
Bad debt expense	212,373	556,551
Realized loss (gain) on sale of investments	403	(931)
Unrealized gains on investments	(3,084)	(21,784)
Loss on disposal of property and equipment	29,466	--
Forgiveness of indebtedness	(573,000)	(495,000)
Changes in assets and liabilities		
Grants and contributions receivable	(2,624,381)	(1,584,048)
SmartWood and other receivables	(273,868)	(724,706)
Advances and prepaid expenses	105,669	608,521
Accounts payable and accrued expenses	442,423	526,947
Refundable advances	81,322	(913,354)
Deferred rent liability	<u>349,279</u>	<u>(54,389)</u>
Net cash (used) provided by operating activities	(1,470,634)	469,905
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(911,994)	--
Proceeds from sale of property and equipment	5,000	--
Change in security deposits	180,895	(262,239)
Purchase of investments and reinvested income	(163,696)	(405,432)
Proceeds from sale of investments	<u>156,953</u>	<u>408,397</u>
Net cash used by investing activities	<u>(732,842)</u>	<u>(259,274)</u>
<b>Cash flows from financing activities</b>		
Payments on financing provision	<u>(18,871)</u>	<u>--</u>
Net cash used by financing activities	<u>(18,871)</u>	<u>--</u>
Net change in cash and cash equivalents	(2,222,347)	210,631
<b>Cash and cash equivalents</b>		
Beginning of year	<u>10,587,287</u>	<u>10,376,656</u>
End of year	<u>\$ 8,364,940</u>	<u>\$ 10,587,287</u>
<b>Supplemental disclosure of cash flow information</b>		
Foreign taxes paid	<u>\$ 75,063</u>	<u>\$ 172,112</u>
Non-cash investing and financing activity		
Issuance of financing provision to purchase property and equipment	<u>\$ 221,902</u>	<u>\$ --</u>

The Notes to Financial Statements are an integral part of this statement.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**1. Organization and Nature of Activities**

Rainforest Alliance, Inc. ("RA" or the "Organization") is an international non-profit organization, organized in 1987 in the State of New York with branches and affiliates in various countries. Its mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior. All activity of the branches and affiliates is included in these financial statements.

Significant sources of revenues are received from governmental grants, foundation and corporate grants, certification fees and participation agreement revenue.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions.

The net assets of RA are reported as follows:

Unrestricted: Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of RA.

Temporarily Restricted: Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets.

Permanently Restricted: Permanently restricted net assets include gifts of cash and other assets received with donor stipulations that cannot be satisfied by either the actions of RA or through the passage of time.

**Revenue and Support Recognition**

RA recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

RA accounts for those contract and grant revenues which have been determined to be exchange transactions, in the statement of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the funding source as RA does not maintain any equity in the grant or contract or shown as refundable advances for those contracts whose contract terms continue into the subsequent fiscal year.

In addition, these contracts are subject to audit by the awarding agencies. Each funding source, at its discretion, can request reimbursement for expenses or return of funds, or both, as a result of noncompliance by RA with the terms of the grants/contracts.

Unrestricted revenue is obtained from membership dues, certification fees and participation agreement revenue. Membership dues are allocated to the appropriate period when earned. Certification fees are recognized as revenue as the service is provided. Participation agreement revenues are recorded when certified product purchases are complete and have been invoiced.

**Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Accounts receivable has been shown net of an estimate for unearned revenue for billings sent in advance of services being performed. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Cash Equivalents**

RA considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment is recorded at cost, except for donated items which are recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment as follows:

<b>Description</b>	<b>Estimated Life (Years)</b>
Furniture and equipment	7-10
Software	5
Leasehold improvements	Shorter of term of lease or life of asset.

**Receivables and Credit Policies**

In the normal course of business, RA grants credit directly to certain customers after a credit analysis based on financial and other criteria and generally requires no collateral. RA reviews the receivables and has established an allowance for uncollectible accounts.

**Donated Goods and Services**

RA receives donated services. RA does not recognize the value of volunteer support provided to program and support services if an objective basis for valuing the services is not available. However, RA does recognize goods and services provided which have an ascertainable value and are an integral part of RA's program services.

**Allocation of Expenses**

Expenses, other than indirect expenses are directly charged to the program that derives the direct benefit. Indirect expenses are allocated to the various program and supporting services based on the ratio of direct expense for any one function to total direct expenses of all functional areas or programs.

