



**RAINFOREST ALLIANCE**

**Financial Statements**

**June 30, 2008**

**With Independent Auditors' Report**

**Rainforest Alliance**  
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**June 30, 2008**

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## Independent Auditors' Report

To the Board of Directors,  
Rainforest Alliance:

We have audited the accompanying statement of financial position of Rainforest Alliance, ("RA") as of June 30, 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the RA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of RA as of June 30, 2007, were audited by other auditors whose report dated February 11, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of RA as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2009 on our consideration of RA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was made for the purpose of forming an opinion on the basic financial statements of RA taken as a whole. The accompanying schedules of expenditures of federal awards, computation of indirect rate and fringe rate are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Withersmith+Brown, PC*

January 21, 2009

**Rainforest Alliance**  
**Statement of Financial Position**  
**June 30, 2008 (With Summarized Comparative Totals for June 30, 2007)**

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<b>Assets</b>	<b>2008</b>	<b>2007</b>
Current assets		
Cash and cash equivalents	\$ 2,919,002	\$ 2,533,225
Grants and contributions	2,073,217	1,381,166
SmartWood and other receivable	2,184,842	954,343
Advances and prepaid expenses	358,113	152,491
Segregated investments	33,746	41,481
Total current assets	<u>7,568,920</u>	<u>5,062,706</u>
Security deposits	118,366	118,367
Property and equipment, net	135,332	184,621
	<u>\$ 7,822,618</u>	<u>\$ 5,365,694</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,103,980	\$ 1,003,263
Deferred income	216,000	165,379
Deferred rent liability	14,037	7,219
Loan repayments due next year	--	88,378
Total current liabilities	<u>2,334,017</u>	<u>1,264,239</u>
MacArthur loan	956,700	956,700
Ford loan	1,435,050	1,360,050
Deferred rent liability	12,060	28,875
	<u>2,403,810</u>	<u>2,345,625</u>
Total liabilities	4,737,827	3,609,864
Net assets (deficiency)		
Unrestricted		
General	2,116,567	2,302,597
Special grants	(2,391,750)	(2,391,750)
	(275,183)	(89,153)
Temporarily restricted	3,359,974	1,844,983
Total net assets	<u>3,084,791</u>	<u>1,755,830</u>
	<u>\$ 7,822,618</u>	<u>\$ 5,365,694</u>

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

**Rainforest Alliance**  
**Statement of Activities and Changes in Net Assets**  
**Years Ended June 30, 2008**  
**(With Summarized Comparative Totals for June 30, 2007)**

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total	2007 Total
	General	Special Grants	Total			
Support and revenues						
Contributions	\$ 1,447,974	\$ -	\$ 1,447,974	\$ 401,940	\$ 1,849,914	\$ 1,955,735
Foundations and corporate grants	327,499	-	327,499	5,428,758	5,756,257	3,488,185
Government grants and contracts	8,598,725	-	8,598,725	-	8,598,725	7,097,322
Membership	680,050	-	680,050	550	680,600	642,168
Certification fees	8,980,102	-	8,980,102	-	8,980,102	5,994,270
Special events - net	1,240,422	-	1,240,422	-	1,240,422	1,400,266
Interest and other	159,614	-	159,614	-	159,614	171,887
In-kind contributions	590,876	-	590,876	-	590,876	722,692
Net assets released from restrictions	4,316,257	-	4,316,257	(4,316,257)	-	-
	<u>26,341,519</u>	<u>-</u>	<u>26,341,519</u>	<u>1,514,991</u>	<u>27,856,510</u>	<u>21,472,525</u>
Expenses						
Program services						
Sustainable agriculture	6,261,019	-	6,261,019	-	6,261,019	4,211,678
SmartWood	9,014,796	-	9,014,796	-	9,014,796	6,133,028
Trees	3,533,989	-	3,533,989	-	3,533,989	3,708,756
Sustainable tourism	2,461,474	-	2,461,474	-	2,461,474	2,078,994
Communications/education	2,180,995	-	2,180,995	-	2,180,995	1,584,973
Special projects	1,353,056	-	1,353,056	-	1,353,056	665,707
	<u>24,805,329</u>	<u>-</u>	<u>24,805,329</u>	<u>-</u>	<u>24,805,329</u>	<u>18,383,136</u>
Management and general	184,561	-	184,561	-	184,561	395,182
Fundraising	1,537,659	-	1,537,659	-	1,537,659	1,149,817
	<u>26,527,549</u>	<u>-</u>	<u>26,527,549</u>	<u>-</u>	<u>26,527,549</u>	<u>19,928,135</u>
Change in net assets	(186,030)	-	(186,030)	1,514,991	1,328,961	1,544,390
Net assets (deficiency), beginning of year	2,302,597	(2,391,750)	(89,153)	1,844,983	1,755,830	211,440
Net assets (deficiency), end of year	<u>\$ 2,116,567</u>	<u>\$ (2,391,750)</u>	<u>\$ (275,183)</u>	<u>\$ 3,359,974</u>	<u>\$ 3,084,791</u>	<u>\$ 1,755,830</u>

