

Rainforest Action Network

Financial Statements

June 30, 2017
(With Comparative Totals for 2016)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainforest Action Network
San Francisco, California

We have audited the accompanying financial statements of Rainforest Action Network (a California nonprofit corporation)("RAN"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Action Network as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Rainforest Action Network's 2016 financial statements, and our report dated October 14, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

October 18, 2017

Rainforest Action Network
Statement of Financial Position
June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,620,126	\$ 3,893,789
Investments	250,000	-
Grants, pledges and contributions receivable, net	1,780,316	1,667,550
Other receivables	14,397	2,171
Prepaid expenses and other current assets	66,553	85,318
Total current assets	5,731,392	5,648,828
Noncurrent assets		
Property and equipment, net	18,440	10,542
Deposits	47,870	47,870
Total noncurrent assets	66,310	58,412
 Total assets	 \$ 5,797,702	 \$ 5,707,240
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 43,273	\$ 35,277
Accrued payroll liabilities	280,619	234,119
Other accrued liabilities	74,448	49,999
Deferred revenue	5,000	-
Deferred rent	11,772	2,078
Total current liabilities	415,112	321,473
Noncurrent liabilities		
Deferred rent, net of current portion	34,623	46,395
Total noncurrent liabilities	34,623	46,395
Total liabilities	449,735	367,868
Net assets		
Unrestricted	2,464,201	3,025,766
Temporarily restricted	2,883,766	2,313,606
Total net assets	5,347,967	5,339,372
 Total liabilities and net assets	 \$ 5,797,702	 \$ 5,707,240

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

Rainforest Action Network
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue, support, membership, special events, and investment returns				
Support and membership				
Public support and membership	\$ 1,233,836	\$ 34,184	\$ 1,268,020	\$ 803,984
Major gifts/family foundations	1,556,597	23,000	1,579,597	2,018,993
Grants and contributions	334,141	3,593,664	3,927,805	4,363,575
In-kind contributions	<u>422,112</u>	<u>-</u>	<u>422,112</u>	<u>74,702</u>
Total support and membership	<u>3,546,686</u>	<u>3,650,848</u>	<u>7,197,534</u>	<u>7,261,254</u>
Special events				
Special events income	600,402	-	600,402	618,813
Special events expenses	<u>(218,589)</u>	<u>-</u>	<u>(218,589)</u>	<u>(289,292)</u>
Total special events	<u>381,813</u>	<u>-</u>	<u>381,813</u>	<u>329,521</u>
Investment returns				
Investment income	<u>1,228</u>	<u>-</u>	<u>1,228</u>	<u>649</u>
Total investment returns	<u>1,228</u>	<u>-</u>	<u>1,228</u>	<u>649</u>
Net assets released from restriction	<u>3,080,688</u>	<u>(3,080,688)</u>	<u>-</u>	<u>-</u>
Revenue, support, membership, special events, and investment returns	<u>7,010,415</u>	<u>570,160</u>	<u>7,580,575</u>	<u>7,591,424</u>
Functional expenses				
Program services				
Other programs	5,783,318	-	5,783,318	4,823,331
Forest Governance, Markets and Climate	<u>413,134</u>	<u>-</u>	<u>413,134</u>	<u>467,810</u>
Total program services	6,196,452	-	6,196,452	5,291,141
Management and general	281,274	-	281,274	196,556
Fundraising	<u>1,094,254</u>	<u>-</u>	<u>1,094,254</u>	<u>974,324</u>
Total functional expenses	<u>7,571,980</u>	<u>-</u>	<u>7,571,980</u>	<u>6,462,021</u>
Change in net assets	(561,565)	570,160	8,595	1,129,403
Net assets, beginning of year	<u>3,025,766</u>	<u>2,313,606</u>	<u>5,339,372</u>	<u>4,209,969</u>
Net assets, end of year	<u>\$ 2,464,201</u>	<u>\$ 2,883,766</u>	<u>\$ 5,347,967</u>	<u>\$ 5,339,372</u>