**Prior Year Summarized Comparative Information**

Information as of and for the year ended June 30, , is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, 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 RA's financial statements as of and for the year ended June 30, , from which the summarized comparative information was derived.

**Income Taxes**

RA is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and no provision for such income tax has been reflected in the accompanying financial statements. RA has evaluated uncertain tax positions with respect to its U.S. operations and concluded there are no such positions at June 30, 2013 and . There are no open tax years prior to June 30, 2010. RA has operations in other countries and is subject to the laws and regulations of those countries. RA did not recognize any tax related interest or penalties during the periods in question.

**Valuation of Long-Lived Assets**

In accordance with the provisions of the pronouncement on accounting for the impairment or disposal of long-lived assets, RA reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including grants and contributions receivables, SmartWood and other receivables, advances and prepaid expenses, security deposits, accounts payable and accrued expenses, refundable advances, current portion of letter of credit and deferred rent liability approximate their fair values because of the relatively short maturity of these instruments.

**Investments**

Investments, consisting of money funds, government bonds, corporate bonds, certificates of deposit, and other investments, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

**Economic Dependency**

During the years ended June 30, 2013 and , 12.17 and 11.16 percent, respectively of RA's total support and revenues were received from the United States Agency for International Development.

**Translation of Foreign Currencies**

The foreign operations of RA occur in functional currencies other than the U.S. dollar. The revenues and expenses occurring in foreign currencies are translated into U.S. dollars using an average monthly rate of exchange. Assets and liabilities are translated using the rate of exchange at the statement of financial position date. The related exchange losses of \$28,000 and \$317,000 at June 30, 2013 and , respectively, are included in the statement of activities and changes in net assets.

**3. Investments**

Investments, recorded at current value, consist of the following at June 30:

	2013		2012	
	Cost	Market	Cost	Market
Money funds	\$ 229,199	\$ 230,210	\$ 63,933	\$ 63,933
Government bonds	14,428	14,428	16,145	16,491
Corporate bonds	858,276	871,546	908,276	919,861
Certificates of deposit	--	--	106,000	106,826
Other investments	25,320	25,320	24,969	24,969
	<u>\$ 1,127,223</u>	<u>\$ 1,141,504</u>	<u>\$ 1,119,323</u>	<u>\$ 1,132,080</u>

Investment income related to these investments and interest earned on cash accounts is included in other income in the statement of activities and changes in net assets at June 30, 2013 and and was comprised of the following:

	2013	2012
Unrealized gains	\$ 3,084	\$ 21,784
Realized (loss) gain	(403)	931
Interest income	38,996	50,478
	<u>\$ 41,677</u>	<u>\$ 73,193</u>

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**4. Fair Value Measurements**

RA has reviewed investments within the framework for measuring fair value which establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities RA has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include RA's own data.)

The following table summarizes assets which have been accounted for at fair value on a recurring basis along with the basis of the determination of fair value as of June 30, 2013 and :

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>
	<u>June 30, 2013</u>			<u>June 30, 2012</u>		
Money funds	\$ 230,210	\$ 230,210	\$ --	\$ 63,933	\$ 63,933	\$ --
Government bonds	14,428	--	14,428	16,491	--	16,491
Corporate bonds						
AA rating	52,812	52,812	--	55,205	55,205	--
AA- rating	--	--	--	50,575	50,575	--
A+ rating	52,382	52,382	--	--	--	--
A rating	102,882	102,882	--	103,798	103,798	--
BB rating	49,875	49,875	--	--	--	--
BB+ rating	50,250	50,250	--	--	--	--
BBB+ rating	153,898	153,898	--	154,180	154,180	--
BBB rating	153,297	153,297	--	204,665	204,665	--
BBB- rating	256,150	256,150	--	351,438	351,438	--
Certificates of deposit	--	--	--	106,826	--	106,826
Other investments	25,320	--	25,320	24,969	--	24,969
	<u>\$ 1,141,504</u>	<u>\$ 1,101,756</u>	<u>\$ 39,748</u>	<u>\$ 1,132,080</u>	<u>\$ 983,794</u>	<u>\$ 148,286</u>

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**5. Property and Equipment**

Property and equipment consists of the following as of June 30:

	<b>2013</b>	<b>2012</b>
Furniture and equipment	\$ 486,505	608,948
Software	--	132,506
Leasehold improvements	<u>808,702</u>	<u>60,275</u>
	1,295,207	801,729
Less: Accumulated depreciation	<u>187,165</u>	<u>692,866</u>
	<u>\$ 1,108,042</u>	<u>\$ 108,863</u>

Depreciation expense amounted to \$100,251 and \$39,585 for the years ended June 30, 2013 and , respectively.

