



**RAINFOREST ALLIANCE AND SUBSIDIARIES**

**Consolidated Financial Statements**

**June 30, 2015 and 2014**

**With Independent Auditors' Report**

**Rainforest Alliance, Inc. and Subsidiaries**  
**Table of Contents**  
**June 30, 2015 and 2014**

---

**Independent Auditors' Report** ..... 1-2

**Financial Statements**

Consolidated Statements of Financial Position..... 3

Consolidated Statement of Activities and Changes in Net Assets..... 4

Consolidated Statement of Functional Expenses ..... 5

Consolidated Statements of Cash Flows ..... 6

Notes to Consolidated Financial Statements ..... 7-17

One Spring Street  
New Brunswick, NJ 08901  
732 828 1614 fax 732 828 5156  
www.withum.com

Additional Offices in New Jersey, New York,  
Pennsylvania, Massachusetts, Florida,  
Colorado and Grand Cayman

## **Independent Auditors' Report**

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

### **Report on the Consolidated**

We have audited the accompanying consolidated financial statements of Rainforest Alliance, Inc. and Subsidiaries ("RA" or the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Alliance, Inc. as of June 30, 2015 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.

**Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Withum Smith &amp; Brown, PC". The signature is written in a cursive, flowing style.

October 29, 2015

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**June 30, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 11,023,333	\$ 13,118,803
Grants and contributions receivables	4,612,344	4,225,433
RA Cert and other receivables, net of allowances for doubtful accounts of \$104,719 in 2015 and \$199,316 in 2014	2,395,114	1,200,410
Advances and prepaid expenses	<u>515,115</u>	<u>721,602</u>
Total current assets	18,545,906	19,266,248
Property and equipment, net	840,547	978,303
Other assets		
Restricted cash	1,914,814	1,278,295
Security deposits	356,217	356,339
Investments	<u>1,209,056</u>	<u>1,201,543</u>
Total other assets	<u>3,480,087</u>	<u>2,836,177</u>
	<u>\$ 22,866,540</u>	<u>\$ 23,080,728</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,599,347	\$ 6,975,880
Lease financing provision - current portion	45,733	42,650
Refundable advances	<u>671,718</u>	<u>1,527,673</u>
Total current liabilities	7,316,798	8,546,203
Long term liabilities		
Deferred rent liability	610,222	539,989
Lease financing provision - net of current portion	74,894	120,606
Foreign severance payable	1,929,874	1,295,575
Loan payable	--	192,300
Recoverable grant payable	<u>--</u>	<u>288,450</u>
Total liabilities	9,931,788	10,983,123
Net assets		
Unrestricted	2,381,452	1,838,800
Temporarily restricted	9,553,300	9,258,805
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>12,934,752</u>	<u>12,097,605</u>
	<u>\$ 22,866,540</u>	<u>\$ 23,080,728</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2015**  
**(With Summarized Comparative Totals for June 30, 2014)**

	2015			Total	Total 2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenues					
Contributions					
Major donors and individuals	\$ 2,467,454	\$ 3,535,280	\$ --	\$ 6,002,734	\$ 6,617,708
Foundations and corporate grants	1,216,619	4,215,875	--	5,432,494	5,486,420
Government grants and contracts	15,571,679	--	--	15,571,679	15,887,247
Certification fees	11,176,672	--	--	11,176,672	12,698,170
Participation agreement revenue	7,934,741	--	--	7,934,741	9,211,887
Special events - net	1,190,996	--	--	1,190,996	1,347,153
Other income	233,140	--	--	233,140	457,943
Investment income	10,955	19,698	--	30,653	70,023
In-kind contributions	1,108,202	--	--	1,108,202	519,079
Net assets released from restrictions	<u>7,476,358</u>	<u>(7,476,358)</u>	--	--	--
Total support and revenues	48,386,816	294,495	--	48,681,311	52,295,630
Expenses					
Program services					
Sustainable agriculture	5,548,649	--	--	5,548,649	8,140,799
RA Cert	11,631,175	--	--	11,631,175	12,504,962
TREES	11,566,434	--	--	11,566,434	11,014,692
Markets transformation	5,852,385	--	--	5,852,385	5,438,801
Other	<u>5,900,832</u>	<u>--</u>	<u>--</u>	<u>5,900,832</u>	<u>5,584,032</u>
Total program services	40,499,475	--	--	40,499,475	42,683,286
Support services					
Management and general	4,348,144	--	--	4,348,144	4,320,109
Fundraising	<u>2,996,545</u>	<u>--</u>	<u>--</u>	<u>2,996,545</u>	<u>2,821,323</u>
Total expenses	<u>47,844,164</u>	<u>--</u>	<u>--</u>	<u>47,844,164</u>	<u>49,824,718</u>
Changes in net assets	542,652	294,495	--	837,147	2,470,912
Net assets, beginning of year	<u>1,838,800</u>	<u>9,258,805</u>	<u>1,000,000</u>	<u>12,097,605</u>	<u>9,626,693</u>
Net assets, end of year	<u>\$ 2,381,452</u>	<u>\$ 9,553,300</u>	<u>\$ 1,000,000</u>	<u>\$ 12,934,752</u>	<u>\$ 12,097,605</u>