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

Rainforest Action Network
Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>Program Services</u>				<u>2017 Total</u>	<u>2016 Total</u>
	<u>Other Programs</u>	<u>Forest Governance, Markets and Climate</u>	<u>Management and General</u>	<u>Fundraising</u>		
Bank charges and fees	\$ 178	\$ 2	\$ 4,572	\$ 35,494	\$ 40,246	\$ 21,846
Campaign supplies	16,419	1,381	-	-	17,800	16,880
Communication services	-	-	-	-	-	2,000
Contract services	607,324	202,669	40,859	92,841	943,693	923,465
Digital campaign ad	354,646	307	-	56,230	411,183	179,922
Direct mail	94,890	-	-	187,137	282,027	73,342
Employee development and training	16,484	332	2,629	3,130	22,575	31,386
Equipment leases	6,375	77	337	1,113	7,902	7,644
Equipment maintenance and repair	187	2	10	33	232	-
Grants to third parties	244,614	95,427	-	-	340,041	505,999
In-kind expenses	409,570	-	-	12,542	422,112	74,702
Insurance	6,257	75	10,138	1,093	17,563	17,960
Legal services	8,591	-	-	-	8,591	2,999
List rental	-	-	-	9,009	9,009	8,301
Meetings, conferences and conventions	67,698	6,128	2,283	7,185	83,294	150,372
Membership dues	6,506	108	782	7,361	14,757	2,173
Miscellaneous	21,558	232	173	786	22,749	15,588
Newsletters	12,015	-	-	2,900	14,915	16,654
Office supplies and equipment	40,601	1,533	1,535	5,871	49,540	50,981
Photography and videography	15,914	-	-	-	15,914	19,639
Postage and shipping	3,878	177	550	10,161	14,766	54,313
Printing and copying	37,972	6,086	1,679	2,806	48,543	106,333
Publication and subscriptions	76,316	1,165	581	2,434	80,496	70,800
Recruitment services	717	-	90	450	1,257	3,924
Rent, depreciation and utilities	210,132	15,537	10,936	36,171	272,776	266,898
Salaries, payroll taxes and benefits	3,126,915	34,557	202,021	592,374	3,955,867	3,351,072
Software leases	25,550	306	1,349	4,462	31,667	18,519
Taxes and related costs	1,879	5	20	8,065	9,969	6,671
Telecommunications	47,022	1,717	658	4,546	53,943	52,548
Travel	303,735	42,521	71	10,057	356,384	384,674
Volunteer and intern expenses	1,081	-	-	-	1,081	223
Website	18,294	2,790	1	3	21,088	24,193
	<u>\$ 5,783,318</u>	<u>\$ 413,134</u>	<u>\$ 281,274</u>	<u>\$ 1,094,254</u>	<u>\$ 7,571,980</u>	<u>\$ 6,462,021</u>

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

Rainforest Action Network
Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 8,595	\$ 1,129,403
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	10,512	15,894
Changes in operating assets and liabilities		
Grants, pledges and contributions receivable, net	(112,766)	(1,187,271)
Other receivables	(12,226)	1,346
Prepaid expenses and other current assets	18,765	(369)
Accounts payable	7,996	5,625
Accrued payroll liabilities	46,500	23,466
Other accrued liabilities	24,449	15,723
Deferred rent	(2,078)	-
Deferred revenue	5,000	-
Net cash provided by (used in) operating activities	(5,253)	3,817
Cash flows from investing activities		
Acquisition of property and equipment	(18,410)	-
Purchase of investments	(250,000)	-
Net cash used in investing activities	(268,410)	-
Net increase (decrease) in cash and cash equivalents	(273,663)	3,817
Cash and cash equivalents, beginning of year	3,893,789	3,889,972
Cash and cash equivalents, end of year	\$ 3,620,126	\$ 3,893,789

Supplemental disclosures of cash flow information

Cash paid during the year for		
Tax	\$ 150	\$ 150

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

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

1. NATURE OF OPERATIONS

Rainforest Action Network ("RAN") was established in 1985 as a California nonprofit public charity corporation to conduct research and educate the public about environmental issues. RAN's mission is to preserve forests, protect the climate and uphold human rights by challenging corporate power and systemic injustice through frontline partnerships and strategic campaigns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to nonprofit organizations.

Financial accounting standards require nonprofit organizations to classify net assets in the accompanying statement of financial position and statement of activities in three classes of net assets based on the existence or absence of donor imposed restrictions.

- *Unrestricted net assets* represent the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by the management and the Board of Directors for general operations.
- *Temporarily restricted net assets* represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of RAN.
- *Permanently restricted net assets* represent the portion of net assets for which use is permanently limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of RAN. There are no permanently restricted net assets at June 30, 2017.

Cash and cash equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of three months or less when acquired.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Unconditional pledges and contributions receivable are reported at fair value and recorded in the period pledged or received. Grants that are considered exchange transactions are recorded as revenue when earned. Grants that are non-exchange transactions are considered contributions and accounted for accordingly. Other receivables are stated at the amount management expects to collect from outstanding balances. Receivables to be received after one year are presented net of a discount at a rate of return commensurate with the risks involved determined at the respective dates of the original contributions. Pledge and contributions receivable at June 30, 2017 totaled \$1,780,316, with \$1,280,316 due in less than one year and \$500,000 due in two to five years.

Receivables are reviewed by management for collectability and an allowance for doubtful accounts is established when needed. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. There was no allowance for doubtful account recorded at June 30, 2017.