**6. Long-Term Debt**

In July 1998, RA was awarded a recoverable grant of \$1,500,000 to fund certain SmartWood program activities. Grant repayments were tied to cash flows from operations from funded activities which began in 2004. During December 2011 a new agreement was established between RA and the grantor that became effective for the fiscal year ended June 30, 2011 that allowed for annual partial forgiveness of the recoverable grant under certain conditions. For the years ended June 30, 2013 and , RA complied with the terms of these conditions and recorded \$343,800 and \$297,000, respectively, of forgiveness of the recoverable grant in foundation and corporate grant income in the statement of activities and changes in net assets. The balance under this recoverable grant at June 30, 2013 and was \$668,250 and \$1,012,050, respectively.

In April 1999, RA received an interest-free loan of \$1,000,000 for the same SmartWood program activities. During December 2011 a new agreement was agreed to by the lender, which allowed for annual partial forgiveness of the loan under certain conditions. For the years ended June 30, 2013 and , RA complied with the terms of these conditions and recorded \$229,200 and \$198,000, respectively, of forgiveness of the loan in foundation and corporate grant income in the statement of activities and changes in net assets. The balance due under this loan payable at June 30, 2013 and was \$445,500 and \$674,700, respectively.

**7. In-Kind Contributions**

In-kind contributions consist of the following for the years ended June 30:

	<b>2013</b>	<b>2012</b>
Legal services	\$ 313,579	\$ 324,421
Annual gala services	173,635	249,986
Imputed interest	<u>36,197</u>	<u>70,907</u>
	<u>\$ 523,411</u>	<u>\$ 645,314</u>

The contribution (imputed interest) inherent in the interest-free loans has been recorded at fair value, based on an imputed interest rate of 3.25 percent for each of the fiscal years ended June 30, 2013 and , which is the average prime rate of the fiscal year.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**8. Retirement Plan**

RA has a qualified tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees. RA offers all eligible employees working more than 20 hours per week a matching contributory retirement plan. Employees can begin making contributions immediately upon hire and are eligible for an employer matching contribution of up to 5 percent of salary after one year of employment. Plan expenses totaled approximately \$330,000 and \$283,000 for the years ended June 30, 2013 and , respectively.

**9. Concentration of Credit Risk and Foreign Currency Risk**

Financial instruments, which potentially subject RA to concentrations of credit risk, consist of cash, investments in foreign banks, investments and receivables. As of June 30, 2013 and , RA had approximately \$2,019,000 and \$2,588,000, respectively, in foreign banks which is not insured by the FDIC or any Federal or State agency. Management monitors the soundness of these institutions and has not experienced any losses. Investments are placed in certificates of deposits and other high credit quality financial investments. Although subject to market fluctuation, this investment policy somewhat limits RA's exposure to concentrations of credit risk. RA has a long standing history of collecting its receivables which are from corporations, foundations and governmental agencies throughout the world. This limits RA's exposure to credit risk.

Foreign currency risk is the risk to RA that arises from fluctuations in foreign currency exchange rates, and the degree of volatility of these rates. Consequently, some assets, liabilities and expenses are exposed to foreign exchange fluctuations. The entity does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The assets and liabilities held in other foreign currencies include cash, severance and payroll liabilities.

**10. Commitments**

**Operating Leases**

RA leases office space in New York and in other locations under leases that expire through April 2023. The building leases provide for minimum annual rentals, real estate taxes and other costs. RA also has entered into leases for several foreign offices as well. The commitment of rent under non-cancellable lease agreements for the next five years and in the aggregate is as follows:

<b>Year</b>	<b>Amount</b>
2014	\$ 1,083,000
2015	1,182,000
2016	1,189,000
2017	1,149,000
2018	1,052,000
Thereafter	<u>5,619,000</u>
	<u>\$ 11,274,000</u>