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

**Rainforest Alliance**  
**Statement of Functional Expenses**  
**Years Ended June 30, 2008**  
**(With Summarized Comparative Totals for June 30, 2007)**

	Program Services						Support Services			2008 Grand Total	2007 Grand Total	
	Sustainable Agriculture	SmartWood	TREES	Sustainable Tourism	Communications/ Education	Special Projects	Total	Management and General	Fund- Raising			Total
Salaries and benefits	\$ 2,492,730	\$ 3,919,035	\$ 1,722,360	\$ 913,413	\$ 994,695	\$ 574,996	\$ 10,617,229	\$ 128,373	\$ 787,331	\$ 915,704	\$ 11,532,933	\$ 7,944,272
Sub-grants	969,403	54,303	271,617	619,113	177,881	270,163	2,362,480	1,090	7,358	8,448	2,370,928	1,186,231
Consultants	1,013,682	483,228	449,830	251,948	464,675	88,724	2,752,087	3,672	55,768	59,440	2,811,527	3,027,271
Telephone	45,923	101,984	40,353	14,251	12,404	25,843	240,758	3,798	7,075	10,873	251,631	211,121
Printing	10,830	2,755	2,283	39,213	91,063	299	146,443	6	62,129	62,135	208,578	202,269
Postage/shipping	30,991	19,699	8,090	9,915	125,602	5,758	200,055	972	102,503	103,475	303,530	283,001
Office supplies	31,588	36,288	26,923	16,431	7,309	20,717	139,256	1,159	5,723	6,882	146,138	154,185
Office equipment	67,150	101,311	67,907	20,943	25,428	23,429	306,168	867	19,165	20,032	326,200	273,991
Certification	259,294	2,906,259	9,305	(11,331)	2,207	1,485	3,167,219	183	2,493	2,676	3,169,895	2,260,899
Occupancy	219,326	319,002	180,053	115,864	54,007	126,592	1,014,844	4,329	29,773	34,102	1,048,946	882,124
Travel	691,359	457,932	500,487	182,223	86,668	145,963	2,064,632	12,595	42,117	54,712	2,119,344	1,681,669
Workshops	148,780	84,293	101,700	161,511	28,986	9,942	535,212	235	3,288	3,523	538,735	453,677
Other office expenses	204,813	258,370	89,437	98,462	83,887	42,718	777,687	25,110	71,119	96,229	873,916	560,690
Depreciation	9,874	14,219	5,574	3,878	3,440	2,148	39,133	286	11,555	11,841	50,974	52,543
Tax expense	-	162,112	21,222	-	-	64	183,398	-	-	-	183,398	31,500
	<u>6,195,743</u>	<u>8,920,790</u>	<u>3,497,141</u>	<u>2,435,834</u>	<u>2,158,252</u>	<u>1,338,841</u>	<u>24,546,601</u>	<u>182,675</u>	<u>1,207,397</u>	<u>1,390,072</u>	<u>25,936,673</u>	<u>19,205,443</u>
In-Kind services and supplies	<u>65,276</u>	<u>94,006</u>	<u>36,848</u>	<u>25,640</u>	<u>22,743</u>	<u>14,215</u>	<u>258,728</u>	<u>1,886</u>	<u>330,262</u>	<u>332,148</u>	<u>590,876</u>	<u>722,692</u>
	<u>\$ 6,261,019</u>	<u>\$ 9,014,796</u>	<u>\$ 3,533,989</u>	<u>\$ 2,461,474</u>	<u>\$ 2,180,995</u>	<u>\$ 1,353,056</u>	<u>\$ 24,805,329</u>	<u>\$ 184,561</u>	<u>\$ 1,537,659</u>	<u>\$ 1,722,220</u>	<u>\$ 26,527,549</u>	<u>\$ 19,928,135</u>