Property and equipment

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. The cost of property and equipment greater than \$1,000 is capitalized. Maintenance and repairs are charged to expense as incurred. Furnishings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life of the respective assets or the related lease term.

Support and revenue recognition

Contributions are recorded at fair value and are recognized as revenue when the donor makes an unconditional promise to give. Unconditional promises to give are recognized as revenue and receivables in the period in which notification of the promise is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Forest Governance, Markets and Climate Grant

In October 2015, RAN received an award from the Forest Governance, Markets and Climate ("FGMC"). In accordance with the award provisions, RAN is required to report certain financial information related to the award. For the year ended June 30, 2017, FGMC grant income amounted to \$486,614.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

RAN receives gifts in kind, such as event space and catering for its annual special event and digital ads (Google Grants). Gifts in kind received through donation are valued and recorded as revenue at their fair value at the time the contribution is received. The value of such items received during the year ended June 30, 2017 amounted to \$422,112 (\$12,542 for Special Events and \$409,570 for digital ads).

Fair value measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. RAN determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the RAN has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Donated investments

Cash receipts from the sale of donated financial assets that upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash are classified as cash flows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. RAN received donated stock amounting to \$69,506 during 2017, which RAN immediately converted into cash.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates. The remaining costs are charged directly to the appropriate functional category.

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and revenue and expenses, as well as contingent assets and liabilities during the reporting period. Actual results could differ from those estimates.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

RAN has been determined to be exempt from federal and state income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and generally is not subject to state or federal income taxes.

RAN assesses tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition. Based on an analysis prepared by RAN, it was determined that RAN believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Concentration of credit risk

RAN deposits cash with two financial institutions. Such amounts may at times exceed Federal Deposit Insurance Corporation limits. To date, RAN has not experienced any losses in these accounts.

Receivables consist primarily of unsecured amounts due from companies and foundations. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance. Based on past experiences, an evaluation of the outstanding receivables at the end of the year and other known circumstances, an allowance for doubtful accounts is maintained for amounts deemed to be uncollectible.

Reclassifications

Certain prior year amounts on the statement of activities have been reclassified to conform to the current year presentation.

Subsequent events

RAN has evaluated subsequent events through October 18, 2017, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of RAN's financial statements.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 91,725
Leasehold improvements	<u>45,696</u>
	137,421
Accumulated depreciation	<u>(118,981)</u>
	<u><u>\$ 18,440</u></u>

Depreciation expense for the year ended June 30, 2017 totaled \$10,512.

4. INVESTMENTS

Investments consist of the following:

Fixed income	<u><u>\$ 250,000</u></u>
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The following table sets forth by level, within the fair value hierarchy, RAN's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
	<u><u>\$ -</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 250,000</u></u>

5. ALLOCATION OF JOINT COSTS

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between fundraising and the appropriate program or management and general function. RAN incurred joint costs of \$124,410 for the informational materials and activities that included fundraising appeals during the year ended June 30, 2017. Of those costs, \$17,506 was allocated to fundraising expenses and \$106,905 was allocated to public education during the year ended June 30, 2017. These allocations were based on management's analyses of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

6. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following:

Climate Program	\$ 383,285
Rainforest Free Paper	117,870
Agribusiness Campaign	2,304,693
Protect an Acre	71,470
Climate Action Fund	251
Shared/Training	<u>6,197</u>
	<u>\$ 2,883,766</u>

During 2017, RAN released \$3,080,688 from temporarily restricted net assets to unrestricted net assets.

7. RETIREMENT PLAN

RAN sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan covering all employees who meet certain minimum requirements. Under the Plan, RAN provides a matching contribution to each employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.

The amount of pension contribution recognized as expense in 2017 amounted to \$52,959.

8. COMMITMENTS AND CONTINGENCIES

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) contractual restrictions and donor conditions which obligate RAN to fulfill certain requirements as set forth in legal instruments, (b) funding levels which vary based on factors beyond RAN's control, such as general economic conditions, (c) service agreements with outside contractors, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.

Rainforest Action Network
Notes to Financial Statements
June 30, 2017

8. COMMITMENTS AND CONTINGENCIES (continued)

Leases

In September 2012, RAN entered into an operating lease for its office located in San Francisco, California. The lease has a term of 7 years, beginning January 1, 2013, and expiring on December 31, 2019. The lease calls for monthly payments of \$17,773 during the initial year, increases annually for the next three years (2014 to 2016) by \$539 per month, and increases annually for the following three years (2017 to 2019) by another \$808 per month on the anniversary of the rent commencement date. RAN recognizes rent expense on a straight line basis.

RAN also leases office equipment under various operating lease agreements which expire within one to five years.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 251,106
2019	257,328
2020	<u>130,876</u>
	<u>\$ 639,310</u>

Rent expense for the year ended June 30, 2017 was \$244,603.