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

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2015**  
**(With Summarized Comparative Totals for June 30, 2014)**

	2015									2014	
	Program Services					Support Services				Total	Total
	Sustainable Agriculture	RA Cert	TREES	Markets Transformation	Other	Total	Management and General	Fund- Raising	Total		
Salaries and benefits	\$ 2,539,688	\$ 6,021,173	\$ 3,971,546	\$ 3,555,218	\$ 2,919,806	\$ 19,007,431	\$ 3,776,500	\$ 1,413,049	\$ 5,189,549	\$ 24,196,980	\$ 24,944,252
Sub-grants	1,057,728	--	4,097,974	109,916	158,130	5,423,748	--	--	--	5,423,748	4,584,361
Consultants	790,513	3,205,164	1,388,845	892,917	1,216,559	7,493,998	12,774	257,544	270,318	7,764,316	10,358,947
Telephone	36,207	98,033	66,643	51,383	45,776	298,042	4,252	20,453	24,705	322,747	327,139
Printing	38,100	5,208	15,645	7,020	11,438	77,411	164	124,652	124,816	202,227	264,926
Postage/shipping	5,489	17,228	14,916	17,493	7,734	62,860	372	291,285	291,657	354,517	381,402
Office supplies	32,185	51,812	55,532	28,743	32,356	200,628	1,450	11,301	12,751	213,379	329,630
Office equipment	34,779	71,010	112,955	42,195	43,410	304,349	1,822	22,472	24,294	328,643	466,076
Occupancy	266,533	576,056	557,019	362,520	380,599	2,142,727	13,482	160,738	174,220	2,316,947	2,330,965
Travel	376,889	756,361	525,320	398,162	277,480	2,334,212	68,831	55,667	124,498	2,458,710	2,538,664
Workshops	187,310	43,640	401,204	20,772	143,544	796,470	502	11,142	11,644	808,114	837,180
Other office expenses	164,047	589,162	213,900	318,834	156,990	1,442,933	117,761	317,952	435,713	1,878,646	1,459,925
Depreciation	16,105	30,338	50,630	19,480	29,991	146,544	709	8,453	9,162	155,706	162,016
Foreign tax expense	3,051	215,349	9,131	6,623	18,169	252,323	152	1,810	1,962	254,285	92,871
Bad debt expense (recovery)	25	(49,359)	85,174	21,109	31	56,980	2	15	17	56,997	227,285
	5,548,649	11,631,175	11,566,434	5,852,385	5,442,013	40,040,656	3,998,773	2,696,533	6,695,306	46,735,962	49,305,639
In-Kind services and supplies	--	--	--	--	458,819	458,819	349,371	300,012	649,383	1,108,202	519,079
	\$ 5,548,649	\$ 11,631,175	\$ 11,566,434	\$ 5,852,385	\$ 5,900,832	\$ 40,499,475	\$ 4,348,144	\$ 2,996,545	\$ 7,344,689	\$ 47,844,164	\$ 49,824,718

