



RAINFOREST ALLIANCE, INC.

Financial Statements

June 30, 2011 and 2010

With Independent Auditors' Reports

Rainforest Alliance, Inc.
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June 30, 2011 and 2010

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Rainforest Alliance, Inc., ("RA") as of June 30, 2011, 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 RA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from RA's 2010 financial statements and, in our report dated January 20, 2011 we expressed an unqualified opinion on those financial statements.

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 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 financial statements referred to above present fairly, in all material respects, the financial position of RA as of June 30, 2011 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.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

December 19, 2011

Rainforest Alliance, Inc.
Statement of Financial Position
June 30, 2011
(With Comparative Summarized Totals for June 30, 2010)

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 10,376,656	\$ 7,864,781
Grants and contributions receivables	2,550,425	3,294,437
SmartWood and other receivables, net of allowances for doubtful accounts of \$274,075 in 2011 and \$474,982 in 2010	1,576,423	595,037
Advances and prepaid expenses	<u>1,065,853</u>	<u>461,613</u>
Total current assets	15,569,357	12,215,868
Security deposits	186,338	186,338
Investments	1,108,972	1,106,395
Property and equipment, net	<u>148,448</u>	<u>188,453</u>
	<u>\$ 17,013,115</u>	<u>\$ 13,697,054</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,700,489	\$ 4,988,786
Refundable advances	1,650,405	1,285,673
Deferred rent liability	57,470	41,621
Current portion of loan payable	--	84,000
Current portion of recoverable grant payable	<u>--</u>	<u>126,000</u>
Total current liabilities	8,408,364	6,526,080
Long term liabilities		
Loan payable, net of current portion	872,700	872,700
Recoverable grant payable, net of current portion	1,309,050	1,309,050
Deferred rent liability	<u>14,692</u>	<u>72,161</u>
Total liabilities	10,604,806	8,779,991
Net assets (deficiency)		
Unrestricted	(543,505)	(1,121,944)
Temporarily restricted	5,951,814	5,039,007
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>6,408,309</u>	<u>4,917,063</u>
	<u>\$ 17,013,115</u>	<u>\$ 13,697,054</u>

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

Rainforest Alliance, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011
(With Summarized Comparative Totals for June 30, 2010)

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenues					
Contributions	\$ 1,425,390	\$ 2,476,926	\$ --	\$ 3,902,316	\$ 2,886,809
Foundations and corporate grants	435,577	6,757,463	--	7,193,040	7,009,877
Government grants and contracts	10,268,204	544,685	--	10,812,889	10,409,729
Membership dues	692,979	--	--	692,979	665,816
Certification fees	13,174,330	17,373	--	13,191,703	11,545,988
Participation agreement revenue	1,011,977	--	--	1,011,977	--
Special events - net	1,314,236	--	--	1,314,236	1,231,132
Other income	184,847	57,488	--	242,335	609,017
In-kind contributions	1,050,707	--	--	1,050,707	1,267,922
Net assets released from restrictions	<u>8,941,128</u>	<u>(8,941,128)</u>	<u>--</u>	<u>--</u>	<u>--</u>
	38,499,375	912,807	--	39,412,182	35,626,290
Expenses					
Program services					
Sustainable agriculture	11,927,457	--	--	11,927,457	10,934,505
SmartWood	11,257,411	--	--	11,257,411	10,814,031
TREES	6,333,325	--	--	6,333,325	4,658,114
Sustainable tourism	2,460,659	--	--	2,460,659	2,420,959
Communications/education	1,213,989	--	--	1,213,989	2,148,427
Climate Initiative	664,014	--	--	664,014	475,819
Special projects	<u>1,088,725</u>	<u>--</u>	<u>--</u>	<u>1,088,725</u>	<u>1,108,467</u>
	34,945,580	--	--	34,945,580	32,560,322
Management and general	360,369	--	--	360,369	302,330
Fundraising	<u>2,614,987</u>	<u>--</u>	<u>--</u>	<u>2,614,987</u>	<u>2,356,992</u>
	<u>37,920,936</u>	<u>--</u>	<u>--</u>	<u>37,920,936</u>	<u>35,219,644</u>
Change in net assets	578,439	912,807	--	1,491,246	406,646
Net assets (deficiency), beginning of year	<u>(1,121,944)</u>	<u>5,039,007</u>	<u>1,000,000</u>	<u>4,917,063</u>	<u>4,510,417</u>
Net assets (deficiency), end of year	<u>\$ (543,505)</u>	<u>\$ 5,951,814</u>	<u>\$ 1,000,000</u>	<u>\$ 6,408,309</u>	<u>\$ 4,917,063</u>