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

**Rainforest Alliance**  
**Statements of Cash Flows**  
**Year Ended June 30, 2008 (With Summarized Comparative Totals for June 30, 2007)**

	2008	2007
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 1,328,961	\$ 1,544,390
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	50,974	52,544
Donated securities	-	(213,025)
Deferred rent amortization	-	(7,219)
Segregated investments	7,735	10,666
Changes in assets and liabilities		
Grants and contributions receivable	(692,051)	(260,877)
SmartWood and other receivables	(1,230,499)	230,817
Advances and prepaid expenses	(205,622)	83,087
Accounts payable and accrued expenses	1,100,718	190,543
Annuities payable	-	(5,157)
Deferred rent liability	(9,997)	-
Deferred income	50,621	(252,911)
Net cash provided by operating activities	<u>400,840</u>	<u>1,372,858</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,685)	(41,731)
Proceeds from sale of securities	-	213,025
Net cash (used) provided by investing activities	<u>(1,685)</u>	<u>171,294</u>
<b>Cash flows from financing activities</b>		
Repayment of MacArthur loan	-	(15,000)
Repayment of Ford loan	-	(22,500)
Repayment of software loan	(13,378)	(26,755)
Net cash used by financing activities	<u>(13,378)</u>	<u>(64,255)</u>
Net change in cash and cash equivalents	385,777	1,479,897
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,533,225</u>	<u>1,053,328</u>
End of year	<u>\$ 2,919,002</u>	<u>\$ 2,533,225</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ -	\$ -
Foreign taxes paid	\$ 183,398	\$ 31,500

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



**Rainforest Alliance**  
**Notes to Financial Statements**  
**June 30, 2008 (With Summarized Comparative Information for June 30, 2007)**

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**1. Organization and Nature of Activities**

The Rainforest Alliance ("RA") is an international non-profit organization with branches in various countries. Its mission is to protect ecosystems and the people and wildlife that depend on them by transforming land use practices, business practices and consumer behavior. Companies, cooperatives and landowners that participate in its programs meet rigorous standards that conserve biodiversity and provide sustainable livelihoods.

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

**2. Summary of Significant Accounting Policies**

**Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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. Unrestricted net assets also include a Special Grants Fund.

The Special Grants Fund represents SmartWood program activity expenses that were funded by a recoverable grant and an interest-free loan. Activities funded by these monies are shown on the statement of financial position as a deficit under Net Assets – Special Grants. This deficit will decrease at such time when SmartWood revenues exceed expenses. Unrestricted assets will fund any SmartWood expenses in excess of revenues. Repayments will be made from cash flow from operations from the funded SmartWood activities and unrestricted assets.

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. When a donor restriction expires or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**Restricted and Unrestricted Revenue**

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

RA accounts for those contract and grant revenue which have been determined to be exchange transactions, in the statement of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual contract are used as guidelines. 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.

Unrestricted revenue is obtained from membership dues and certification fees. Membership dues are allocated to the appropriate period when earned. Certification fees are recorded as revenue when the services are provided. Dues and certification fees received before the related service or program provided by RA are included in deferred income.

