Rainforest Action Network

Financial Statements

For the years ended
June 30, 2011 and 2010

With Independent Auditors' Report

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

RAINFOREST ACTION NETWORK

(A California Not-For-Profit Corporation)
June 30, 2011

Our Mission

Rainforest Action Network campaigns for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing, and non-violent direct action.

Our Progams

Rainforest Action Network, a savvy, hard-hitting environmental action organization, has won more than a dozen landmark commitments from America's largest corporations, including Citi, Home Depot, Goldman Sachs, Bank of America, Kinko's, Boise and Lowe's.

With some of the most talented environmental agitators in the business, we are committed to running successful campaigns that push companies to balance profits with principles; protect endangered forests and the communities that depend on them; transform North America's dirty energy expansion into a clean energy future; and combat global warming.

Board of Directors

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Rebecca Tarbotton
Executive Director

(A California Not-For-Profit Corporation)
June 30, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Rainforest Action Network

We have audited the accompanying statement of financial position of Rainforest Action Network (a non-profit organization) as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Rainforest Action Network management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized information on the statement of activities and changes in net assets has been derived from the Rainforest Action Network June 30, 2010 financial statements and, in our report dated August 31, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
September 21, 2011

RAINFOREST ACTION NETWORK

Statements of Financial Position
June 30, 2011 and 2010

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	$ 1,445,016	1,143,260
Investments	25,319	-
Grants, pledges and contributions receivable (net)	495,858	419,368
Other receivables	1,050	19,390
Prepaid expenses and other current assets	41,097	29,206
Total current assets	2,008,340	1,611,224
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	3,827	32,882
Property and equipment, net	29,662	41,401
Deposits	28,305	28,305
Total noncurrent assets	61,794	102,588
	$ 2,070,134	1,713,812

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	$ 19,207	44,954
Accrued payroll liabilities	131,720	135,580
Deferred advances	281,180	-
Other liabilities	120,926	125,998
Total current liabilities	553,033	306,532
Net assets:		
Unrestricted	1,101,546	899,372
Temporarily restricted	415,555	507,908
Total net assets	1,517,101	1,407,280
	$ 2,070,134	1,713,812

Statement of Activities and Changes in Net Assets
Year ended June 30, 2011
(with comparative results for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
Changes in net assets:				
Revenue and support:				
Public support and membership	$ 743,126	28,250	**771,376**	738,949
Major gifts/family foundations	1,080,441	128,667	**1,209,108**	1,625,508
Grants and contributions	328,670	1,352,500	**1,681,170**	1,736,317
Special events income	321,973	-	**321,973**	416,419
Net assets released from restrictions	1,601,771	(1,601,771)	**-**	-
Total contributed income	4,075,981	(92,354)	**3,983,627**	4,517,193
Investment income	1,014	-	**1,014**	266
Royalties	126	-	**126**	125
Realized losses on investments	(170)	-	**(170)**	(214)
Change in present value of receivables	945	-	**945**	(1,118)
Other	79,029	-	**79,029**	84,211
Total other support	80,944	-	**80,944**	83,270
Total revenue and support	4,156,925	(92,354)	**4,064,571**	4,600,463
Expenses:				
Program services				
Public education	2,958,091	-	**2,958,091**	3,422,682
Education	113,791	-	**113,791**	292,468
Supporting services				
Management and general	252,777	-	**252,777**	233,505
Fundraising	630,091	-	**630,091**	648,716
Total expenses	3,954,750	**-**	**3,954,750**	4,597,371
Increase in net assets before unrealized gains on investments	202,175	(92,354)	**109,821**	3,092
Unrealized gains on investments	-	-	**-**	682
Increase (decrease) in net assets	202,175	(92,354)	**109,821**	3,774
Net assets at beginning of year	899,372	507,908	**1,407,280**	1,403,506
Net assets at end of year	**$ 1,101,547**	**415,554**	**1,517,101**	1,407,280