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

Rainforest Alliance, Inc.
Statement of Functional Expenses
Year Ended June 30, 2011
(With Summarized Comparative Totals for June 30, 2010)

	Program Services							Support Services			2011 Grand Total	2010	
	Sustainable Agriculture	SmartWood	TREES	Sustainable Tourism	Communications/ Education	Climate Initiative	Special Projects	Total	Management and General	Fund- Raising			Total
Salaries and benefits	\$ 4,600,569	\$ 5,245,122	\$ 2,920,438	\$ 1,266,487	\$ 894,221	\$ 353,633	\$ 643,124	\$ 15,923,594	\$ 245,053	\$ 1,011,149	\$ 1,256,202	\$ 17,179,796	\$ 13,483,752
Sub-grants	1,967,314	--	656,411	28,820	42,156	24,250	33,927	2,752,878	--	--	--	2,752,878	2,233,812
Consultants	2,190,912	916,980	1,095,643	473,804	(21,745)	127,302	203,160	4,986,056	10,277	92,926	103,203	5,089,259	6,487,250
Telephone	62,929	112,487	72,627	30,380	7,973	5,803	11,836	304,035	10,714	13,438	24,152	328,187	332,450
Printing	23,807	8,397	17,163	14,536	29,482	279	6,673	100,337	5	124,944	124,949	225,286	212,009
Postage/shipping	34,525	14,957	12,823	12,296	7,756	639	7,819	90,815	472	244,779	245,251	336,066	311,896
Office supplies	56,430	61,502	95,561	22,050	8,816	2,460	18,243	265,062	327	4,919	5,246	270,308	223,656
Office equipment	32,056	63,770	83,063	17,198	2,132	3,225	2,408	203,852	131	7,155	7,286	211,138	283,772
Certification	962,286	3,473,520	5,904	--	--	12,577	--	4,454,287	--	--	--	4,454,287	4,119,769
Occupancy	402,244	328,371	236,430	101,317	103,168	26,607	45,516	1,243,653	60,602	296,751	357,353	1,601,006	1,536,664
Travel	862,367	376,906	649,823	291,082	42,971	69,196	73,643	2,365,988	16,462	83,109	99,571	2,465,559	2,370,443
Workshops	135,763	68,093	234,937	51,908	17,110	15,422	4,257	527,490	1,110	2,869	3,979	531,469	584,150
Other office expenses	335,589	281,569	110,251	127,660	70,519	9,507	17,719	952,814	9,388	184,331	193,719	1,146,533	1,269,372
Depreciation	3,220	3,034	27,015	667	330	178	292	34,736	97	5,172	5,269	40,005	31,587
Tax expense	4,329	75,998	464	126	62	364	55	81,398	18	107	125	81,523	92,002
Bad debt expense	95,655	61,272	--	--	--	--	--	156,927	--	--	--	156,927	379,138
	11,769,995	11,091,978	6,218,553	2,438,331	1,204,951	651,442	1,068,672	34,443,922	354,656	2,071,649	2,426,305	36,870,227	33,951,722
In-Kind services and supplies	157,462	165,433	114,772	22,328	9,038	12,572	20,053	501,658	5,713	543,338	549,051	1,050,709	1,267,922
	<u>\$ 11,927,457</u>	<u>\$ 11,257,411</u>	<u>\$ 6,333,325</u>	<u>\$ 2,460,659</u>	<u>\$ 1,213,989</u>	<u>\$ 664,014</u>	<u>\$ 1,088,725</u>	<u>\$ 34,945,580</u>	<u>\$ 360,369</u>	<u>\$ 2,614,987</u>	<u>\$ 2,975,356</u>	<u>\$ 37,920,936</u>	<u>\$ 35,219,644</u>

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

Rainforest Alliance, Inc.
Statement of Cash Flow
Years Ended June 30, 2011
(With Summarized Comparative Totals for June 30, 2010)

	2011	2010
Cash flows from operating activities		
Changes in net assets	\$ 1,491,246	\$ 406,646
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	40,005	31,587
Change in net present value	(1,650)	--
Bad debt expense	156,927	379,138
Realized and unrealized losses (gains)	26,347	(11,899)
Forgiveness of indebtedness	(210,000)	--
Changes in assets and liabilities		
Grants and contributions receivable	744,012	(1,102,608)
SmartWood and other receivables	(1,138,313)	1,558,087
Advances and prepaid expenses	(604,240)	(155,864)
Accounts payable and accrued expenses	1,711,703	1,000,582
Refundable advances	364,732	1,285,673
Deferred rent liability	(41,620)	(22,899)
Net cash provided by operating activities	<u>2,539,149</u>	<u>3,368,443</u>
Cash flows from investing activities		
Purchases of property and equipment	--	(78,104)
Purchase of investments	(27,274)	(29,819)
Net cash used by investing activities	<u>(27,274)</u>	<u>(107,923)</u>
Net change in cash and cash equivalents	2,511,875	3,260,520
Cash and cash equivalents		
Beginning of year	<u>7,864,781</u>	<u>4,604,261</u>
End of year	<u>\$ 10,376,656</u>	<u>\$ 7,864,781</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ --	\$ --
Foreign taxes paid	\$ 81,523	\$ 38,801

