



**RAINFOREST ALLIANCE, INC.**

**Financial Statements**

**June 30, 2014 and 2013**

**With Independent Auditors' Report**

**Rainforest Alliance, Inc.**  
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**June 30, 2014 and 2013**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rainforest Alliance, Inc., ("RA" or the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Alliance, Inc. as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*WithumSmith+Brown, PC*

October 30, 2014

**Rainforest Alliance, Inc.**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	2014	2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 13,118,803	\$ 7,659,946
Grants and contributions receivables	4,225,433	6,758,854
RA Cert and other receivables, net of allowances for doubtful accounts of \$199,316 in 2014 and \$310,600 in 2013	1,200,410	1,806,073
Advances and prepaid expenses	<u>721,602</u>	<u>351,663</u>
Total current assets	19,266,248	16,576,536
Property and equipment, net	978,303	1,108,042
Other assets		
Restricted cash	1,278,295	704,994
Security deposits	356,339	267,682
Investments	<u>1,201,543</u>	<u>1,141,504</u>
Total other assets	<u>2,836,177</u>	<u>2,114,180</u>
	<u>\$ 23,080,728</u>	<u>\$ 19,798,758</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,271,455	\$ 7,669,859
Lease financing provision - current portion	42,650	39,775
Refundable advances	<u>1,527,673</u>	<u>818,373</u>
Total current liabilities	9,841,778	8,528,007
Long term liabilities		
Deferred rent liability	539,989	367,052
Lease financing provision - net of current portion	120,606	163,256
Loan payable	192,300	445,500
Recoverable grant payable	<u>288,450</u>	<u>668,250</u>
Total liabilities	10,983,123	10,172,065
Net assets		
Unrestricted	1,838,800	1,112,657
Temporarily restricted	9,258,805	7,514,036
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>12,097,605</u>	<u>9,626,693</u>
	<u>\$ 23,080,728</u>	<u>\$ 19,798,758</u>

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

**Rainforest Alliance, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2014**  
**(With Summarized Comparative Totals for June 30, 2013)**

	2014			Total 2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenues				
Contributions	\$ 2,245,477	\$ 4,155,532	\$ --	\$ 6,401,009
Foundations and corporate grants	1,317,095	4,169,325	--	5,486,420
Government grants and contracts	15,742,292	144,955	--	15,887,247
Membership dues	216,699	--	--	216,699
Certification fees	12,698,170	--	--	12,698,170
Participation agreement revenue	9,211,887	--	--	9,211,887
Special events - net	1,347,153	--	--	1,347,153
Other income	382,304	145,662	--	527,966
In-kind contributions	519,079	--	--	519,079
Net assets released from restrictions	6,870,705	(6,870,705)	--	--
Total support and revenues	50,550,861	1,744,769	--	52,295,630
Expenses				
Program services				
Sustainable agriculture	8,140,799	--	--	8,140,799
RA Cert	12,504,962	--	--	12,504,962
TREES	11,014,692	--	--	11,014,692
Sustainable tourism	196,802	--	--	196,802
Communications/education	1,412,331	--	--	1,412,331
Climate initiative	2,459,441	--	--	2,459,441
Special projects	1,166,813	--	--	1,166,813
Sustainable finance	348,645	--	--	348,645
Markets transformation	5,438,801	--	--	5,438,801
Total program services	42,683,286	--	--	42,683,286
Support services				
Management and general	4,320,109	--	--	4,320,109
Fundraising	2,821,323	--	--	2,821,323
Total expenses	49,824,718	--	--	49,824,718
Changes in net assets	726,143	1,744,769	--	2,470,912
Net assets, beginning of year	1,112,657	7,514,036	1,000,000	9,626,693
Net assets, end of year	\$ 1,838,800	\$ 9,258,805	\$ 1,000,000	\$ 9,626,693

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

**Rainforest Alliance, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**  
**(With Summarized Comparative Totals for June 30, 2013)**