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

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 837,147	\$ 2,470,912
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	155,706	162,016
Bad debt expense	56,998	227,285
Realized gain on sale of investments	(1,152)	(80)
Unrealized loss (gain) on investments	17,571	(30,081)
Loss on disposal of property and equipment	--	11,949
Forgiveness of indebtedness	(480,750)	(633,000)
Exchange rate loss	84,008	45,121
Changes in assets and liabilities		
Grants and contributions receivable	(386,911)	2,533,421
RA Cert and other receivables	(1,251,702)	378,378
Advances and prepaid expenses	206,487	(369,939)
Accounts payable and accrued expenses	(346,616)	176,389
Foreign severance payable	634,299	386,205
Refundable advances	(855,955)	709,300
Deferred rent liability	70,233	172,937
Net cash (used) provided by operating activities	<u>(1,260,637)</u>	<u>6,240,813</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(17,950)	(58,919)
Proceeds from sale of property and equipment	--	14,693
Change in security deposits	122	(88,657)
Purchase of investments and reinvested income	(75,874)	(186,831)
Proceeds from sale of investments	51,942	156,953
Net cash used by investing activities	<u>(41,760)</u>	<u>(162,761)</u>
<b>Cash flows from financing activities</b>		
Change in restricted cash	(636,519)	(573,301)
Payments on lease financing provision	(42,629)	(39,775)
Net cash used by financing activities	<u>(679,148)</u>	<u>(613,076)</u>
Effects of exchange rates on cash	<u>(113,925)</u>	<u>(6,119)</u>
Net change in cash and cash equivalents	(2,095,470)	5,458,857
<b>Cash and cash equivalents</b>		
Beginning of year	<u>13,118,803</u>	<u>7,659,946</u>
End of year	<u>\$ 11,023,333</u>	<u>\$ 13,118,803</u>
<b>Supplemental disclosure of cash flow information</b>		
Foreign taxes paid	<u>\$ 146,855</u>	<u>\$ 29,810</u>
<b>Non-cash transactions</b>		
Forgiveness of indebtedness	\$ (480,750)	\$ (633,000)
Loan payable	192,300	253,200
Recoverable grant payable	288,450	379,800
	<u>\$ --</u>	<u>\$ --</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

**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 consolidated financial statements. RA conducts the majority of its activities throughout North America, Central America, South America, Africa, Europe and Southeast Asia.

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

**2. Summary of Significant Accounting Policies**

**Basis of Consolidation**

The consolidated financial statements include all of the assets, liabilities, net assets, revenues and expenses of all branches and affiliates of the Rainforest Alliance, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

**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 consolidated statement of activities and changes in net assets as net assets released from restrictions.

RA accounts for those government grant and contract revenues which have been determined to be exchange transactions in the statement of activities and changes in net assets as changes in unrestricted 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 or contracts.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

Unrestricted revenue is also obtained from certification fees and participation agreement revenue. RA certifies various products including coffee, tea, cocoa, and also certifies forest management operations, chain of custody, and agriculture (farms) and performs other sustainability work and training. Certification fees are recognized as revenue as the service is provided according to the level of work done. Participation agreement revenues are recorded when certified product purchases are completed and have been invoiced. Participation agreement revenues are recorded for the use of the certification seal and other intellectual property associated with it (from the businesses in the middle of the supply chain to those that buy and sell goods produced on Rainforest Alliance Certified farms). The amount charged is based on the volume of goods purchased as certified and varies by crop.

**Receivables and Credit Policies**

RA Cert and other receivables represent unsecured, non-interest bearing obligations due from customers. 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 doubtful accounts.

**Estimates**

The presentation of consolidated 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. Significant estimates included in these consolidated financial statements consist of the foreign payroll tax liability included in accounts payable and accrued expenses, and RA Cert and other receivables. The RA Cert and other receivables have been shown net of an estimate for unearned revenue for billings sent in advance of services being performed. There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Cash Equivalents**

RA considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Grants and Contributions Receivable**

Grants and contributions receivable mainly consist of government grant receivables and unconditional contribution receivables. The Organization monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at June 30, 2015 and 2014.

**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 temporarily 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	5-10
Software	3
Leasehold improvements	Shorter of term of lease or life of asset

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

**Donated Goods and Services**

RA receives donated services in the form of legal, advertising and professional fees. Additionally, RA receives donated goods for their gala and other purposes. RA recognizes goods and services provided which have an ascertainable value and are an integral part of RA's program services at the fair market value of the services or goods received. These donated goods and services are included in in-kind contributions on the consolidated statement of activities and changes in net assets and as in-kind services and supplies on the consolidated statement of functional expenses.

**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.

**Program Expenses**

Sustainable Agriculture – includes certification programs that encourage farmers to grow crops and manage ranchlands sustainably, including environmental protection, social equity and economic viability, to support long term success.