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

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

1. Organization and Nature of Activities

The Rainforest Alliance, Inc. ("RA") 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 governmental grants, 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/contracts.

Unrestricted revenue is 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. Accounts receivable has 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, 2011 and 2010

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 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:

Description	Estimated Life (Years)
Furniture and equipment	10
Software	5
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 uncollectible accounts.

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, 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, 2010, 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, 2010, 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, 2011 and 2010. There are no open tax years prior to June 30, 2008. 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.

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. These reclassifications had no effect on net assets.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, grants and contracts, contributions and other receivables, accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments. Loans approximate their fair value due to the maturity date.

Investments

Investments, primarily consisting of money funds, government bonds and certificates of deposit, 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, 2011 and 2010, 10.80 and 10.59 percent, respectively of RA's total support and revenues were received from the United States Agency for International Development.

Advertising Expense

Advertising costs are charged to activities as incurred. Advertising expense amounted to approximately \$53,000 and \$72,000 for the years ended June 30, 2011 and 2010, respectively.

Translation of Foreign Currencies

The foreign operations of the 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 \$99,587 are included in changes in net assets.

3. Investments

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

	2011		2010	
	Cost	Market	Cost	Market
Money funds	\$ 110,722	\$ 110,722	\$ 258,985	\$ 258,985
Government bonds	15,300	15,626	14,601	41,406
Corporate bonds	502,844	488,345	--	--
Certificate of deposits	457,335	459,936	791,000	806,004
Other investments	33,600	34,343	--	--
	<u>\$ 1,119,801</u>	<u>\$ 1,108,972</u>	<u>\$ 1,064,586</u>	<u>\$ 1,106,395</u>

Investment income related to these investments and interest earned on cash accounts and is included in other income in the statement of activities and changes in net assets at June 30, 2011 and 2010 and was comprised of the following:

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

	2011	2010
Unrealized (gain) loss	\$ (26,931)	\$ 11,899
Realized gains	584	25
Interest income	<u>15,160</u>	<u>39,855</u>
	<u>\$ (11,187)</u>	<u>\$ 51,779</u>

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, 2011:

	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)
	<u>June 30, 2011</u>			<u>June 30, 2010</u>		
Money funds	\$ 110,722	\$ 110,722	\$ --	\$ 258,985	\$ 258,985	\$ --
Government bonds	15,626	--	15,626	41,406	--	41,406
Corporate bonds						
AA rating	49,136	49,136	--	--	--	--
A+ rating	50,306	50,306	--	--	--	--
A rating	96,441	96,441	--	--	--	--
BBB+ rating	97,803	97,803	--	--	--	--
BBB rating	144,977	144,977	--	--	--	--
BBB- rating	49,682	49,682	--	--	--	--
Certificate of deposits	459,936	--	459,936	806,004	--	806,004
Other investments	<u>34,343</u>	<u>--</u>	<u>34,343</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,108,972</u>	<u>\$ 599,067</u>	<u>\$ 509,905</u>	<u>\$ 1,106,395</u>	<u>\$ 258,985</u>	<u>\$ 847,410</u>

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

5. Property and Equipment

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

	2011	2010
Furniture and equipment	\$ 608,948	\$ 608,948
Software	132,506	132,506
Leasehold improvements	<u>60,275</u>	<u>60,275</u>
	801,729	801,729
Less: Accumulated depreciation	<u>653,281</u>	<u>613,276</u>
	<u>\$ 148,448</u>	<u>\$ 188,453</u>

Depreciation expense amounted to \$40,005 and \$31,587 for the years ended June 30, 2011 and 2010, respectively.

6. Long-Term Debt

In July 1998, RA was awarded a recoverable grant of \$1,500,000 to fund certain SmartWood 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 was effective for the fiscal year ended June 30, 2011, that allowed for annual partial forgiveness of the recoverable grant under certain conditions. During 2011, RA complied with the terms of these conditions and recorded \$126,000 of forgiveness of the recoverable grant in other income in the statement of activities and changes in net assets. The balance under this recoverable grant at June 30, 2011 and 2010 was \$1,309,050 and \$1,435,050, respectively.