	2014													2013	
	Program Services									Support Services				Total	Total
	Sustainable Agriculture	RA Cert	TREES	Sustainable Tourism	Communications/ Education	Climate Initiative	Special Projects	Sustainable Finance	Markets Transformation	Total	Management and General	Fund-Raising	Total		
Salaries and benefits	\$ 3,861,838	\$ 6,271,042	\$ 4,056,426	\$ 122,448	\$ 779,115	\$ 1,139,438	\$ 699,352	\$ 209,421	\$ 3,085,625	\$ 20,224,705	\$ 3,326,119	\$ 1,393,428	\$ 4,719,547	\$ 24,944,252	\$ 23,030,539
Sub-grants	1,014,479	--	3,191,676	--	18,600	359,606	--	--	--	4,584,361	--	--	--	4,584,361	2,649,820
Consultants	1,460,144	727,337	1,816,667	32,512	478,617	453,214	218,973	66,178	953,811	6,207,453	127,999	205,025	333,024	6,540,477	6,482,118
Telephone	52,078	97,735	51,469	1,445	4,357	11,379	9,360	1,080	46,846	275,749	34,725	16,665	51,390	327,139	298,670
Printing	48,239	8,201	23,804	107	7,944	6,056	8,166	286	12,874	115,677	313	148,936	149,249	264,926	232,666
Postage/shipping	12,332	17,153	21,454	674	2,823	4,197	1,081	594	21,413	81,721	3,222	296,459	299,681	381,402	361,248
Office supplies	49,147	85,544	92,624	1,126	4,381	21,530	16,391	1,396	24,361	296,500	23,514	9,616	33,130	329,630	343,236
Office equipment	48,698	94,166	192,730	670	6,106	26,104	11,098	1,422	33,524	414,518	24,018	27,540	51,558	466,076	330,622
Certification	40,997	3,775,819	1,615	--	--	--	--	--	--	3,818,431	--	39	39	3,818,470	3,839,458
Occupancy	388,118	421,522	318,856	9,152	50,445	127,171	22,707	11,854	384,863	1,734,688	383,398	212,879	596,277	2,330,965	2,067,374
Travel	695,686	447,976	609,791	22,690	21,597	160,789	99,207	24,940	386,336	2,469,012	6,825	62,827	69,652	2,538,664	2,750,446
Workshops	239,102	86,112	316,754	(62)	7,863	90,995	37,851	7,390	36,031	822,036	1,621	13,523	15,144	837,180	744,315
Other office expenses	212,181	418,006	193,975	5,596	25,048	42,601	40,892	23,186	233,352	1,194,837	32,894	232,194	265,088	1,459,925	1,889,556
Depreciation	16,268	23,164	37,691	354	5,307	14,921	1,720	846	16,999	117,270	21,099	23,647	44,746	162,016	100,251
Foreign tax expense	1,500	78,794	3,569	74	128	1,440	15	52	5,020	90,592	1,783	496	2,279	92,871	75,034
Bad debt expense (recovery)	(8)	(47,609)	85,591	16	--	--	--	--	197,746	235,736	(8,451)	--	(8,451)	227,285	212,373
	<u>8,140,799</u>	<u>12,504,962</u>	<u>11,014,692</u>	<u>196,802</u>	<u>1,412,331</u>	<u>2,459,441</u>	<u>1,166,813</u>	<u>348,645</u>	<u>5,438,801</u>	<u>42,683,286</u>	<u>3,979,079</u>	<u>2,643,274</u>	<u>6,622,353</u>	<u>49,305,639</u>	<u>45,407,726</u>
In-Kind services and supplies	--	--	--	--	--	--	--	--	--	--	341,030	178,049	519,079	519,079	523,411
	<u>\$ 8,140,799</u>	<u>\$ 12,504,962</u>	<u>\$ 11,014,692</u>	<u>\$ 196,802</u>	<u>\$ 1,412,331</u>	<u>\$ 2,459,441</u>	<u>\$ 1,166,813</u>	<u>\$ 348,645</u>	<u>\$ 5,438,801</u>	<u>\$ 42,683,286</u>	<u>\$ 4,320,109</u>	<u>\$ 2,821,323</u>	<u>\$ 7,141,432</u>	<u>\$ 49,824,718</u>	<u>\$ 45,931,137</u>