Statements of Cash Flows
Years ended June 30, 2011 and 2010

	2011	2010
Operating activities:		
Increase in net assets	$ 109,821	3,774
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	26,912	28,092
Unrealized (gains) on investments	-	(682)
In-kind contributions	(13,170)	(47,315)
Change in present value of receivables	(945)	1,118
Changes in:		
Grants, pledges and contributions receivable, net	(33,320)	(216,405)
Other receivables	18,340	(10,833)
Prepaid expenses and other current assets	(11,891)	19,831
Accounts payable and accrued liabilities	(25,747)	(61,818)
Accrued payroll liabilities	(3,860)	(15,767)
Deferred advance	281,180	-
Other liabilities	(5,072)	80,423
Cash provided by (used for) operating activities	342,248	(219,582)
Investing activities:		
Net acquisition of investments	(25,319)	682
Acquisition of property and equipment	(15,173)	(21,523)
Cash used for investing activities	(40,492)	(20,841)
Net increase (decrease) in cash and cash equivalents	301,756	(240,423)
Cash and cash equivalents at beginning of year	1,143,260	1,383,683
Cash and cash equivalents at end of year	$ 1,445,016	1,143,260
Additional cash flow information:		
Interest paid	$ -	-
Taxes	$ 150	150

RAINFOREST ACTION NETWORK

Statement of Functional Expenses
Year ended June 30, 2011
(with Summarized Financial Information for the Year Ended June 30, 2010)

	Year Ended June 30, 2011						
	Program Services		Supporting Services				
	Programs	Public Education	Admin-istration	Fund-Raising	Common Costs	2011 Total	2010 Total
Advertising and promotion	$ 6,625	152	-	-	-	6,777	13,925
Bank charges and fees	-	-	-	11,316	4,414	15,730	20,336
Campaign supplies	10,044	-	-	-	-	10,044	21,037
Communication services	24,889	-	-	-	-	24,889	51,470
Contract services	285,381	501	56,653	32,645	15,628	390,808	355,664
Direct mail	70,074	-	-	56,294	-	126,368	128,979
Employee development and training	12,185	-	-	4,611	4,821	21,617	14,574
Equipment lease	-	-	-	-	10,936	10,936	10,801
Equipment maintenance and repair	-	-	-	-	12,595	12,595	12,225
Events	-	-	-	112,811	-	112,811	114,741
Grants to third parties	22,500	28,910	-	-	-	51,410	179,347
Insurance	-	-	9,250	-	5,608	14,858	14,512
Legal services	12,530	-	-	-	1,065	13,595	16,208
List rental	-	-	-	11,419	-	11,419	14,686
Meetings, conferences and conventions	33,197	176	2,896	2,538	6,175	44,982	60,928
Membership dues	7,068	-	-	2,648	260	9,976	3,063
Miscellaneous	9,128	1,103	420	1,794	3,667	16,112	23,765
Newsletters	32,099	-	-	334	-	32,433	40,147
Office supplies and equipment	4,255	95	492	529	16,585	21,956	29,505
Payroll processing fees	-	-	-	-	3,657	3,657	7,652
Photography / videography	10,196	280	-	-	-	10,476	13,003
Postage and shipping	6,466	544	331	13,968	1,183	22,492	27,957
Printing and copying	32,091	276	4,536	8,368	7,230	52,501	90,058
Professional fundraiser	-	-	-	23,027	-	23,027	4,000
Publication and subscriptions	32,768	-	200	606	30	33,604	34,902
Recruitment services	900	-	-	-	4,448	5,348	37,005
Rent, depreciation, utilities	-	-	-	-	399,500	399,500	415,026
Salaries, payroll taxes and benefits	1,674,553	64,010	139,367	261,827	44,846	2,184,603	2,458,006
Taxes, fees, fines, penalties	1,220	-	4,021	-	1,005	6,246	8,351
Telecommunications	31,648	1,210	60	1,967	13,226	48,111	55,094
Travel	166,814	50	103	6,980	2,182	176,129	304,089
Volunteer and intern expenses	2,443	56	-	147	-	2,646	1,197
Website	23,924	-	-	-	-	23,924	15,118
In-kind expenses	-	-	-	13,170	-	13,170	-
Common cost allocation	445,093	16,428	34,448	63,092	(559,061)	-	-
	$ **2,958,091**	**113,791**	**252,777**	**630,091**	**-**	**3,954,750**	4,597,371

See accompanying auditors' report and notes to financial statements.

Notes to Financial Statements
June 30, 2011

1. Organization

Rainforest Action Network (RAN) was established in 1985 as a California nonprofit public charity corporation and has been working to protect rainforests and the human rights of those living in and around those forests. From its beginning, RAN has played a key role in strengthening the worldwide rainforest conservation movement through supporting activists in rainforest countries as well as organizing and mobilizing consumers and community action groups throughout the United States.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of RAN have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, RAN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. RAN had no permanently restricted net assets as of June 30, 2011 and 2010.

Support and Revenue Recognition
RAN records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when RAN has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Grants, Pledges and Contributions Receivable
Grants, pledges and contributions receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at their estimated net realizable value.