**Rainforest Alliance**  
**Notes to Financial Statements**  
**June 30, 2008 (With Summarized Comparative Information for June 30, 2007)**

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**Cash Equivalents**

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

**Property and Equipment**

Property and equipment is recorded at cost, except for donated items which are recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment. 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.

The principal rates for computing depreciation by major asset categories are as follows:

<b>Description</b>	<b>Estimated Life (Years)</b>
Furniture and equipment	10
Software	5
Leasehold improvements	10

**Receivables and Credit Policies**

In the normal course of business, RA grants credit directly to certain customers after a credit analysis based on financial and other criteria and generally requires no collateral. RA reviews the receivables and has determined that no allowance is required.

**Donated Goods and Services**

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

**Allocation of Expenses**

Expenses are allocated to the various program and supporting services based on the ratio of direct expense for function to total direct expenses.

**Prior Year Summarized Comparative Information**

Information as of and for the year ended June 30, 2007, is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with RA's financial statements as of and for the year ended June 30, 2007, 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. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

**Reclassifications**

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

**Rainforest Alliance**  
**Notes to Financial Statements**  
**June 30, 2008 (With Summarized Comparative Information for June 30, 2007)**

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**Concentration of Credit Risk**

Financial instruments that potentially expose RA to concentration of credit risk consist primarily of cash and cash equivalents. RA places its cash and cash equivalents with high quality financial institutions and at times during the year, the amount on deposit may exceed the Federal Deposit Insurance Corporation's \$100,000 insured limit. Management monitors the soundness of these institutions and has not experienced any losses.

During the years ended June 30, 2008 and 2007, approximately 13 and 18 percent, respectively, of RA's total support and revenues were received from United States Agency for International Development.

**3. Segregated Investments**

During fiscal 2001, RA entered into charitable gift annuity agreements totaling \$96,910. These agreements require total annual payments of \$9,885 to annuitants. At that time RA had recorded \$96,910 as a segregated investment and \$50,132 as an annuity payable and the remainder \$46,778 was recognized as a temporarily restricted contribution. For the years ended June 30, 2008 and 2007, the segregated investment, which consists of fixed income securities, was \$33,746 and \$41,481, respectively. The annuity payable that was set up in fiscal 2001 was zero at the end of fiscal 2008.

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	<b>2008</b>	<b>2007</b>
Sustainable Forestry	\$ 657,723	\$ 782,239
Sustainable Agriculture	802,921	330,421
Sustainable Tourism	75,000	133,315
Education	55,996	103,170
Communications	478,039	273,060
Special Projects	817,946	--
Capital Campaign	267,692	--
Charitable Trusts	46,778	46,778
Operations	<u>157,879</u>	<u>176,000</u>
	<u>\$ 3,359,974</u>	<u>\$ 1,844,983</u>

The following is a summary of the net assets released from donor restriction during the years ended June 30:

	<b>2008</b>	<b>2007</b>
Sustainable Forestry	\$ 1,278,207	\$ 1,215,409
Sustainable Agriculture	708,944	967,736
Sustainable Tourism	358,315	252,552
Education	312,897	110,360
Communications	439,717	283,958
Special Projects	599,403	--
Capital Campaign	139,558	--
Operations	<u>479,216</u>	<u>287,403</u>
	<u>\$ 4,316,257</u>	<u>\$ 3,117,418</u>

**Rainforest Alliance**  
**Notes to Financial Statements**  
**June 30, 2008 (With Summarized Comparative Information for June 30, 2007)**

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**5. Property and Equipment**

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

	<b>2008</b>	<b>2007</b>
Furniture and equipment	\$ 487,729	\$ 486,044
Software	132,506	132,506
Leasehold improvements	<u>45,900</u>	<u>45,900</u>
	666,135	664,450
Less: Accumulated depreciation	<u>530,803</u>	<u>479,829</u>
	<u>\$ 135,332</u>	<u>\$ 184,621</u>

Depreciation expense amounted to \$50,974 and \$52,543 for the years ended June 30, 2008 and 2007, respectively.