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

**Rainforest Alliance, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 2,470,912	\$ 682,513
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	162,016	100,251
Bad debt expense	227,285	212,373
Realized (gain) loss on sale of investments	(80)	403
Unrealized gains on investments	(30,081)	(3,084)
Loss on disposal of property and equipment	11,949	29,466
Forgiveness of indebtedness	(633,000)	(573,000)
Changes in assets and liabilities		
Grants and contributions receivable	2,533,421	(2,624,381)
RA Cert and other receivables	378,378	(273,868)
Advances and prepaid expenses	(369,939)	105,669
Accounts payable and accrued expenses	601,596	442,423
Refundable advances	709,300	81,322
Deferred rent liability	172,937	349,279
Net cash provided (used) by operating activities	<u>6,234,694</u>	<u>(1,470,634)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(58,919)	(911,994)
Proceeds from sale of property and equipment	14,693	5,000
Change in security deposits	(88,657)	180,895
Purchase of investments and reinvested income	(186,831)	(163,696)
Proceeds from sale of investments	156,953	156,953
Net cash used by investing activities	<u>(162,761)</u>	<u>(732,842)</u>
<b>Cash flows from financing activities</b>		
Change in restricted cash	(573,301)	(704,994)
Payments on lease financing provision	(39,775)	(18,871)
Net cash used by financing activities	<u>(613,076)</u>	<u>(723,865)</u>
Net change in cash and cash equivalents	5,458,857	(2,927,341)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>7,659,946</u>	<u>10,587,287</u>
End of year	<u>\$ 13,118,803</u>	<u>\$ 7,659,946</u>
<b>Supplemental disclosure of cash flow information</b>		
Foreign taxes paid	<u>\$ 114,688</u>	<u>\$ 124,555</u>
Non-cash investing and financing activity		
Issuance of lease financing provision to finance improvements	<u>\$ --</u>	<u>\$ 221,902</u>

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



**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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**1. Organization and Nature of Activities**

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

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

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

The net assets of RA are reported as follows:

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

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

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

**Revenue and Support Recognition**

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

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

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

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

**Estimates**

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

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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**Cash Equivalents**

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

**Property and Equipment**

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

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

**Receivables and Credit Policies**

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

**Donated Goods and Services**

RA receives donated services. RA recognizes the value of volunteer support in accordance with generally accepted accounting principles, however the value of volunteer support was not significant for the years ended June 30, 2014 and 2013. RA recognizes goods and services provided which have an ascertainable value and are an integral part of RA's program services.

**Allocation of Expenses**

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

**Prior Year Summarized Comparative Information**

Information as of and for the year ended June 30, 2013, is presented for comparative purposes only. Certain activity by net asset classification in the statement of activities and changes in net assets and statement of functional expenses is not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with RA's financial statements as of and for the year ended June 30, 2013, from which the summarized comparative information was derived.

**Income Taxes**

RA is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and no provision for such income tax has been reflected in the accompanying financial statements. RA has evaluated uncertain tax positions with respect to its U.S. operations and concluded there are no such positions at June 30, 2014 and 2013. There are no open tax years prior to June 30, 2011. RA has operations in other countries and is subject to the laws and regulations of those countries. RA did not recognize any tax related interest or penalties during the period in question.

**Valuation of Long-Lived Assets**

In accordance with the provisions of the pronouncement on accounting for the impairment or disposal of long-lived assets, RA reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. RA has determined that no assessment was required for the periods presented in these financial statements.

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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**Fair Value of Financial Instruments**

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

**Investments**

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

**Economic Dependency**

During the years ended June 30, 2014 and 2013, 21.18 and 12.17 percent, respectively of RA's total support and revenues were received from the United States Agency for International Development.

**Translation of Foreign Currencies**

The foreign operations of RA occur in functional currencies other than the U.S. dollar. The revenues and expenses occurring in foreign currencies are translated into U.S. dollars using an average monthly rate of exchange. Assets and liabilities are translated using the rate of exchange at the statement of financial position date. The related translation adjustments of approximately \$(51,000) and \$(28,000) at June 30, 2014 and 2013, respectively, are included in changes in net assets.

**Reclassification**

Certain amounts in the 2013 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2014 financial statements. These reclassifications had no effect on previously reported net assets.

**3. Investments**

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

	2014		2013	
	Cost	Market	Cost	Market
Money funds	\$ 227,386	\$ 264,224	\$ 229,199	\$ 230,210
Government bonds	--	--	14,428	14,428
Corporate bonds	858,276	898,575	858,276	871,546
Other investments	38,747	38,744	25,320	25,320
	<u>\$ 1,124,409</u>	<u>\$ 1,201,543</u>	<u>\$ 1,127,223</u>	<u>\$ 1,141,504</u>

Investment income related to these investments and interest earned on cash accounts is included in other income in the statement of activities and changes in net assets at June 30, 2014 and 2013 and was comprised of the following:

	2014	2013
Unrealized gains	\$ 30,081	\$ 3,084
Realized gain (loss)	80	(403)
Interest income	39,862	38,996
	<u>\$ 70,023</u>	<u>\$ 41,677</u>

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**4. Fair Value Measurements**