Allocation of Expenses
Shared expenses are allocated to program and supporting services based on an analysis of payroll expenditures and job position.

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of less than three months when acquired. Funds placed in money market accounts and related securities with readily determinable market values are reported at fair value with gains and losses included on the statement of activities and changes in net assets

RAN follows the provisions of ASC 958.320, *Investments of Not-for-Profit Entities* and has estimated the fair value of its cash and cash equivalents using available market information and other valuation methodologies. The estimates are based on pertinent information available to management as of June 30, 2011. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments

RAN follows the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities*, and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts RAN could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2011. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the fair values at June 30, 2011.

Investments consist of corporate securities. Purchased investments are initially stated at cost and subsequently at fair value. RAN's policy is to record investments received by gift at fair value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Property and Equipment

Property and equipment purchased by RAN is stated at cost. Property and equipment donated to RAN is recorded at estimated fair value as of the date of the gift. Maintenance and repairs are charged to expense as incurred. Furnishings, equipment and leasehold improvement are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years.

Use of Estimates

The preparation 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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses

The costs of providing RAN's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain amounts in 2010 have been reclassified to conform to the 2011 financial statement presentation.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, RAN is required to report information regarding its exposure to various tax positions taken by RAN and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that RAN has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Management believes that RAN has adequately evaluated its current tax positions and has concluded that as of June 30, 2011, RAN does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

RAN has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that RAN continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. RAN may periodically receive unrelated business income requiring RAN to file separate tax returns under federal and state statutes. Under such conditions, RAN calculates, accrues and remits the applicable taxes.

3. Cash and Cash Equivalents and Concentration Risk

Cash and cash equivalents at June 30, 2011 and 2010 include all funds in banks and outside brokerage firms (checking, savings, and money market funds) with maturity dates of three months or less. At June 30, 2011, certain deposits exceeded the federally insured limit of $250,000. RAN attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated. The composition of cash and cash equivalents are as follows at June 30, 2011 and 2010:

	June 30	
	2011	**2010**
Checking	**$ 933,418**	344,030
Savings	**458,224**	242,242
Schwab money market funds	**53,374**	119,754
Dreyfus government prime funds	**-**	437,234
	$ 1,445,016	1,143,260

4. Investments and Investment Income

Investments consist of equities (stocks) housed with an outside brokerage firm. The estimated cost basis and fair value of investments are as follows at June 30, 2011 and 2010:

	June 30, 2011		June 30, 2010	
	Estimated Cost Basis	Fair Value	Estimated Cost Basis	Fair Value
Equities	$ 25,319	25,319	-	-
Totals	$ 25,319	25,319	-	-

Schwab money market funds earn interest at the rate of 0.01% per annum as of June 30, 2011. Net investment income (including interest earned on cash and cash equivalents) amounted to $1,014 and $266 for the years ended June 30, 2011 and 2010, respectively. During the years ended June 30, 2011 and 2010, there were net realized losses of $170 and $214, respectively, related to RAN's holdings. During the year ended June 30, 2010, there were net unrealized gains of $682 related to RAN's holdings. There were no unrealized gains or losses for the year ended June 30, 2011.

Fair Value Measurements for Cash and Cash Equivalents and Investments

Composition of Cash and Cash Equivalents and Investments utilizing fair value measurements at June 30, 2011 is as follows:

	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Checking and savings	$ 1,391,642	1,391,643	-	-
Schwab money market funds	53,374	53,374		
Subtotal cash and cash equivalents	1,445,016	1,445,016		
Investments				
Equities	25,319	25,319	-	-
Totals	$ 1,470,335	1,470,335	-	-

Fair value measurements establish a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, (b) Level 2 measurement reflects the value of the investments using significant other observable inputs, and (c) Level 3 measurement reflects the value of the investments using significant unobservable inputs. RAN had no marketable assets classified as Level 2 or 3 at June 30, 2011.

RAN's investment holdings at June 30, 2011 were temporary in nature and were converted to cash and cash equivalents during the month of July 2011. RAN maintains a brokerage account to accommodate certain donors who contribute stocks, equities, mutual funds, and other securities in lieu of cash donations.