**6. Long-Term Debt**

In July 1998, RA was awarded a recoverable grant of \$1,500,000 by the Ford Foundation to fund certain SmartWood program activities. Grant repayments are tied to cash flows from operations from funded activities, and began in 2004 and continue through 2010.

In April 1999, RA received an interest-free loan of \$1,000,000 from the MacArthur Foundation for the same SmartWood program activities. In December 2007, there was a loan modification deferring all payments to October 31, 2010, at which time the remaining principal balance is due.

During 2004 RA obtained an interest-free financial agreement with De Lage Landen Financial Services to purchase a general ledger system. The loan requires 36 monthly payments of \$2,230. This loan was paid off during the year ended June 30, 2008.

**7. In-Kind Contributions**

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

	<b>2008</b>	<b>2007</b>
Legal services	\$ 205,338	\$ 338,875
Annual gala services	224,346	178,204
Other	--	4,000
Imputed interest	<u>161,192</u>	<u>201,613</u>
	<u>\$ 590,876</u>	<u>\$ 722,692</u>

The contribution (imputed interest) inherent in the interest-free loans has been recorded at fair value, based on an imputed interest rate of 6.75 percent and 8.25 percent for fiscal years ended June 30, 2008 and 2007, respectively, which is the average prime rate of the fiscal year.

**Rainforest Alliance**  
**Notes to Financial Statements**  
**June 30, 2008 (With Summarized Comparative Information for June 30, 2007)**

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**8. Commitments**

RA entered into a lease agreement for its New York office space effective July 19, 2002, for a period of ten years. RA also has entered into leases for several foreign offices. The commitment of rent under these lease agreements for the next five years and in the aggregate is as follows:

<b>Year</b>	<b>Amount</b>
2008	\$ 649,117
2009	656,333
2010	557,506
2011	561,446
2012	<u>535,679</u>
	<u>\$ 2,960,081</u>

Rent expense totaled \$751,165 and \$727,582, for the years ended June 30, 2008 and 2007, respectively.

**9. Retirement Plan**

RA has a qualified tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees. RA offers all eligible employees working more than 20 hours per week a matching contributory retirement plan. Employees can begin making contributions immediately upon hire and are eligible for an employer matching contribution of up to 5 percent of salary after one year of employment. Plan expenses totaled \$161,752 and \$131,204 for the years ended June 30, 2008 and 2007, respectively.

**Supplementary Information**

**Rainforest Alliance  
Computation of Indirect Rate  
June 30, 2008**

<b>Expense Items</b>	<b>Expenses Per Functional Statement Total</b>	<b>Breakdown of Expenses to Show Overhead Expenses Separately</b>					<b>Grand Total</b>
		<b>Program Expenses</b>	<b>Fundraising Expenses</b>	<b>Mgt &amp; General Expenses</b>	<b>Indirect Expenses</b>		
Salaries and benefits	\$ 11,532,933	\$ 8,470,986	\$ 681,662	\$ 112,727	\$ 2,267,558	\$ 11,532,933	
Sub-grants	2,370,928	2,213,025	-	-	157,903	2,370,928	
Consultants	2,811,527	2,276,689	32,362	207	502,269	2,811,527	
Telephone	251,631	172,240	3,702	3,299	72,390	251,631	
Printing	208,578	145,669	62,091	-	818	208,578	
Postage/shipping	303,530	181,269	101,578	836	19,847	303,530	
Office supplies	146,138	101,202	3,850	881	40,205	146,138	
Office equipment	326,200	187,202	13,308	-	125,690	326,200	
Certification	3,169,895	3,142,111	1,257	-	26,527	3,169,895	
Occupancy	1,048,946	422,224	601	10	626,111	1,048,946	
Travel	2,119,344	1,729,645	25,624	10,153	353,922	2,119,344	
Workshops	538,735	509,103	2,003	44	27,585	538,735	
Other office expenses	873,916	607,906	62,760	20,190	183,060	873,916	
Depreciation	50,974	-	9,628	-	41,346	50,974	
Tax expense	183,398	183,398	-	-	-	183,398	
Total	<u>\$ 25,936,673</u>	<u>\$ 20,342,669</u>	<u>\$ 1,000,426</u>	<u>\$ 148,347</u>	<u>\$ 4,445,231</u>	<u>\$ 25,936,673</u>	
All costs except indirect	\$ 21,491,442						
Indirect expenses	<u>4,445,231</u>	<u>4,207,622</u>	<u>206,925</u>	<u>30,684</u>	<u>4,445,231</u>	<u>-</u>	
Total functional statement	<u>\$ 25,936,673</u>	<u>\$ 24,550,291</u>	<u>\$ 1,207,351</u>	<u>\$ 179,031</u>	<u>\$ -</u>	<u>\$ 25,936,673</u>	