RA Cert – includes certification, verification and validation activities in the areas of forestry, agriculture and carbon/climate. These services are focused on conserving biodiversity and ensuring sustainable livelihoods.

Training, Extension, Enterprises and Sourcing ("TREES") - works to help small and medium enterprises to harvest and manufacture forest products in a sustainable way and to market these goods to responsible businesses and consumers around the world.

Markets Transformation - helping organizations across the forestry, agriculture and tourism value chains to successfully integrate sustainability into their business practices from sustainable production to sustainable consumption.

Other – includes sustainable tourism, climate initiatives, special projects, sustainable finance, communications and education.

**Prior Year Summarized Comparative Information**

Information as of and for the year ended June 30, 2014, is presented for comparative purposes only. Certain activity by net asset classification in the consolidated statement of activities and changes in net assets and consolidated statement of functional expenses is 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 consolidated financial statements as of and for the year ended June 30, 2014, 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 consolidated 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, 2015 and 2014. RA has operations in other countries and is subject to the laws and regulations of those countries. During the years ended June 30, 2015 and 2014, RA has paid foreign income taxes of \$146,855 and \$29,810, respectively, which are included in foreign tax expense in the consolidated statement of functional expenses, in accordance with required local tax laws in various foreign jurisdictions.

RA did not recognize any tax related interest or penalties during the period in question.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

**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. RA has determined that no assessment was required for the periods presented in these consolidated financial statements.

**Investments**

Investments, consisting of money funds, corporate bonds 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 consolidated statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use is restricted by explicit donor stipulations or by law.

**Economic Dependency**

During the years ended June 30, 2015 and 2014, 22.00 and 21.18 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 consolidated statement of financial position date. The related translation adjustments of approximately \$(198,000) and \$(51,000) at June 30, 2015 and 2014, respectively, are included in other income in the consolidated statement of activities and changes in net assets.

**Reclassifications**

Certain amounts in the 2014 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the 2015 consolidated financial statements. These reclassifications had no effect on previously reported net assets.

**3. Investments**

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

	2015		2014	
	Cost	Market	Cost	Market
Money funds	\$ 255,016	\$ 340,517	\$ 227,386	\$ 264,224
Corporate bonds	853,748	832,769	858,276	898,575
Other investments	35,770	35,770	38,747	38,744
	<u>\$ 1,144,534</u>	<u>\$ 1,209,056</u>	<u>\$ 1,124,409</u>	<u>\$ 1,201,543</u>

Investment income (loss) related to these investments and interest earned on cash accounts was comprised of the following at June 30, 2015 and 2014:

	2015	2014
Unrealized (loss) gain	\$ (17,571)	\$ 30,081
Realized gains	1,152	80
Interest income	47,072	39,862
	<u>\$ 30,653</u>	<u>\$ 70,023</u>

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

*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, 2015 and 2014:

	<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, 2015</u>			<u>June 30, 2014</u>		
Money funds	\$ 340,517	\$ 340,517	\$ --	\$ 264,224	\$ 264,224	\$ --
Corporate bonds						
AA rating	53,221	53,221	--	53,716	53,716	--
A+ rating	50,891	50,891	--	52,200	52,200	--
A rating	102,459	102,459	--	103,895	103,895	--
A- rating	50,877	50,877	--	51,731	51,731	--
BB rating	101,375	101,375	--	51,500	51,500	--
BB+ rating	52,407	52,407	--	51,750	51,750	--
BBB+ rating	106,582	106,582	--	108,181	108,181	--
BBB rating	156,885	156,885	--	264,869	264,869	--
BBB- rating	158,072	158,072	--	160,733	160,733	--
Other investments	<u>35,770</u>	<u>--</u>	<u>35,770</u>	<u>38,744</u>	<u>--</u>	<u>38,744</u>
	<u>\$ 1,209,056</u>	<u>\$ 1,173,286</u>	<u>\$ 35,770</u>	<u>\$ 1,201,543</u>	<u>\$ 1,162,799</u>	<u>\$ 38,744</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Money funds and Corporate bonds* – money funds and corporate bonds are valued based on readily available pricing sources for comparable instruments and, therefore, are designated as Level 1.