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

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

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

The following table summarizes assets which have been accounted for at fair value on a recurring basis along with the basis of the determination of fair value as of June 30, 2014 and 2013:

	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)
	June 30, 2014			June 30, 2013		
Money funds	\$ 264,224	\$ 264,224	\$ --	\$ 230,210	\$ 230,210	\$ --
Government bonds	--	--	--	14,428	--	14,428
Corporate bonds						
AA rating	53,716	53,716	--	52,812	52,812	--
A+ rating	52,200	52,200	--	52,382	52,382	--
A rating	103,895	103,895	--	102,882	102,882	--
A- rating	51,731	51,731	--	--	--	--
BB rating	51,500	51,500	--	49,875	49,875	--
BB+ rating	51,750	51,750	--	50,250	50,250	--
BBB+ rating	108,181	108,181	--	153,898	153,898	--
BBB rating	264,869	264,869	--	153,297	153,297	--
BBB- rating	160,733	160,733	--	256,150	256,150	--
Other investments	38,744	--	38,744	25,320	--	25,320
	<u>\$ 1,201,543</u>	<u>\$ 1,162,799</u>	<u>\$ 38,744</u>	<u>\$ 1,141,504</u>	<u>\$ 1,101,756</u>	<u>\$ 39,748</u>

**5. Property and Equipment**

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

	2014	2013
Furniture and equipment	\$ 482,659	486,505
Leasehold improvements	<u>804,863</u>	<u>808,702</u>
	1,287,522	1,295,207
Less: Accumulated depreciation	<u>309,219</u>	<u>187,165</u>
	<u>\$ 978,303</u>	<u>\$ 1,108,042</u>

**Rainforest Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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Depreciation expense amounted to \$162,016 and \$100,251 for the years ended June 30, 2014 and 2013, respectively.

**6. Restricted Cash**

The Organization is required to maintain a dedicated operating reserve in accordance with the recoverable grant agreement and the loan (see Note 7). Restricted cash amounted to \$1,278,295 and \$704,994 as of June 30, 2014 and 2013, respectively.

**7. Long-Term Debt**

In July 1998, RA was awarded a recoverable grant of \$1,500,000 to fund certain RA Cert program activities. Grant repayments were tied to cash flows from operations from funded activities which began in 2004. During December 2011 a new agreement was established between RA and the grantor that became effective for the fiscal year ended June 30, 2011 that allowed for annual partial forgiveness of the recoverable grant under certain conditions. For the years ended June 30, 2014 and 2013, RA complied with the terms of these conditions and recorded \$379,800 and \$343,800, respectively, of forgiveness of the recoverable grant in foundation and corporate grant income in the statement of activities and changes in net assets. The balance under this recoverable grant at June 30, 2014 and 2013 was \$288,450 and \$668,250, respectively.

In April 1999, RA received an interest-free loan of \$1,000,000 for the same RA Cert program activities. During December 2011 a new agreement was agreed to by the lender, which allowed for annual partial forgiveness of the loan under certain conditions. For the years ended June 30, 2014 and 2013, RA complied with the terms of these conditions and recorded \$253,200 and \$229,200, respectively, of forgiveness of the loan in foundation and corporate grant income in the statement of activities and changes in net assets. The balance due under this loan payable at June 30, 2014 and 2013 was \$192,300 and \$445,500, respectively.

**8. In-Kind Contributions**

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

	<b>2014</b>	<b>2013</b>
Legal services	\$ 325,406	\$ 313,579
Annual gala services	178,049	173,635
Imputed interest	<u>15,624</u>	<u>36,197</u>
	<u>\$ 519,079</u>	<u>\$ 523,411</u>

The contribution (imputed interest) inherent in the interest-free loans has been recorded at fair value, based on an imputed interest rate of 3.25 percent for each of the fiscal years ended June 30, 2014 and 2013, which is the average prime rate of the fiscal year.

**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. The Organization made matching contributions totaling approximately \$400,000 and \$330,000 for the years ended June 30, 2014 and 2013, respectively.

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

Financial instruments, which potentially subject RA to concentrations of credit risk, consist of cash, investments in foreign banks, investments, receivables and foreign currency risk. As of June 30, 2014 and 2013, RA had approximately \$3,161,000 and \$2,019,000, respectively, in foreign banks which are not insured by the FDIC or any Federal or State agency. Management monitors the soundness of these institutions and has not experienced any losses. Investments are placed in high credit quality financial instruments. Although subject to market fluctuation, this investment policy somewhat limits RA's exposure to concentrations of credit risk.