**COMPUTATION OF INDIRECT COST RATE**

Indirect Expenses	<u>\$ 4,445,231</u>
Program expenses	\$ 20,342,669
Fundraising	1,000,426
Mgt & General expenses	<u>148,347</u>
Total direct expenses	<u>\$ 21,491,442</u>
Indirect Cost Rate %	20.68%

See Independent Auditors' Report.

**Rainforest Alliance  
Computation of Fringe Rate  
June 30, 2008**

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<b>Benefit Pool - Expenses</b>		
Medical, Dental and Life Insurance	685,522	
FICA Employer Contribution	412,502	
Pension Plan	161,752	
Unemployment Insurance	35,272	
Workman Compensation Insurance	34,491	
Disability Insurance	30,769	
Leave and Holidays	816,884	
<b>Total Benefit Pool Expenses</b>	<u>2,177,192</u>	Note (1)
<b>Salaries</b>	<u>5,863,083</u>	
<b>Fringe Rate</b>	<b>37.13%</b>	

Note (1) Does not include overseas benefits.



**Rainforest Alliance  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008**

<u>Federal Agency</u>	<u>Direct Grant/ Sub-Grant/ Sub-Contract</u>	<u>Federal CFDA Number</u>	<u>Reference No.</u>	<u>Project Period</u>	<u>Program Title</u>	<u>Total Obligated Amount</u>	<u>Expenditures</u>
<b>Federal Awards</b>							
USFWS	Direct Grant	15.635	NY-N191	08/28/06 to 08/27/08	Sharing Information about Neotropical Migratory Bird Species Conservation Initiatives	\$ 50,000	\$ 28,885
USFWS	Direct Grant	15.640	98210-6-G076	04/03/06 to 09/30/07	Sharing Information through the WHMSI Pathway and Eco-Index	15,000	4,192
USFWS	Direct Grant	15.640	98210-7-G150	05/02/07 to 09/30/08	Raising Public Awareness about Migratory Species Conservation through the Eco-Index and the Western Hemisphere Migratory Species Initiative	15,000	<u>13,174</u>
Total expenditures of United States Fish and Wildlife Service							46,251
USAID	Direct Grant	98.001	524-A-00-06-00008-00	08/02/06 to 07/31/09	Nicaragua Forestry, Agriculture and Tourism Alliance	2,557,415	1,419,883
USAID	Direct Grant	98.001	520-A-00-06-00099-00	09/12/06 to 09/30/09	Forestry Enterprises in Guatemala	1,875,000	832,078
USAID	Direct Grant	98.001	RLA-A-00-07-00001-00	11/20/06 to 09/30/11	Andean Amazon Conservation Initiative	3,340,335	1,026,402
USAID	Subcontract of Fintrac	98.001	EDH-I-00-05-00007-00		Ethopia Agribusiness and Trade Expansion Activity	105,344	<u>59,232</u>
Total expenditures of United States Agency for International Development							<u>3,337,595</u>
United States Forest Service	Direct Grant	10.XXX	08-DG-11132765-151	05/29/08 to 10/01/08	Transforming Management of Mexico's Biodiversity-rich community production forests	95,000	<u>1,725</u>
<b>Total Federal Awards</b>							<b><u>\$ 3,385,571</u></b>

See Independent Auditors' Report.  
See accompanying Notes to Schedule of Expenditures of Federal Awards.