*Other investments* – Other investments consist of charitable gift annuity contracts which are held at a third party investment house. There are no identical instruments for valuation, however, these instruments are based on instruments of comparable value and are therefore shown as Level 2.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

**4. Property and Equipment**

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

	<b>2015</b>	<b>2014</b>
Furniture and equipment	\$ 482,659	482,659
Software	8,996	--
Leasehold improvements	<u>813,404</u>	<u>804,863</u>
	1,305,059	1,287,522
Less: Accumulated depreciation	<u>464,512</u>	<u>309,219</u>
	<u>\$ 840,547</u>	<u>\$ 978,303</u>

Depreciation expense amounted to \$155,706 and \$162,016 for the years ended June 30, 2015 and 2014, respectively.

**5. Restricted Cash**

The Organization is required to maintain a dedicated operating reserve in accordance with the recoverable grant agreement and the loan (see Note 6). Restricted cash amounted to \$1,914,814 and \$1,278,295 as of June 30, 2015 and 2014, respectively. At the time the related debt is liquidated in October 2015, it is expected that this cash will not be available for operations and therefore is classified as a non-current asset.

**6. Long-Term Debt**

In July 1998, RA was awarded a recoverable grant of \$1,500,000 to fund certain RA Cert 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, 2015 and 2014, RA complied with the terms of these conditions and recorded \$288,450 and \$379,800, respectively, of forgiveness of the recoverable grant in foundation and corporate grant contributions in the consolidated statement of activities and changes in net assets. The balance under this recoverable grant at June 30, 2015 and 2014 was \$-0- and \$288,450, respectively.

In April 1999, RA received an interest-free loan of \$1,000,000 for the same RA Cert 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, 2015 and 2014, RA complied with the terms of these conditions and recorded \$192,300 and \$253,200, respectively, of forgiveness of the loan in foundation and corporate grants contributions in the consolidated statement of activities and changes in net assets. The balance due under this loan payable at June 30, 2015 and 2014 was \$-0- and \$192,300, respectively.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

**7. In-Kind Contributions**

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

	<b>2015</b>	<b>2014</b>
Legal services	\$ 339,756	\$ 325,406
Annual gala services	300,012	178,049
Advertising	458,819	--
Imputed interest	<u>9,615</u>	<u>15,624</u>
	<u>\$ 1,108,202</u>	<u>\$ 519,079</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, 2015 and 2014, which is the average prime rate for the fiscal year.

**8. Retirement Plans and Foreign Severance Payable**

RA has a qualified tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees in the United States. 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. The Organization made matching contributions totaling approximately \$439,000 and \$400,000 for the years ended June 30, 2015 and 2014, respectively.

RA has recorded an obligation for foreign severance payable in accordance with the laws in the locations for employees working in certain foreign jurisdictions of \$1,929,874 and \$1,295,575 at June 30, 2015 and 2014, respectively, which is included in foreign severance payable in the consolidated statements of financial position. The foreign severance reserve is an estimate that is based on the laws of each foreign jurisdiction but generally is computed based on the years of employment for each employee as well as other factors and varies based on the individual laws within the foreign country. The obligation is required to be funded when an employee's employment with RA terminates.

**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, receivables and foreign currency risk. As of June 30, 2015 and 2014, RA had approximately \$2,524,000 and \$3,163,000, respectively, in foreign banks which are 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 high credit quality financial instruments. 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. RA had outstanding RA Cert and other receivables from two customers which comprised 28 percent of the outstanding balance at June 30, 2015. Additionally there were grants and contributions receivable outstanding from two donors that comprise 70 percent of the outstanding balance at June 30, 2015. At June 30, 2014 there were one customer that represented 13 percent the outstanding receivables of RA Cert and other receivables and three donors that represented 71 percent of the grants and contribution receivables.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

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 Organization 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 and Contingencies**

*Operating Leases*

RA leases office space in New York and in various other locations in the United States and in several foreign localities under leases that expire through April 2023. These leases provide for minimum annual rentals, real estate taxes and other costs. Rent expense for the leases totaled approximately \$2,029,000 and \$2,000,000, for the years ended June 30, 2015 and 2014, respectively, which is included in occupancy expense in the consolidated 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. The commitment of rent under non-cancellable lease agreements for the next five years and in the aggregate thereafter is as follows:

Year	Amount
2016	\$ 1,465,176
2017	1,181,609
2018	1,051,894
2019	1,078,192
2020	1,120,495
Thereafter	<u>3,419,921</u>
	<u>\$ 9,317,287</u>

*Lease 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, 2015 the outstanding balance of the lease financing provision was as follows:

Year	Amount
2016	\$ 52,727
2017	52,727
2018	<u>26,364</u>
	131,818
Less interest	<u>(11,191)</u>
	<u>\$ 120,627</u>

Future minimum principal payments are as follows at June 30: 2016 - \$45,733; 2017 - \$49,039; 2018 - \$25,855

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

*Government Grants and Contracts*

RA receives funding from various federal and foreign agencies under grants and contracts, many of which have commitments spanning multiple years. RA has available funding under federal agency contracts through June 2018 of approximately \$10,500,000. RA's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of RA.