5. Grants, Pledges and Contributions Receivable

Total grants, pledges and contributions receivable of $499,685 and $452,250 at June 30, 2011 and 2010, respectively, represent funds due from various individuals and organizations and are reflected net of discount applied to multi-year receivables. Amounts due under receivables are expected to be collected as follows at June 30, 2011:

Year ending June 30, 2012	$	495,858
Year ending June 30, 2013		2,000
Year ending June 30, 2014		2,000
Subtotal		499,858
Less: discount applied to multi-year receivables		(173)
Present value of grants, pledges and contributions receivable		499,685
Less: grants, pledges and contributions receivable due within one year (current)		(495,858)
Grants, pledges and contributions receivable due after one year (noncurrent)	$	3,827

Receivables due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 3% per annum. The change in the value of the notes receivable for the years ended June 30, 2011 and 2010 amounted to $945 and ($1,118), respectively, and is reflected as a component of income affecting the value of unrestricted net assets on the statement of activities and changes in net assets.

6. Property and Equipment

Property and equipment consist of the following at June 30, 2011 and 2010:

		2011	2010
Furniture and equipment	$	**122,846**	122,413
Leasehold improvements		**36,926**	36,926
Less: accumulated depreciation		**(130,110)**	(117,938)
	$	**29,662**	41,401

Depreciation expense amounted to $26,912 and $28,092 for the years ended June 30, 2011 and 2010, respectively. During the years ended June 30, 2011 and 2010, RAN wrote off $14,740 and $9,452, respectively, in fully depreciated property and equipment.

7. Temporarily Restricted Net Assets

RAN recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30, 2011 and 2010:

		2011	2010
Agribusiness Campaign	$	**242,441**	171,070
Carbon Action Fund		**1,322**	1,230
Freedom From Oil		**-**	26,188
Global Finance Campaign		**-**	61,600
Kids Action and Protect an Acre		**43,347**	53,332
Online and others		**2,500**	8,500
Rainforest Free Paper Campaign		**103,445**	170,328
Shared/Training		**22,500**	15,660
	$	**415,555**	507,908

During the years ended June 30, 2011 and 2010, RAN released $1,601,771 and $2,129,072, respectively, from temporarily restricted net assets to unrestricted net assets.

8. Allocation of Joint Costs

RAN follows the provisions of allocating joint costs as required by ASC 958.720-05 *Other Expenses of Not-for-Profits*. Under ASC 958.720-05, RAN incurred allocable joint costs of $160,263 and $169,126 for the informational materials and activities that included fund-raising appeals during the years ended June 30, 2011 and 2010, respectively. Of those costs, $56,628 and $51,987 were allocated to fund-raising expenses and $103,635 and $117,139 were allocated to public education during the years ended June 30, 2011 and 2010, respectively. These allocations were based on independent analyses of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

9. Retirement Plan

RAN offers employees the opportunity for participation in a salary reduction retirement plan qualified under provision of the Internal Revenue Code permitting Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). Eligibility is limited to employees who are reasonably expected to receive at least $5,000 in compensation for the calendar year and who received at least $5,000 in the preceding calendar year. An eligible employee may make an election to have their compensation for each pay period reduced, not to exceed the applicable amount per year. For each calendar year, RAN will contribute 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. RAN contributes to the eligible employee's Simple IRA at the end of the fiscal year, after the audit is concluded. RAN has accrued $24,651 for the year ended June 30, 2011. RAN contributed $29,911 for the year ended June 30, 2010.

10. Leases

RAN leases its corporate office space in San Francisco, California under two separate lease agreements (one for the 4th and 5th floors which expires February 28, 2013 and another for the 6th floor which expires February 28, 2013). The leases stipulate monthly rental payments of $19,350 and $7,418, respectively, as of June 30, 2011. Both leases provide for modest increases in the monthly rent effective March 1, 2012 and running through the end of the lease term. RAN is also responsible for its share of common area maintenance expenses which includes property taxes and other assessments. Additionally, RAN leases office equipment under separate rental contracts. Minimum annual payments on all operating leases extending beyond one year are as follows:

Year Ending June 30, 2012	$	330,312
Year Ending June 30, 2013		222,752

Total rent expense amounted to $369,971 and $382,859 for the years ended June 30, 2011 and 2010, respectively.

11. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, RAN is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of personal time off, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year.

12. Deferred Advances

Deferred advances of $281,180 at June 30, 2011 represent funds received but not earned. There is a slight change that some or all of the amounts received may have to be returned, hence the classification as a liability.

13. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and grant agreements and the performance of services (in order to receive funding from certain individuals and foundations), the costs of which are not reflected in the financial statements (because they have not yet been incurred). Certain of the grants and contracts are subject to audit and final acceptance by the granting agency. Current and future funding of such grants could be subject to adjustment upon audit. 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.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, RAN has evaluated subsequent events through September 21, 2011, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.