**Rainforest Alliance**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2008**

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**1. General Information**

The accompanying schedule of expenditures of Federal awards presents the activities in all the Federal awards programs of Rainforest Alliance. All Federal awards received directly from Federal agencies as well as Federal awards passed through other governmental agencies or not-for-profit organizations are included on the schedule.

**2. Basis of Accounting**

The accompanying schedule of expenditures of Federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

**3. Relationship to Basic Financial Statements**

Federal program expenditures are generally reported on the statement of functional expenses as program expenses. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the schedule of expenditures of Federal awards due to certain reports being prepared on the cash basis of accounting, capitalization of assets, or expenditures in excess of the contract budgets which are not allowable.



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## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors,  
Rainforest Alliance:

We have audited the financial statements of Rainforest Alliance ("RA") as of and for the year ended June 30, 2008 and have issued our report thereon dated, January 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered RA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RA's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that is misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RA's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of RA in a separate letter dated January 21, 2009.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

January 21, 2009



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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors,  
Rainforest Alliance:

### **Compliance**

We have audited the compliance of Rainforest Alliance ("RA") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. RA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of RA's management. Our responsibility is to express an opinion of RA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the RA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of RA's compliance with those requirements.

In our opinion, RA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.



### **Internal Control Over Compliance**

The management of RA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered RA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RA's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their, assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*WithumSmith+Brown, PC*

January 21, 2009

**Rainforest Alliance  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

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**Section 1 – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major federal programs:

CFDA Number	Name of Program/Grantor
98.001	Nicaragua Forestry, Agriculture and Tourism Alliance
98.001	Forestry Enterprises in Guatemala
98.001	Andean Amazon Conservation Initiative
98.001	Ethopia Agribusiness and Trade Expansion Activity

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Rainforest Alliance  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

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**Section 2 - Financial Statement Findings**

**Finding 08-01: Financial Reporting**

**Condition**

Due to understaffing in the accounting department and the growth of operations, certain general ledger accounts related to the operation of RA's foreign affiliates were not being properly analyzed throughout the year. In addition, there was no indication that the monthly bank reconciliations prepared and submitted by each affiliate office were being reviewed by the New York finance department in order to address and correct any discrepancies timely.

**Effect**

Significant adjustments were needed at year end to update and correct accounts for annual activity which resulted in delays in the audit process.

**Cause**

Strains have been placed on the accounting department due to the increased complexity of accounting matters, volume of data being handled on a daily basis and more rigorous reporting required as a result of auditing standards.

**Recommendation**

All general ledger activity should be updated no less frequently than monthly. Accounts should be reconciled timely and staff should be properly supervised to assure these activities are performed in a timely manner.

**Response**

RA management acknowledges that account analysis was not adequately completed at the time the auditors commenced their work. Management has instituted and is documenting a formal quarterly account analysis process as well as a monthly close procedure.

**Section 3 - Federal Award Findings and Questioned Costs**

No matters were reported.



**Rainforest Alliance**  
**Schedule of Prior Year Audit Findings and Questioned Costs**  
**Year Ended June 30, 2008**

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The following were the findings and questioned costs for the year ended June 30, 2007

**Finding 07-01**

Bank reconciliations were not prepared on a timely basis.

**Current Year Status**

This condition still exists - see current finding 08-01.

**Finding 07-02**

Financial statement activity should be recorded properly and be supported by adequate underlying documentation. Accounts and records should be accurately maintained and properly reconciled on a monthly basis.

**Current Year Status**

This condition still exists - see current finding 08-01.