*Foreign Payroll Tax*

RA has recorded an obligation for estimated potential foreign payroll tax liabilities in accordance with the laws in the locations for employees working in certain foreign jurisdictions of \$1,729,065 and \$1,975,065 at June 30, 2015 and 2014, respectively, which is included in accounts payable and accrued expenses in the consolidated statements of financial position. These amounts have been accrued for estimated potential payroll tax liabilities in certain foreign jurisdictions. During the years ended June 30, 2015 and 2014 there were no amounts paid for these estimated foreign payroll tax liabilities.

*General Litigation*

The Organization is subject to legal proceedings and claims which arise in the ordinary course of business. Management does not believe that the outcome of any of these matters will have a material adverse effect on the financial position, operating results or cash flows.

**11. Net Assets**

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

	<b>2015</b>	<b>2014</b>
Sustainable Forestry	\$ 282,656	\$ 262,231
Sustainable Agriculture	571,860	1,045,092
Sustainable Tourism	38,870	95,332
Climate Change	122,773	151,267
Education	8,261	12,901
Communications	29,197	4,780
Special Projects	585,290	702,563
Development Campaign	7,877,866	6,724,936
Charitable Trusts	31,498	32,422
Markets	5,029	227,281
	<u>\$ 9,553,300</u>	<u>\$ 9,258,805</u>

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

---

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

	<b>2015</b>	<b>2014</b>
Sustainable Forestry	\$ 591,302	\$ 564,708
Sustainable Agriculture	3,552,909	4,027,825
Sustainable Tourism	257,798	129,653
Climate Change	189,457	137,330
Education	44,034	58,090
Communications	25,583	85,036
Special Projects	776,927	495,940
Development Campaign	1,815,165	1,289,404
Charitable Trusts	930	--
Markets	222,253	22,719
Operations	--	60,000
	<u>\$ 7,476,358</u>	<u>\$ 6,870,705</u>

**12. Endowment Funds**

RA's endowment is comprised of one 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 Prudent Management of Institutional Funds Act ("NYPMIFA"), a charitable organization can only spend amounts of an endowment funds 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 donated to the permanent endowment. Investment earnings on the donor-restricted endowment fund are 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.

**Rainforest Alliance, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2015 and 2014:

	2015			2014		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 125,127	\$ 1,000,000	\$ 1,125,127	\$ 68,061	\$ 1,000,000	\$ 1,068,061
Contributions received	--	--	--	--	--	--
Expenditures	(4,863)	--	(4,863)	(4,620)	--	(4,620)
Investment return						
Investment income	34,396	--	34,396	34,657	--	34,657
Unrealized (loss) gain	(14,698)	--	(14,698)	27,029	--	27,029
	<u>19,698</u>	<u>--</u>	<u>19,698</u>	<u>61,686</u>	<u>--</u>	<u>61,686</u>
Endowment assets end of year	<u>\$ 139,962</u>	<u>\$ 1,000,000</u>	<u>\$ 1,139,962</u>	<u>\$ 125,127</u>	<u>\$ 1,000,000</u>	<u>\$ 1,125,127</u>
Permanently restricted net assets						
Required to be maintained in perpetuity		<u>\$ 1,000,000</u>			<u>\$ 1,000,000</u>	

RA invests the endowment funds in a separate investment account. Investment balances, which are included in investments in the statement of financial position, were \$1,173,286 and \$1,153,589 as of June 30, 2015 and 2014, respectively. Temporarily restricted funds released from restriction in the current year are transferred from the investment account in subsequent years in accordance with RA's spending policy.

**13. Subsequent Events**

RA has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of October 29, 2015, which is the date the consolidated financial statements were available for release. Based upon this evaluation, RA has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.