RA has a long standing history of collecting its receivables which are from corporations, foundations and governmental agencies throughout the world. This limits RA's exposure to credit risk.

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

**11. Commitments and Contingencies**

*Operating Leases*

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

<b>Year</b>	<b>Amount</b>
2015	\$ 1,431,000
2016	1,216,000
2017	1,144,000
2018	1,052,000
2019	1,078,000
Thereafter	<u>4,540,000</u>
	<u>\$ 10,461,000</u>

Rent expense for the above leases totaled approximately \$2,000,000 and \$1,705,000, for the years ended June 30, 2014 and 2013, respectively, which is included in occupancy expense in the statement of functional expenses. Annual rent expenses paid under the leases include the basic rent plus charges for common area management costs and real estate tax escalation charges.

*Lease Financing Provision*

RA signed a lease agreement on June 11, 2012 whereby the landlord agreed to perform alterations on the premises. The lease provides that the cost of alterations is to be paid as additional rent with \$221,902 as the financed portion, with a stated rate of interest of 7 percent for 60 months with monthly payments of principal and interest of \$4,394. As of June 30, 2014 and 2013 the outstanding balance of the financed portion was \$163,256 and \$203,031, respectively.

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Future minimum principal payments are as follows at June 30:

Year	Amount
2015	\$ 42,650
2016	45,733
2017	49,039
2018	25,834
	<u>\$ 163,256</u>

*General Litigation*

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

**12. Net Assets**

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

	2014	2013
Sustainable Forestry	\$ 262,231	\$ 114,996
Sustainable Agriculture	1,045,092	1,900,976
Sustainable Tourism	95,332	81,840
Climate Change	151,267	79,937
Education	12,901	17,459
Communications	4,780	11,324
Special Projects	702,563	363,942
Development Campaign	6,724,936	4,854,070
Charitable Trusts	32,422	29,492
Markets	227,281	--
Operations	--	60,000
	<u>\$ 9,258,805</u>	<u>\$ 7,514,036</u>

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

	2014	2013
Sustainable Forestry	\$ 564,708	\$ 396,688
Sustainable Agriculture	4,027,825	5,913,360
Sustainable Tourism	129,653	250,897
Climate Change	137,330	247,255
Education	58,090	185,078
Communications	85,036	47,057
Special Projects	495,940	569,782
Development Campaign	1,289,404	2,394,004
Markets	22,719	--
Operations	60,000	--
	<u>\$ 6,870,705</u>	<u>\$ 10,004,121</u>

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**13. Endowment Funds**

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

**Interpretation of Relevant Law**

Under the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a charitable organization can only spend amounts of an endowment funds above "historic dollar value" that it deems to be prudent. With respect to its existing endowment fund, RA has followed the donor instrument in classifying as permanently restricted net assets at the original value of the gift donated to the permanent endowment. Investment earnings on the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RA pursuant to its obligations under the agreement with the donor and applicable law. RA conducts an annual analysis of the endowment fund with respect to:

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

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

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2014 and 2013:

	2014			2013		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 68,061	\$ 1,000,000	\$ 1,068,061	\$ 54,695	\$ 1,000,000	\$ 1,054,695
Contributions received	--	--	--	--	--	--
Expenditures	(4,620)	--	(4,620)	(23,843)	--	(23,843)
Investment return						
Investment income	34,657	--	34,657	36,352	--	36,352
Unrealized gains	27,029	--	27,029	857	--	857
	<u>61,686</u>	<u>--</u>	<u>61,686</u>	<u>37,209</u>	<u>--</u>	<u>37,209</u>
Endowment assets end of year	<u>\$ 125,127</u>	<u>\$ 1,000,000</u>	<u>\$ 1,125,127</u>	<u>\$ 68,061</u>	<u>\$ 1,000,000</u>	<u>\$ 1,068,061</u>
Permanently restricted net assets Required to be maintained in perpetuity		<u>\$ 1,000,000</u>			<u>\$ 1,000,000</u>	

RA invests the endowment funds in a separate investment account. Investment balances as of June 30, 2014 and 2013 were \$1,153,589 and \$1,091,903, respectively. Temporarily restricted funds released from restriction in the current year are transferred from the investment account in subsequent years in accordance with RA's spending policy.



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**14. Subsequent Events**

RA has evaluated subsequent events occurring after the statement of financial position date through the date of October 30, 2014, which is the date the financial statements were available for release. Based upon this evaluation, RA has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.