Rent expense for the above leases totaled approximately \$1,705,000 and \$1,294,000, for the years ended June 30, 2013 and 2012, respectively, which is included in occupancy expense in the statement of functional expenses. Annual rent expenses paid under the leases include the basic rent plus charges for common area management costs and real estate tax escalation charges.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Financing Provision**

RA signed a lease agreement on June 11, 2012 whereby the landlord agreed to perform alterations on the premises. The lease provides that the cost of alterations is to be paid as additional rent with \$221,902 as the financed portion, with a stated rate of interest of 7 percent for 60 months with monthly payments of principal and interest of \$4,394. As of June 30, 2013 the outstanding balance of the financed portion was \$203,031. There was no renovation work performed prior to June 30, 2012, therefore, there was no outstanding balance.

Future minimum principal payments are as follows at June 30:

Year	Amount
2014	\$ 39,775
2015	42,650
2016	45,733
2017	49,039
2018	25,834
	<u>\$ 203,031</u>

**11. Net Assets**

Temporarily restricted net assets were comprised of the following at June 30:

	2013	2012
Sustainable Forestry	\$ 114,996	\$ 275,781
Sustainable Agriculture	1,900,976	1,705,634
Sustainable Tourism	81,840	46,390
Climate Change	79,937	68,209
Education	17,459	73,508
Communications	11,324	6,430
Special Projects	363,942	343,804
Development Campaign	4,854,070	4,882,907
Charitable Trusts	29,492	29,492
Operations	60,000	--
	<u>\$ 7,514,036</u>	<u>\$ 7,432,155</u>

The following is a schedule of the net assets that were released from donor restrictions at June 30:

	2013	2012
Sustainable Forestry	\$ 396,688	\$ 886,613
Sustainable Agriculture	5,913,360	5,323,061
Sustainable Tourism	250,897	227,594
Climate Change	247,255	306,749
Education	185,078	276,187
Communications	47,057	44,123
Special Projects	569,782	294,540
Development Campaign	2,394,004	48,500
Charitable Trusts	--	17,286
	<u>\$ 10,004,121</u>	<u>\$ 7,424,653</u>

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**12. Endowment Funds**

RA's endowment is comprised of a donor-restricted endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

**Interpretation of Relevant Law**

Under the New York Not-For-Profit Corporation Law, a charitable organization can only spend amounts of an endowment fund above "historic dollar value" that it deems to be prudent. With respect to its existing endowment fund, RA has followed the donor instrument in classifying as permanently restricted net assets at the original value of the gift.

RA has followed the donor instrument in classifying as permanently restricted, with respect to its existing endowment fund, net assets at the original value of the gift donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RA pursuant to its obligations under the agreement with the donor and applicable law. RA conducts an annual analysis of the endowment fund with respect to:

- (1) Its historic value
- (2) Donor restrictions on the use of income or appreciation and the effect of the restriction
- (3) Any loss affecting the historic dollar value
- (4) The amount of the fund's appreciation held in non-readily marketable securities
- (5) The amount of appreciation in the fund attributable to an inflation factor since the inception of the fund

RA is currently developing an investment policy that will determine return objectives and risk parameters, and strategies employed for achieving objectives.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2013 and :

	2013			2012		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 83,526	\$ 1,000,000	\$ 1,083,526	\$ 58,766	\$ 1,000,000	\$ 1,058,766
Contributions received	--	--	--	--	--	--
Transfer to operations	(28,832)	--	(28,832)	(33,062)	--	(33,062)
Investment return						
Investment income	36,352	--	36,352	33,691	--	33,691
Unrealized gains	857	--	857	24,131	--	24,131
	<u>37,209</u>	<u>--</u>	<u>37,209</u>	<u>57,822</u>	<u>--</u>	<u>57,822</u>
Endowment assets end of year	<u>\$ 91,903</u>	<u>\$ 1,000,000</u>	<u>\$ 1,091,903</u>	<u>\$ 83,526</u>	<u>\$ 1,000,000</u>	<u>\$ 1,083,526</u>
Permanently restricted net assets						
Required to be maintained in perpetuity		<u>\$ 1,000,000</u>			<u>\$ 1,000,000</u>	

**13. Subsequent Events**

RA has evaluated subsequent events occurring after the statement of financial position date through the date of October 30, 2013, which is the date the financial statements were available for release. Based upon this evaluation, RA has determined that no additional subsequent events have occurred, which require adjustment to or disclosure in the financial statements.