In April 1999, RA received an interest-free loan of \$1,000,000 for the same SmartWood program activities. During December 2011 and was effective for the fiscal year ended June 30, 2011, a new agreement was agreed to by the lender, which allowed for annual partial forgiveness of the loan under certain conditions. During 2011, RA complied with the terms of these conditions and recorded \$84,000 of forgiveness of the loan in other income in the statement of activities and changes in net assets. The balance due under this loan payable at June 30, 2011 and 2010 was \$872,700 and \$956,700, respectively.

7. In-Kind Contributions

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

	2011	2010
Legal services	\$ 762,401	\$ 842,485
Annual gala services	214,669	335,745
Imputed interest	<u>73,637</u>	<u>89,692</u>
	<u>\$ 1,050,707</u>	<u>\$ 1,267,922</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 and 4.00 percent for fiscal years ended June 30, 2011 and 2010, respectively, which is the average prime rate of the fiscal year.

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

8. 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 approximately \$254,000 and \$222,000 for the years ended June 30, 2011 and 2010, respectively.

9. Concentration of Credit Risk and Foreign Currency Risk

Financial instruments, which potentially subject RA to concentrations of credit risk, consist of cash, investments in foreign banks, investments and receivables. As of June 30, 2011, RA had approximately \$3,009,000 and \$1,361,000, 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 certificates of deposits and other high credit quality financial investments. 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 entity does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The assets and liabilities held in other foreign currencies include cash, severance and payroll liabilities.

10. Commitments

RA leases office space in New York and in other locations under leases that expire through February 2015. The building lease provides for minimum annual rentals, real estate taxes and other costs. RA also has entered into leases for several foreign offices as well. The commitment of rent under these lease agreements for the next five years and in the aggregate is as follows:

Year	Amount
2012	\$ 853,716
2013	194,727
2014	11,769
2015	<u>8,103</u>
	<u>\$ 1,068,315</u>

Rent expense for the above leases totaled approximately \$1,271,000 and \$1,177,000, for the years ended June 30, 2011 and 2010, 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.

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11. Net Assets

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

	2011	2010
Sustainable Forestry	\$ 501,823	\$ 933,277
Sustainable Agriculture	3,066,219	1,787,020
Sustainable Tourism	32,372	48,932
Climate Change	149,790	318,982
Education	101,214	110,798
Communications	16,967	189,195
Special Projects	93,216	210,158
Development Campaign	1,943,435	1,363,591
Charitable Trusts	46,778	46,778
Operations	--	30,276
	<u>\$ 5,951,814</u>	<u>\$ 5,039,007</u>

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

	2011	2010
Sustainable Forestry	\$ 1,257,827	\$ 2,195,333
Sustainable Agriculture	5,520,825	4,484,673
Sustainable Tourism	476,458	1,190,290
Climate Change	499,865	428,985
Education	317,536	297,537
Communications	222,734	1,183,252
Special Projects	415,607	360,693
Development Campaign	200,000	86,500
Operations	30,276	--
	<u>\$ 8,941,128</u>	<u>\$ 10,227,263</u>

12. 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 Not-For-Profit Corporation Law, a charitable organization can only spend amounts of an endowment fund 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.

RA has followed the donor instrument in classifying as permanently restricted, with respect to its existing endowment fund, net assets at the original value of the gift donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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:

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- (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, 2011 and 2010:

	2011			2010		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 64,395	\$ 1,000,000	\$ 1,064,395	\$ 39,231	\$ 1,000,000	\$ 1,039,231
Contributions received	--	--	--	--	--	--
Investment return						
Investment income	21,095	--	21,095	29,190	--	29,190
Unrealized loss	(26,724)	--	(26,724)	(4,026)	--	(4,026)
	<u>(5,629)</u>	<u>--</u>	<u>(5,629)</u>	<u>25,164</u>	<u>--</u>	<u>25,164</u>
Endowment assets end of year	<u>\$ 58,766</u>	<u>\$ 1,000,000</u>	<u>\$ 1,058,766</u>	<u>\$ 64,395</u>	<u>\$ 1,000,000</u>	<u>\$ 1,064,395</u>
Permanently restricted net assets						
Required to be maintained in perpetuity		<u>\$ 1,000,000</u>			<u>\$ 1,000,000</u>	

13. Subsequent Events

RA has evaluated subsequent events occurring after the statement of financial position date through the date of December 19, 2011, which is the date the financial statements were available for release. Based upon this evaluation, RA has determined that no additional subsequent events have occurred, which require adjustment to or disclosure in the financial statements.